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Outline by Hanson for NY Speech

MONETARY AND CREDIT PROBLEMS DURING THE EMERGENCY

1. Excess Reserves.

   Adequate power should be granted to the Federal Reserve Board to use as a final resort if and when needed to help check private investment boom. If this is done, however, means should be found, through the Federal Reserve System, by which continued low interest could be guaranteed to the Treasury.

2. As a first approach, however, (a) fiscal policy and (b) direct methods of control should be used to the utmost extent. If successful it might not become necessary for the Federal Reserve Board to use its full power over excess reserves. The fact that the power was there would, however, have a restrictive psychological effect.

3. Direct methods include:

   (a) Control of consumer credit

   (b) Control of private investment in non-defense plant and equipment and in residential construction

   (c) Control of inventories

   (d) Control of output of consumers' durables--automobiles, electrical appliances, etc.

   (e) Price control and rationing

4. Fiscal policy includes:

   (a) Lowering exemptions on personal income tax; increase in rates and closing of loopholes, together with collection at the source

   (b) Higher excess profits tax rates

   (c) Higher estate duties

   (d) Stiff excise taxes on commodities competing with defense, especially sufficiently high excise taxes on automobiles, etc. so that government (and not dealers) will absorb price increases. (Disapproval of excise taxes on commodities not competing with defense.)

(e) Upping social security taxes, thus accumulating reserves adequate to lower, or even remove pay roll taxes after the war.

(f) Part payment of wages and salaries (especially large increases) in special defense bonds non-negotiable until after the emergency. (Keynes Plan)

Conclusions: Major shift in monetary thinking; direct control of credit with continued low interest rates.