

OFFICE OF PRICE ADMINISTRATION  
WASHINGTON 25, D. C.

CHESTER BOWLES  
ADMINISTRATOR

April 22, 1944

Mr. Marriner S. Eccles  
Chairman  
Board of Governors  
Federal Reserve System  
Washington, D. C.

Dear Marriner:

I am enclosing a couple of speeches  
on which I am anxious to get your comments.

Anyone takes his life in his hands  
these days when he discusses such controversial  
subjects. I do it with great humility and they cover  
my own ideas on some of the problems which we will  
face.

I will look forward to seeing you  
on May 11th at lunch.

My best personal regards.

Sincerely,



Chester Bowles  
Administrator

Attachments (2)

OFFICE OF PRICE ADMINISTRATION

Highlights from talk by Price Administrator Chester Bowles to National Better Business Bureaus, Chicago, April 25, 1944

During the past two and one-half years of all-out war we have seen what American business men, American industrial workers, and American farmers can accomplish when they are given a clear road, a green light and the incentive to produce at top speed.

But we can also remember back to the days of 1932 when our economy was coughing along on one cylinder, with 15 million unemployed, with 85 percent of our industry operating either at a loss or on a break-even basis, with widespread economic privation both on our farms and in our cities ...

How about our economic future after the war? Will we again face unemployment and insecurity for our workers, losses and bankruptcies for our farmers and our business men, a hopeless struggle against inflated post-war prices? ...

The answers to these questions, it seems to me, depends on two broad developments. First, our ability after this war to develop a well planned government program, fully endorsed by all economic groups in our economy, which will eliminate the wild fluctuations of the business cycle and help to insure a high and sustained level of business activity and national income.

Second, the ability and willingness of our industrial leaders to work closely with labor and with our farmers on a program which will bring to the consuming public the highest quality goods at the lowest possible prices and in the greatest possible volume.

Most emphatically, I am not suggesting a government that competes with industry, a government that minutely regulates all our business operations. I am thinking of a government that stimulates, encourages, and supports free enterprise. I am thinking, in a word, of government that underwrites a high and expanding level of business activity, a high and rising level of the national income ...

Regardless of the government's ability to maintain a high level of purchasing power, free enterprise may still fumble the ball if it does not meet our peacetime economic issues squarely ... Business must do everything within its powers to provide goods at the lowest possible prices and the highest possible values. In other words, business, for its own profit and for the fullest development of our economy, must persist in a pricing policy which will produce the greatest possible volume of goods.

When the war is over, we will have at our command the greatest and most efficient industrial machine the world has ever seen. We will have the best skilled labor force in history and the best management brains anywhere in the world. With these great blessings, we can produce a standard of living far higher than anything we knew before the war ...

The formula, I believe, is reasonably clear and simple. An enlightened government program of taxation, debt handling, credit control, and where necessary public works, in order to maintain high purchasing power. An enlightened industrial program of high wages, increased values to the consumer, full volume, lower distribution costs - all geared to take full advantage of a mass market.

Cleared and Issued Through Facilities  
of the Office of War Information

Speech by Price Administrator Chester Bowles before the National  
Better Business Bureaus, Chicago, Tuesday, April 25, 1944

I am delighted to have this opportunity to talk to the National Better Business Bureaus here in Chicago.

As a business man before the war, I was able to work with the Bureaus in several cities. As a government official I have been closely associated during the last two years with two of your own members, Ken Backman of Boston, and Marshall Mott of Hartford.

There are several subjects about which I would like to talk to you tonight. For instance, the pricing procedures that we follow in our efforts to maintain a stable wartime economy ... our work with business groups, labor groups and farm groups, and the pattern which I believe is being developed for closer cooperation between different segments of our economy and the Federal Government ... and some of the day to day problems we bureaucrats face in Washington.

I would prefer, however, to do a little crystal gazing about what may lie ahead for all of us when the war has been won. I would like to give you some of my own first hand impressions on the decisions which industry must face in the future when peace finally comes and government controls are removed.

They are my own opinions offered to you only for what they may be worth. I advance them with caution and considerable humility, because the problems are vast and no man can hope to have the answers.

The military experts tell us that the war is a long way from being won. We know that until the final defeat of Germany, reconversion must be limited to the merest trickle.

But, believe me, it is not too early to start thinking in various terms about the ways in which our post-war economy can best function in the interest of all of our citizens.

During the past two and one-half years of all-out war we have seen at first hand what American businessmen, American industrial workers, and American farmers can accomplish once they are given a clear road, a green light and the incentive to produce at top speed.

Today wartime industrial activities are at an all time peak. Industrial production is more than double what it was before the war. Farm production is also at record levels. Business profits, weekly take-home wages, and net farm income are all at the highest points in our history.

But we can also remember back to the days of 1932 when our economy was coughing along on one cylinder; with 15 million unemployed, with 85 percent of our industry operating either at a loss or on a break-even basis, with widespread economic privation both on our farms and in our cities.

Even more recently we can remember the fact that in 1939 there were still nine million American workers, ready and anxious to work for whom we had no jobs. Our economy, according to present wartime standards, was still a patchwork affair running in low gear.

How about our economic future after the war? Will we again face unemployment and insecurity for our workers, losses and bankruptcies for our farmers and our businessmen, a hopeless struggle against inflated post-war prices? Or will we sustain our present levels of production for the manufacture of peacetime goods? Will we succeed in our efforts to build a vigorous expanding peacetime economy under free enterprise ... an economy devoted to the building of the high standard of living for all of us ... which our businessmen, our industrial workers and our farmers are so readily capable of producing?

The answers to these questions, it seems to me, depends on two broad developments.

First, our ability after this war to develop a well planned government program, fully endorsed by all economic groups in our economy, which will eliminate the wild fluctuations of the business cycle and help to insure a high and sustained level of business activity and national income.

Second, the ability and willingness of our industrial leaders to work closely with labor and with our farmers on a program which will bring to the consuming public the highest quality goods at the lowest possible prices and in the greatest possible volume.

The first of these two points, I discussed yesterday in Detroit. It is a big and complicated subject bound up in prejudices and economic superstitions.

Too many of us still talk as though the government were a remote and irresponsible body. We forget that we are the government; and that the government is responsible to our collective will. The government, our government, is good, bad or indifferent, depending on our efforts. If it fails to follow our wishes, we can and should substitute a government that will.

Most emphatically, I am not suggesting a government that competes with industry, a Government that minutely regulates all our business operations. I am thinking of a Government that stimulates, encourages, and supports free enterprise, a Government whose job it is to see that the conditions are maintained which enterprise must have in order to function efficiently and smoothly. I am thinking, in a word, of a government that underwrites a high and expanding level of business activity, a high and rising level of the national income.

A government program designed to maintain markets for everything that can be produced will call for the full cooperation of business, industry, labor, and farmers. All these groups must jointly insist, for their own benefit and for the benefit of all our people, that our Government fulfill this basic underwriting function.

What I would like to discuss today is the second point, the part that business must play in keeping our enterprise system vigorous and strong and in providing the economic abundance which only free enterprise can provide. For while the role of Government is essential, and one we shall neglect at our peril, it is to the initiative and imagination, the resourcefulness and drive, of free enterprise that we must look for the fulfillment of our economic promise.

As the war draws to a close, the War Production Board will gladly relinquish its controls over raw materials and economic production in general. The Office of Price Administration, with at least equal cheerfulness, not to say relief, will first relax and then eliminate its controls over prices and rents and the distribution of scarce commodities.

At that time, the economic ball will be placed squarely in the hands of our free enterprise system. Business men will be free to make what they choose, to sell their products where they choose, and at prices which in their opinion, are proper.

Let's hope that at that time a vigorous and courageous government financial program is available - involving a scientifically planned tax program to stimulate enterprise and consumption, the skillful management of our national debt, the fullest possible use of our credit facilities, the encouragement of exports and the carefully timed flow of government expenditures into public works.

But given such a program, given the broad support which it must have from every group in the country, the basic task of producing goods and providing jobs will be squarely up to business - to the leaders and managers of our enterprise system. In meeting this task they will meet problems that will call for the highest order of economic statesmanship and managerial ability. The task will call for vigorous and imaginative leadership.

Regardless of the government's ability to maintain a high level of purchasing power, free enterprise may still fumble the ball if it does not meet our peacetime economic issues squarely, and if a vigorous and imaginative leadership is not provided.

There is, I believe, one basic policy which our business leaders must accept if our free enterprise system is to function as successfully as it must. Business must do everything within its powers to provide goods at the lowest possible prices and the highest possible values. In other words, business, for its own profit and for the fullest development of our economy, must persist in a pricing policy which will produce the greatest possible volume of goods.

On that point most of us will nod our heads in approval. But let's not fool ourselves about the complexity of this problem.

In the good old days of the eighteen hundreds, we lived in a truly free economy. The price level depended entirely upon the supply of goods and the number of customers available with ready cash.

During the latter part of the 19th century, the monopolists began to gain a grip on the free pricing of goods through supply and demand. The Sherman Act was passed and later the Clayton Anti-Trust Act. Teddy Roosevelt built a reputation on trust busting.

We still have our monopolies today. There is still work to be done in getting them under better control for the benefit of our business men who believe in a competitive system and for our consumers who seek better values.

But, in my opinion, this subject of monopolistic control has been vastly oversimplified. The high price - short volume trend which existed in many parts of our economy before Pearl Harbor is, in my opinion, as dangerous to the future health of our free enterprise system as the old monopolies which caused the ruination of so many business men forty years ago.

In 1939, before the outbreak of war in Europe, the old time monopolies were few in number. We may agree, however, that the law of supply and demand, which most business men accept as a basic part of our free enterprise system, was only partially in effect.

Dozens of industries, to be sure were selling their products on a mass basis at the lowest possible unit profit. But, in many others, and through one means or another prices were maintained well above the normal levels. As a result, volume in these industries failed to reach maximum levels. Employment was curbed artificially, and our low income citizens were deprived of goods which would have helped to raise the standard of living.

After the war there will be temptation for many of our business men to adopt a similar short sighted policy on pricing. The backlog demand for vacuum cleaners, for automobiles, and other consumer durable products will be huge. Instead of building the finest possible product and pricing it at the lowest possible price in order to reach the widest possible market, business leaders in any one of these fields might consider a different policy.

They might say to themselves: "The demand is big now . . . but some day it may run out. Many people will pay a good price. I will be better off over a period of years, if I make a hundred thousand units a year at a profit of \$20.00 each, than if I make two hundred thousand units a year at a lower price, giving me a profit of only \$10.00."

That point of view would deny many of our people the benefits of American business efficiency. It would result in the employment of fewer workers and the reduction of purchasing power. It would be dangerous in the extreme. If adopted on a broad scale, it would inevitably lead to collapse.

When the war is over, we will have at our command the greatest and most efficient industrial machine the world has ever seen. We will have the best skilled labor force in history and the best management brains any where in the world. With these great blessings, we can produce a standard of living far higher than anything we knew before the war.

Our wage rates must remain high as a means of maintaining high over-all purchasing power. To reduce wages in an effort to lower costs is a snare and a delusion that will lead only to shrinking markets. But every other means must be taken to reduce prices to the lowest possible levels in order to reach the widest markets. By this policy, our business men can open up unlimited markets for automobiles, for airplanes, for building materials, for clothing, educational facilities, recreation and services which a few years ago might have been considered luxuries only available to the wealthy.

With a vigorous full production economy producing annually 150 to 200 billion dollars worth of goods and services it is difficult to see how any capable business man of even reasonable ability could fail to profit, and profit on a substantial basis. No worker could fail to make good wages, and to establish for

for himself and his family the economic security which he has lacked in the past. No farmer could fail to improve his standard of living.

The formula, I believe, is reasonably simple and clear. An enlightened government program of taxation, debt handling, credit control, and where necessary, public works, in order to maintain high purchasing power. An enlightened industrial program of high wages, increased values to the consumer, full volume, lower distribution costs - all geared to take full advantage of a mass market.

The formula, it seems to me, makes economic sense. It adds up. But we are filled with suspicion and prejudices. Our minds are still entangled with age old economic fallacies and bugabbos.

Before the war, to a large extent, we still approached our joint problem of building a secure and prosperous America as individual groups intent only on gaining a selfish advantage for a particular interest. We failed to realize that a truly prosperous and secure America must bring prosperity and security to all groups - not just to one or two.

During the last two and one-half years we have come a long way together. Many hundreds of business men have entered the government service and have learned the problems and responsibilities and opportunities of government in a democratic free country. Side by side, labor and management have learned that together they can produce miracles of production. And both labor and management have developed an increasing admiration for the work of our farmers, who in addition to feeding the American people on a normal peacetime scale, are now sending vast quantities of food to our Allies. We have learned a lot. But have we learned enough?

After the war, in my opinion, the American people will insist on full production and full employment and the full use of our learning facilities. They have seen what full production can do in wartime. If our peacetime machine, for any reason, fails to produce equally well in raising our peacetime living standards, they will not sit idly by: They will, I believe, demand jobs as security, and by one means or another they will get them.

Our people place a higher value on freedom than any other people on earth. But the history of Europe between the wars teaches us that when men are insecure and their families go hungry, they are willing to barter even their freedom for bread. It would be a grim joke indeed if our failure to make our free enterprise economy function after the war resulted in the very totalitarianism here in America against which we are fighting abroad.

Gentlemen, our destiny lies in our own hands. It rests with us whether to fulfill the promise of American or to lose it.

I am confident that, measuring up to our great traditions, we shall meet the challenge of the post-war world as we have met every challenge of the past. I am confident that we shall retain our freedom, that indeed we shall enlarge it. I am confident we shall, through free enterprise, create in this land of ours the greatest era of prosperity and well being that any nation has known in all history.

OFFICE OF PRICE ADMINISTRATION

Highlights of talk by Price Administrator Chester Bowles to Economic Club, in Detroit, Michigan; April 24, 1944

When the war is over and when our huge war expenditures disappear, what happens then? The problems as I see them fall into two major groups. First, the problems of reconverting the economy from war to peace. And, second, the problems of sustaining a high level of production and purchasing power once wartime reconversion is complete....

The demands of a vigorous, expanding America with economic security for all of us can fill and more than fill the void that will be left when government war expenditures are tapered off. They can keep our economy running indefinitely at peak capacity.

But these are only potential demands. Whether they will materialize in actual orders on the books will depend, first of all, upon how effectively we plan the job of unwinding our wartime economy. The job will not be an easy one and a slip may well spell disaster...

Full advantage must be taken of our export markets. This, in particular, requires positive action before orders can be rung up in the cash register... We shall have to provide credit. We must make the decision now that credit will be extended and we must today begin to set up the machinery that these operations will require....

We must determine now that public works... Federal, state and local... will be thrown into the breach at precisely the time and in whatever quantity is necessary to keep the wheels of industry running and to keep men at their jobs. This, too, requires immediate action....

We must determine now that any broad deflation of our present price and wage structure will not be permitted. We have placed ceilings over prices and wages to prevent wartime inflation. In the reconversion period, we must protect prices and wages to prevent equally disastrous deflation...

Congress has committed the government to support farm prices for two full crop years after the war. That was a wise and farsighted move... We may have to move further in this direction and support the prices of many basic raw materials...

I yield to no one in my confidence that free enterprise will continue to provide a higher standard of living under a free government and with full opportunity for the individual than any other system. But very frankly I have no patience with those who can see only its virtues and are blind to its past defects or unwilling to take steps to correct them.

We must eliminate the business cycle. By so doing, we can sustain business activity at all times at levels in line with our ability to produce.

This must be the primary objective toward which the thinking of our business leaders, our labor and farm leaders and our government officials must be directed in the period after the war...

Business must gear itself both physically and psychologically to continuous operations at peak capacity, pricing its output low enough to tap the mass markets without which those operations cannot be sustained. Labor will have to abandon restrictive and make-work practices, thereby permitting continuous reduction of costs which technological improvements make possible. Farmers... will welcome the conditions of sustained high purchasing power under which curtailment of farm production will not be necessary.



OFFICE OF PRICE ADMINISTRATION

Cleared and Issued through Facilities of the Office of War Info.

"PRICE CONTROL TODAY AND BUSINESS AFTER THE WAR"

Speech by Chester Bowles, Price Administrator, before the Economic Club at Detroit, Michigan, on Monday, April 24, 1944

The history books tell us that in every war in which we have ever fought we have gone through a period of inflation followed by post-war collapse.

In World War One, although industrial production increased only twenty-five percent prices spiralled upwards at a dizzy pace only to plump traditionally in the expected post-war collapse.

In 1920, at the peak of the inflation, all of us, businessmen and farmers ... thought we were rich beyond our fondest dreams. Yet in twelve short months farm prices were cut in half. Payrolls had dropped a third and overall business profits were wiped out altogether. Within twelve months, we had passed from wartime prosperity to peacetime bankruptcies, foreclosures and unemployment.

The passage by Congress of the Emergency Price Control Act in the Winter of 1942 signified our determination to prevent inflation during this greatest of all wars. OPA's responsibility for administering this Act has been a staggering one. There has been inevitable confusion and mistakes and delays.

We in OPA have been subject to many pressures and the target of considerable criticism -- some sincere and some obviously selfish.

But today as the smoke gradually clears away we are beginning to realize that the basic objective has been achieved. Inflation has been held sharply in check and the skyrocketing of prices has been prevented.

Today, the overall cost of living stands only six and one-half percent above the levels of two years ago when the OPA first established price control at retail. Even more important, the cost of living now stands almost exactly at the levels of a year ago. The same is true of prices. For twelve difficult wartime months and in spite of heavy inflationary pressures, the price line has been firmly held.

In stabilizing prices during the present war, all of us, business, farmers, workers and government .... have made a distinct contribution to a sound and prosperous economy when the war is over. And it's this post-war economy of ours that I would most like to talk to you about today.

As Price Administrator, I'm necessarily in close touch with all the various groups which go to make up our American economy, for the simple reason that our economy revolves around prices. In my position, I have a unique opportunity to talk to farmers, to businessmen, to labor leaders and to learn at first hand their hopes and their fears and their plans for the future.

Let me stress that the views I will present are my own, and that I offer them with great humility. The problems that I will discuss are vast and the roads are strange and unfamiliar. No one man or any group of men can begin to have the answers.

Today our industrial production stands 125 percent above the levels of 1939. Today our farm production stands at the highest levels of history. Today, everywhere jobs are being and everywhere, anybody can sell anything that he can produce.

But let's not forget that this unprecedented level of business activity is built directly upon war demand. Today, Government is taking half the national output. Directly or indirectly, Government is now providing half the jobs and half the payrolls of the country.

When the war is over and when our huge war expenditures disappear, what happens then? Will there be a market for all the goods we can produce? Will there be a job then for everybody who seeks one? Will we sustain the present high level of production, employment and national income in building an economy of abundance, an economy which will produce prosperity and security for all of us .... our industrial workers, our farmers and our business men? Or will we again return to the unemployment, the artificial scarcities, and the low standard of living which plagued so many millions of our citizens before the war broke out?

Now there are Pollyannas in our midst who say that there is nothing to worry about, that when the Government steps out of the market, free enterprise will step in as fast as the Government makes room for it.

Maybe there are some among them who really believe this. But most of them, I think, are whistling to keep up their courage. I notice that whenever there's a peace rumor, the stock market takes a bad dip. Every business firm I know is accumulating reserves as fast as the excess profit taxes will allow, to meet the dirty weather it believes lies ahead. And not a day passes but some industry group is in my office telling me not to misjudge them by current earnings. After all, they say, this is our one chance in a lifetime to make some real money.

I think most reasonable men will agree that we have our work cut out for us if we are to prevent a post-war collapse. And I don't think anyone here thinks we can prevent it by clinging to age-old economic prejudices or trying to recreate the golden era of President McKinley.

The problems as I see them fall into two major groups. First, the problems of reconverting the economy from war to peace. And, second, the problems of sustaining a high level of production and purchasing power once wartime reconversion is complete.

Our first and most pressing problems will be those of reconverting our war machine to fit our peacetime requirements. If we botch these up, we shall obviously jeopardize our chances for a prosperous peacetime future.

It is going to take expert management and a firm hand to bring us through the reconversion period with a whole skin. War contract termination settlements will have to be made, and they will have to be made on a basis of fairness and speed. War facilities and stocks will have to be removed from private plants before peacetime production can be resumed. Millions of war workers will have to be placed in new jobs, frequently in different industries and frequently in different communities. Millions more will be returning from the armed services.

There will be billions of dollars worth of Government plants to dispose of and tens of billions of dollars of Government stocks .... running all the way from trucks to safety pins .... that must be sold in this country or abroad without demoralizing our markets.

These adjustments will all be difficult. But no one should doubt our ability to make them successfully .... provided that the national buying power can be sustained and markets found for all the goods we can produce.

Can we find those markets? That is the real question and I think the answer to it is yes. Let's add it up. First, there is an enormous backlog of demand for millions of automobiles, vacuum cleaners, refrigerators, house furnishings and other consumer durable goods. We shall come out of the war with over one hundred billion dollars of wartime savings with which to purchase them.

Second, there is a vast backlog of investment requirements on the part of business. Stocks will have to be replenished, obsolete and worn equipment will have to be replaced, many plants will have to be expanded to fit increased civilian requirements. Business will have liquid reserves accumulated during the war amounting to over 25 billions.

Third, there is a great backlog of regular public construction.... local, State and Federal. During recent years, many necessary projects have had to be suspended for lack of manpower and materials. Even essential repairs and replacements have had to go by the board.

Fourth, there is an enormous potential demand for our exports. During the period of reconstruction, Europe and Asia will need vast quantities of goods of every character and description and ours will be the only industrial economy which will not have suffered the ravages of war.

Finally, beyond these great backlogs, which represent the damming up of customary demands, there are vast demands which have never before been tapped.

There are still millions of our farmers who do not have electricity and electrical appliances, who still lack a host of modern improvements and conveniences of every description. Before the war there were tens of millions of city dwellers who were living below the level of proper nutrition, who lacked the money to buy decent houses or to wear decent clothing. Although our production of automobiles, house furnishings and equipment was large, it was still far below the actual needs and requirements of our citizens.

And as a Nation -- all of us together -- we have vast unfulfilled needs for more schools and colleges, for more hospitals, and more parks, for modern highways and bridges.....in fact, for the development of the complete modern social economic civilization with benefits for all which we of all nations are so fully capable of building.

Taken together, these demands of a vigorous, expanding America with economic security for all of us can fill and more than fill the void that will be left when Government war expenditures are tapered off. They can keep our economy running indefinitely at peak capacity.

But we must remember that these are only potential demands. Whether they will materialize in actual orders on the books will depend, first of all, upon how effectively we plan the job of unwinding our wartime economy. The job will not be an easy one and a slip may well spell disaster.

If when the war is over we fail to take full and immediate advantage of our export opportunities, if we are not prepared to throw in public works when they are needed, business activity will slow down. If that happens, employment, payrolls and prices will begin to fall and the vast potential demand of 132 million consumers and of 3 million businesses will dry up and disappear.

Men who have lost their jobs may draw down the family savings to buy bread and butter and to pay for their rent. But they don't buy that new refrigerator and they don't buy that new car, and they don't make a first payment on a new home. If we permit the level of employment to shrink most of that hundred billion dollars of wartime savings is going to stay put in the bank accounts.

That is true of all of us as consumers is also true of our businessmen. Business men don't invest on a falling market. If prices are dropping, there won't be much restocking and there won't be much replacing of equipment. To a large extent the 25 billions of reserves that business has accumulated will remain right where they are ... in reserve.

What I am saying is that if we permit the economy to sag immediately after the war, we face a tailspin. We face the menace of deflation feeding upon itself, with no one knowing how fast the economy will fall or how far. It seems to me imperative that we determine now that this will not be permitted to happen.

Full advantage must be taken of our export markets. This, in particular, requires positive action before orders can be rung up in the cash register. The world will need vast quantities of our goods. If we are to have this business... we have it we must... we shall have to finance it. There are many raw materials plentiful in other countries which will add immeasurably to our national wealth. Nations anxious to receive our goods will be glad to bargain on those terms. But, to a certain extent, we shall have to provide credit. We must make the decision now that that credit will be extended and we must today begin to set up the machinery that these operations will require.

Further, we must determine now that public works ... Federal, State, and local... will be thrown into the breach at precisely the time and in whatever quantity is necessary to keep the wheels of industry running and to keep men at their jobs. This, too, requires immediate action. Public works must be planned now and the programs at all levels of government must be coordinated so that they may be instantly available if the need arises.

And finally, we must determine now that any broad deflation of our present price and wage structure will not be permitted. We have placed ceilings over prices and wages to prevent wartime inflation. In the reconversion period, we must protect prices and wages to prevent equally disastrous deflation.

In the Economic Stabilization Act the Congress has already committed the Government to support farm prices for two full crop years after the termination of the war. That was a wise and farsighted move. If our farmers' incomes collapse, their purchasing power goes, too. We may have to move further in this direction and support the prices of many basic raw materials.

These are the things which, in my judgement, must be done, if we are to come through this all important reconversion period with a whole skin. I am confident that we shall do them.

That confidence is not based upon wishful thinking; it is based upon the fact that we have tackled the equally difficult problems of the war and we have licked them one by one. We have licked them through the teamwork of the American people and of every economic group in the Nation... working, as I have said, through and with their Government. That's the way we shall lick the problems of reconversion.

I think all reasonable men will agree that only wise management on the part of Government and business can bring us through the reconversion period with our economy still sound and healthful.

What deeply troubles many of us is the question, when does the Government step out? Do we have to reconcile ourselves to a regulated economy indefinitely? For my part, I am convinced that if extensive Government regulation is long continued, the springs of our vitality will dry up and our present free society will gradually decay.

19748

It may be that for other peoples other systems may work effectively. But free enterprise is the system with which we in this country have converted a wilderness into the greatest industrial civilization yet built. In the past, free enterprise has served us magnificently. If we are wise and courageous, it can rise to far greater heights of accomplishment when the war is won.

I yield to no one in my confidence that free enterprise will continue to provide a higher standard of living under a free Government and with full opportunity for the individual than any other system. But very frankly I have no patience with those who can see only its virtues and are blind to its past defects or unwilling to take steps to correct them.

As our free enterprise system has functioned in the past, it has yielded us many years of depression. During the years of the upsurge of the business cycle, we took giant steps forward only to lose, in the years of depression, a valuable portion of the ground we had gained.

This has meant that we have failed to push up the standard of living for all of our people as rapidly as our vast resources would have permitted. Much more important, it has meant that we have periodically condemned the Nation, every part of it, to idleness and poverty, to foreclosures and bankruptcies, to insecurity and despair. And this was the more galling because men went idle and mouths went improperly fed in a country that all recognized to be the richest the most plentifully endowed on this earth.

There was a time when these periodic breakdowns of our economy could be tolerated. It was not so long ago when no American was more than one generation from the farm. Forty years ago, when depressions hit, when plants closed down, the industrial worker could often return to his family farm and find there a living for himself and his family.

That time has passed. Today, the industrial workers of Detroit cannot retreat to the farms. It is here -- on the assembly lines of your own Detroit -- that they must make their living and find their security.

There was a time when we believed that the business cycle was a disease of our system for which there was no cure. It was bitter medicine. But knowing no alternative, we accepted it.

Today we know better. With good planning, with close cooperation between Government and business, we know that the level of business activity can be sustained. We know that jobs can be provided.

In my opinion, the Nation will never again accept poverty in the midst of plenty. No longer will our people accept insecurity in peace time, when the power of our economy to create abundance has been so vividly proven in time of war.

It has been claimed that personal economic security is incompatible with the free enterprise system, for competition and risk are of its essence. That, in my judgment, is nonsense. It is nonsense because it fails to distinguish between the risks of competition, which are and must be part of our system, and the risks of the business cycle, which no man, however efficient, however enterprising, can overcome.

During periods of depression it is not the inefficient business alone that goes under, but the efficient as well. In depression, it is not the inefficient or the lazy worker alone who cannot find a job, but the efficient and the industrious worker as well.

Our people are overwhelmingly in favor of a system in which the efficient will thrive and the productive and the resourceful can find rewards commensurate with the contribution they can make to our society. To attain this goal, it is imperative that a market be maintained for all who can produce and that job opportunities be provided for all who are able and willing to work. The free enterprise system can never fulfill its promise unless this is done.

To assure a healthy, fully productive economy under free enterprise, it is essential that we waste no more time in curing this disease which has plagued our system. We must eliminate the business cycle. By so doing, we can sustain business activity at all times at levels in line with our ability to produce.

This must be the primary objective toward which the thinking of our business leaders, our labor and farm leaders and our government officials must be directed in the period after the war. Let me state most emphatically that it does not mean government competition with industry or government control of industry. It means a Government that encourages, that stimulates, that supports free enterprise and the initiative of the individual. The essential role of Government in our economic future, backed by the will of all of our people, must be to underwrite a high level of business activity and thereby to release the full energies of all our people under the democratic free enterprise system.

And let us never forget that we are the government. The government responds to our will and our direction. If the government, in our collective opinion, is inefficient or clumsy, or corrupt, it is not only right but our responsibility to get rid of it. That point will bear constant repetition because fear of government may be the most dangerous single stumbling block in the path of a vigorous, dynamic, expanding private enterprising economy in the years following the war.

There is not time this afternoon to review the policies which must be established if we are to maintain a high level of purchasing power. Such a review would have to extend to tax and other fiscal policies, to our policies on social security, on slum clearance and public works, to our policy on foreign trade and tariffs. In all these fields, important steps must, in my opinion, be taken to stimulate enterprise, riskbearing, and investment, to stimulate mass production and mass consumption.

Not only in the field of public policy but in that of private industrial policy as well, there has got to be fresh new thinking.

Business must gear itself both physically and psychologically to continuous operations at peak capacity, pricing its output low enough to tap the mass markets without which those operations cannot be sustained.

Labor will have to abandon restrictive and make-work practices, thereby permitting the continuous reduction of costs which technological improvements make possible.

Farmers have never willingly curtailed production. They have had to resort to such programs in sheer self-defense and they will welcome the conditions of sustained high purchasing power under which curtailment of farm production will not be necessary.

19748

All these practices of business, of labor, and of farmers had their justification in conditions of the past. They were understandable at a time when an industry could quickly saturate the market for its product, when men could work themselves out of jobs, and when farmers could find that the more they produced the less money they made.

By banishing the spectre of depression and unemployment, by guaranteeing a market for everything we can produce and jobs for all who want jobs, we can remove the reason for the restrictive practices of the past. And when we remove their cause, I am confident that the practices themselves will disappear.

Gentlemen, I have tried this afternoon to stake out what I believe to be the course which we as a Nation must set for ourselves in the years immediately ahead. I am convinced that it is not only the right course, but the course to which our every tradition impels us.

I am quite aware that this program will involve difficulties of the most serious character. I am sincerely convinced that we must overcome these difficulties if we are to free our economy of the shackles which have checked it in the past, and guarantee not only economic and social security but full freedom for each individual. I am equally convinced that as a people we have what it takes to do the job.

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19748

April 25, 1944.

Honorable Chester Bowles,  
Administrator,  
Office of Price Administration,  
Washington 25, D. C.

Dear Chet:

This is to thank you for sending me the copies of your two speeches. I was glad to have a chance to read them, and I am glad that you are taking the line you do because, of course, it runs rather closely parallel to my own thinking about the postwar prospects and the necessity for adequate planning by the Government.

I am not optimistic enough to hope that all economic groups in our economy will fully endorse any program that is adequate and realistic, desirable though it would be if you could bring about that degree of unanimity. But there is so much conflict as between different economic groups as well as conflict within labor, agricultural, banking, business and other groups that to develop a program which would have general endorsement is probably too much to expect. With the right kind of leadership in Washington, and by that I mean in Congress as well as in the executive branch of the Government, a workable program doubtless could be developed and carried through despite selfish opposition by some groups. That takes real executive and governmental leadership all along the economic front, from the White House and Treasury on down through all agencies of the Government that have a part in making or breaking a program.

I have been somewhat uneasy of late by the amount of discussion emanating from business groups in terms of the importance of free enterprise, as if that were an end in itself instead of just a means to the end of reasonably full employment and production. Your approach to it is as it should be, recognizing that the Government must be prepared to provide jobs when private enterprise, having been given the greenlight in every possible way, fails to do so. I, myself, would not expect after the war to maintain the high levels of production and employment achieved under forced draft. I would expect a good many overage and underage people, as well as a good many of the women war workers, to go off payrolls, and that a level of possibly 170 billions of national product, rather than the 200-billion level at present, would represent a high degree of employment and production with a minimum of unemployment of, say, about 2 millions, representing so-called frictional unemployment, etc.



Honorable Chester Bowles - (2)

April 25, 1944

You are to be commended for and encouraged in the kind of speeches, of which the two you sent me are excellent examples of clear and forthright expression and vigor. You recognize the importance of maintaining wages as well as taxes geared to maintain consumption and to give the greatest possible values for the lowest possible prices. I hope you will keep up the good work, even though you do have to take your life in your hands, as I well know, to discuss some of these controversial matters.

We are all looking forward to the pleasure of having you with us when the Chairmen of the Federal Reserve Banks meet here next month.

With kind regards,

Sincerely yours,

 ET:b