N. Y. Speech 11/28/40

From A. H. H.

ANTI-INFLATION POLICY

I. Economic policy must be adapted to changing conditions:

A. Anti-depression policy

B. Anti-inflation policy

II. What is Inflation?

A. General inflation: Stream of money income outruns output (supply) of goods. General price inflation

B. Bottleneck inflation: Concentrated demand in certain areas. Price distortion.

III. General Inflation not now imminent.

A. Enormous over-hanging supplies of agricultural products and raw materials.

B. Enormous general productive capacity in consumers' goods. Rising Income can be matched with increasing output.

IV. How fight Inflation?

A. Increase output capacity in bottleneck areas as rapidly as possible. Meet rising demand with increasing supply until full output capacity is reached.

B. Stop further rise of money income when full productive capacity is reached.

V. How stop rise in Money Income after Full Employment and Full Productive Capacity are reached?

A. Stop increase of Demand Deposits: Monetary Policy

B. Private income must be diverted to defense. Government expenditures must not be piled on top of private expenditures. Private expenditures must be curtailed as government expenditures rise.

Both can rise together so long as we can match increasing total demand with increasing supply. When full output is reached, private income must be <u>diverted</u> to Government Defense program

VI. Private income stream can be <u>diverted</u> by means of:

A. Loans, from Public, not from Banks.

B. Taxes

VII. The Lag in tax collections

A. Because of tax lag, deficit will be large in next two or three years.

B. At Full-Income Level the full revenue possibilities of tax structure will become apparent. Present tax structure will raise large revenues at full-income level.

VIII. Tax structure should be revised

A. Loopholes

B. Increase excess-profits tax.

Conscription of <u>men</u> and <u>wealth</u>

IX. Consumption Taxes as final resort against inflation.