

**THE COMMITTEE**  
**for**  
**ECONOMIC DEVELOPMENT**

*its Past,*  
*Present*  
*and*  
*Future*

*by*  
**Thomas B. McCabe**

*Chairman*

**Board of Governors of the Federal Reserve System**

AN ADDRESS  
*by*  
THOMAS B. McCABE  
*Chairman*  
BOARD OF GOVERNORS  
OF THE FEDERAL RESERVE SYSTEM  
*before the*  
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*of the*  
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# The Committee for Economic Development— *its Past, Present and Future.*

**I**N COMING BACK for this delightful occasion and in joining so many of my old friends in CED today, I feel like a school boy who has played truant and has joined his old gang again at the favorite swimming hole. It did not take much persuasion on the part of Walter Williams, (CED Chairman and President of Continental, Inc., Seattle, Wash.) and John Hancock (Partner, Lehman Brothers) to convince me that I should go AWOL and come back here where I can renew old friendships and recapture the spirit of free enterprise as exemplified in the CED.

I have a deep personal affection for CED because, like many of you, I was in on its birth and have seen it grow to maturity. As a result I cannot say too much in its praise. But I know all of us here feel the same way. A significant bond was forged by the men who worked together in CED, a bond of strong personal feeling as well as of mutual pride in the record of its accomplishments.

I am in a mood to review that record today. In a sense it is appropriate that I should do so for my personal relationship to the organization has completely changed in the last few

years. Up to then I was intimate and active in the organization in all its phases, and I can testify from personal experience to the impact that the effort left upon me as a participant. Since April 1948 when I took the oath of office in my present post, I have been divorced from active participation with you, but I have been wrestling with the same type and range of problems as a public official. I can also testify, consequently, to the impact of the CED upon our public policies and upon the thinking of those who formulate policies. It goes without saying, of course, that the preliminary contact with the CED has been invaluable to me. It has assisted in preparing me, as it did the rest of us who participated in that early effort; for the incredible perplexities of the problems which we face today.

November 1949 is also an appropriate date for a benchmark from which to appraise the record of the CED, which was launched in the dark days of 1942 with one outstanding immediate objective, namely, to enable us to do everything in our power as businessmen to see to it that the economy did not collapse when the war effort was over and the war contracts were cancelled. The record has long recited what happened in the actual event. With surprising speed we entered on a postwar reconversion boom which persisted up to the end of 1948. I think we can all agree that the year 1949 has marked a major turning point in our economic history. It has witnessed the end of acute shortages that were a direct heritage of the war and has given us our first portent of what the economy may be like as it functions under more normal postwar conditions.

## THE BIRTH OF CED

I would like to pause for a moment to recall to you something of the atmosphere of 1942 when the CED was born. We were in the midst of the colossal production effort of the war. We saw the huge increase in our working forces, the enormous expansion of our plants, and we wondered what on earth we would do when the war was over and the war orders, on which we were concentrating all our energies, ceased. We were still close to the days of the early thirties when stagnation and unemployment were rampant. We knew we dared not face another period of unemployment like that, and that if we did the chances for our way of life were dim. We determined to put everything we had into an effort to avoid that calamity, and we had faith that the businessmen of America, if they tackled the job in earnest, could go a long way toward pulling it off. We knew that government would have to play its part, probably the major part, but we had gained experience working with government during the war, and we had confidence that, if our point of view were right and if we really knew what we were talking about, the government, our government, would cooperate in attaining a more favorable climate in which business could operate. I speak now as a businessman and industrialist, and when I speak of our way of life I mean simply that combination of opportunity, personal liberty, political democracy, and dynamic free enterprise which America has signified to me.

There was no pattern for the organization we set up in 1942, in the office of Jesse Jones, who

was then Secretary of Commerce. Jesse developed the idea with Owen Young and a small group from the Business Advisory Council for the Department of Commerce. That was the birthplace of the CED.

Organizations such as the Business Advisory Council for the Department of Commerce have been continued, and in some respects are stronger and more vital than ever before. The Business Advisory Council has supplied almost 100 men from industry to government since 1933 when it was established, including men like Stettinius, Nelson, Harriman, and Snyder. These men got their initial preparation in the Council. The Council, I am glad to say, can also claim some responsibility for the creation of CED—at least in original conception. The credit for the tangible expression of the idea goes, of course, to such men as Paul Hoffman, Ralph Flanders, Bill Benton and many others.

I cannot mention Paul Hoffman's name without digressing a moment to pay him special tribute. His energy, courage, and imagination, more than that of anyone else, made CED a living force. It was his faith and conviction that created CED's "grassroots" field development program, which to me was one of the most farsighted educational undertakings ever launched under business auspices. When Congress adopted its bold postwar international economic policy in the form of ERP, it was only natural that Hoffman, who had proved himself so outstanding a business statesman, should be selected to take the helm. His record as ERP administrator speaks for itself. He is truly doing a stupendous job and has proved himself to be one of our greatest national statesmen.

## THE FIRST YEARS

Now that the CED has had seven years of successful accomplishment behind it and we are all familiar with its operations, it is easy to forget just how unique it was and is. To accomplish its purpose an organization of businessmen was needed, but not a trade association which would function primarily to represent and serve the business interests of its members. A widespread grassroots activity was imperative, but not activity confined exclusively to local problems or local improvements. Also research of the highest quality into public problems was desirable, but not research which dodged the knotty problems of policy formation and restricted itself to the ivory tower of impartial facts. What came out was the CED as we have all seen it in operation, an organization primarily of businessmen with some representation from the professions, controlled and supported by businessmen and dedicated solely to the threefold proposition:

- 1) *that emerging problems of great public portent should be properly and adequately studied by the best brains available,*
- 2) *that businessmen could make a vital contribution to these studies if they were disseminated to our members in such a way that they really understood what the argument was all about, and*
- 3) *that the members could see to it that these findings received adequate consideration by everyone concerned, both in their local communities and in the councils of the nation.*

The unique CED technique has brought the thinkers and the doers together. For the first time the economists of the ivory towers found a place where they could go to get their point across and businessmen found a place where they could learn. The two met and exchanged views.

From the beginning Paul Hoffman, Ralph Flanders, Bill Benton, Ted Yntema and their associates insisted on a completely objective approach to these problems because they were ones in which they, and in fact all of us, were vitally interested. It was realized that ignorance of the complex forces at work in this great nation of ours was widespread, and they set themselves the task of intensive self-education. I can tell you that these CED committees worked, and worked hard. They got the best minds they could find in the nation and fired problems at them. Then they sat down with these specialists to educate themselves, and together formulated the answers that came out. They weren't satisfied with research and self-education, however. They were fired with a purpose and they mobilized to put their findings to public use.

The first job was to avoid or mitigate as far as possible a postwar wave of shut-downs and unemployment when the war contracts were terminated. This involved two things: 1) a decision on the part of businessmen everywhere to shift rapidly into reconversion, and 2) an ability to do so. The CED tackled the first problem by the "grassroots" approach. It organized every district in this country. It brought home to every businessman it could,

small as well as large, the importance of having his plans ready so that he would be prepared to act when the occasion came, and it found out from him just what these plans would involve in expenditure, manpower, and materials. It tackled the second problem by bringing to the attention of government the necessity of having termination contracts so organized that businessmen would be able to go ahead as soon as the war was over.

It was emphasized again and again that if businessmen did their part it was up to government to do its part. One of the fundamental conceptions here was that government must create the favorable climate for these operations and every effort was made to obtain the closest coordination of government officials with the CED program.

## **WHAT CED FACES TODAY**

Today's task before the CED is different from the one which prompted its founding, but it is equally fundamental and urgent. So far in the postwar period we have succeeded in maintaining high levels of production and employment, but there is no assurance that the formula for stability at high levels of employment has been attained for all time. The preservation of our enterprise system depends on finding this formula, and applying it without losing any of the dynamic forces which have always characterized American industry. The major unfinished business before the CED is the discovery of this formula. All other matters are merely component elements of this.

Completed studies\* have already explored some of these components. The taxation study was the first. This original examination of our fiscal problem in peacetime, however, was based on assumptions which are now somewhat out of date. Certainly, the present large role of government in the economy was not contemplated by the authors of the study. The government's responsibility for security, for world peace and prosperity, and for domestic programs have become much more extensive and definite with the passage of time. A thorough restudy of Federal taxation and expenditure policy based on realities and not on our individual opinions or hopes is in order.

The matter of risk capital and its proportionate part in the ideal full employment economy is, as you know, a subject in which I am keenly interested and on which I have devoted much time and study. The income and savings patterns of the people have changed tremendously in the past ten years. We have seen the rapid development of large insurance and pension funds with an insatiable appetite for riskless investments. Yet it is axiomatic that if the sources of risk capital are allowed to dry up, the free enterprise economy will wither and die. This has a real bearing on the problem of dynamic progress.

The CED study on monetary management was an excellent analysis. On behalf of the Federal Reserve, I want to take this opportunity to thank Cameron Thomson and his committee for this valuable work. I can tell you that there is great need for education on this

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\*A list of CED publications will be found on pages 22-23.

subject. Even those who are most concerned with it — the bankers — are not sufficiently informed on the fundamentals of money management. At present, a Congressional subcommittee of the Joint Committee on the Economic Report, headed by Senator Paul Douglas, is conducting a special inquiry into this problem.

I have devoted a great deal of time to these answers and worked daily with our staff for several weeks. I would like to express my personal appreciation to many of you in this room to whom I submitted preliminary drafts for comment. Time will not permit me to cover even the high points of these answers but I will be very glad to have a copy mailed to anyone who requests it. The hearings before the subcommittee are of such vital importance that I believe many of you will want to study the material.

The recent Justice Department suits pose another problem that badly needs objective study — bigness. What is competition in an economy which must use large-scale mass production methods if it is to give us a high standard of living? When does the public interest begin to suffer from bigness? How can society guard against labor monopoly as well as industrial monopoly? So much heat surrounds these questions that it is perhaps impossible to approach them free of bias. But they have to be solved and government policies regarding them have to be established. Eric Johnston, one of the CED trustees, made a very significant statement on this subject yesterday before the Celler Committee, and his testimony is worth reading.

All problems eventually reduce to issues of human relationship, a field in which we have certainly much to learn. The relation between the employer and the employee is still, at best, an inhibited one. It is reflected not only in damaging strikes like those that have been recently experienced, but also in the suspicion which characterizes the public's attitude toward industry and labor. The CED type of objective analysis is admirably suited to cut through to the core of this and point the way toward better human relationships in business. I was pleased to see that Herman Steinkraus, president of the U. S. Chamber of Commerce, spoke out boldly on the subject yesterday in Chicago. He said:

“If we want to retain our liberties, both management and labor must do a better job in collective bargaining. To do this both of us will have to abandon what is left of the name-calling and emotional approaches to our differences. We will have to develop more statesmen on both sides — men who will always think of the public interest at the same time that they try to do justice to the problems of their companies or their unions.”

## THE FUTURE OF CED

I suggested earlier that 1949 marked a turning point in the economic history of the United States, in that it marked an end to the acute inflationary phase of postwar shortages and

ushered in the first portent of what we may expect in the more normal functioning of the economy from now on. This year also, I think, marks a turning point in the development of the CED. In truth the CED is now at the crossroads. This is a critical period and it falls upon the broad shoulders of Walter Williams, Howard Myers and the trustees to take up the task pioneered so brilliantly by Paul Hoffman at the inception of the program. It is not an easy assignment for much is now expected of the CED. Its reports have set a new high standard. The fact that a trail has been blazed is, of course, helpful. We now know that a job like this can be done.

We must recognize, however, that in many respects the burden of carrying the program through is more difficult than when it was first organized. Then there was an urgency in the air. It was popular to devote ourselves to public service. We were all serving in the war emergency and we were still haunted by the specter of the thirties. We wanted deeply, urgently a better world than any of us had known in half a generation for our youngsters. If we are candid, we will all admit that that spirit of intense personal dedication to the public welfare is less acute today. Now most businessmen would prefer to be left alone to pursue their own desires. They have had four years crowded with pressing business problems which claimed all their attention. It is good that they have devoted themselves to these problems for the survival of a free world rests on the strength of our economy. It is not good, however, to lose their acute constructive interest in public affairs.

Nor should we forget that these years have been abnormal years, dominated by shortages and inflationary trends. Inflation is a form of intoxication in which the business, labor, and farming groups tend to gain at the expense of the rest of the population. Frequently it brings out selfish interests. Many in these groups think that their personal progress has been due solely to personal merit. They are blind to the fact that the great impersonal forces of inflation that have played on the economy these first postwar years have also "greased the way." I doubt whether we could launch a CED today. It seems that it is mainly in periods of adversity that great ideas are born and great movements initiated.

Fortunately CED is a vital going concern. Our task is to renew its youth and to maintain its pace. Although we cannot and would not recreate the adversities of the times in which it was born, we can examine some of the essential constructive ideas that made the organization succeed. One great essential was that all business, large and small, had a single objective — to maintain a high level of employment during a crisis. Because we had that one great objective, an objective where public policy coincided with our personal motivations, we focused the creative instincts of our members into what was really a crusade. Our other great essential was the outstanding quality of our research reports and the outstanding quality of the men who worked on them. We must continue both of these aspects of our program. The CED must maintain its research but it cannot rest on research alone. It also needs a great cause that reaches to the *grassroots*, one

than can evoke the activity of all its members.

Certainly one worthy cause is to be found in the area of industrial and public relations. Surely it is worthy of all our effort, for without peace in the labor field there can be no peace or stability in our economy. We have just gone through two nationwide strikes that, had they gone on, would have seriously crippled our economy. The day is past when we can afford the luxury of such strikes and misunderstandings.

I am confident that American business, under leadership such as the CED has developed, can make a contribution to a sensible solution of this problem. Surely it is in our interest as businessmen to make every effort to that end. I think we have developed, or can develop, men of the capacity and public stature to examine this skein of tangled human relationships objectively and that when they have reached constructive suggestions we have in our wide membership the ability to do something about it. American industry can be proud of the men it has developed. It emerged from the war with the greatest record in history. That record was produced by men trained to meet outstandingly difficult problems and to solve them. We should continue to draw on that ability. We learned in the war that these men could serve the government effectively, efficiently, and disinterestedly. We should summon them to this new task.

One of the features of these last years that has disappointed me most has been the withdrawal of our "business statesmen" from pub-

lic affairs. There are conspicuous exceptions, such as Paul Hoffman, Bill Foster, Averell Harriman, and John Snyder, but for the most part when the emergency was over, our really capable leaders would not respond. Jobs, big jobs, to be done in the public service have gone begging. With all the conviction I can bring to bear I want to assure you that the influence of individuals such as these is enormous. With enough effort, we in the CED could work out constructive solutions to these problems.

We cannot do it, however, if we think of ourselves as a business organization in our private interests rather than as an organization of businessmen in the public interest. We must face the fact that business organizations as such cannot do this job alone. The trade association is a very useful body but it must perforce protect the interest of its members. What is needed is a group of men of broad experience and thought to be architects of public programs. They must dedicate themselves first to an objective, distinterested study of the problem and then mobilize the membership for constructive action. That is the CED approach and the CED type of thinking.

I find that the policy-makers in government are taking increasing account of CED. They are doing so because CED has had the imagination and the drive to develop positive policy programs for meeting key problems. And government policy-makers are more and more aware that these positive policy programs have benefited from the best and most impartial expert guidance available, both inside and outside government. In these troublous times,

there are few government policy-makers who are not crying for positive guidance on the complex issues that confront them. I underscore the words *positive guidance*. The policy-makers — whatever their political bias or faith — are sick and tired of counsel that begins “we oppose” and “we are against” and “we object.”

I realize fully that problems of human relationships are the most difficult of all. I appreciate that because the CED is composed of businessmen who are for the most part the employers, its motives may be impugned should it focus its program on employee-employer relationships. I put the suggestion before you, however, in all humility because as an employer and as a public official and as a common citizen I feel that bound up in this problem is the most important potential threat to the steady forward progress of our country. It is so important that it must be studied impartially, disinterestedly, constructively. I advance it to the CED because it is the type of organization with the imagination and technique that can do the job. If you cannot do it, I don't know who can. Personally, I think the CED could succeed. I am convinced that a score of men with the spirit and vision of Paul Hoffman and Walter Williams, dedicated to this task, could remake and vastly better public and employee relations in American industry.

The accomplishments of the CED to date have exceeded the original expectations. But the more CED does, the greater appear the possibilities ahead. The CED approach is democratic in the very best sense of that term. It

provides a mechanism for broadening the understanding of government by businessmen and a mechanism for participation by businessmen in shaping government policy in the public interest and general welfare.

Above all the CED approach is *positive*. It has shown that businessmen can also be statesmen, and rarely in history has statesmanship been called for as today. Wherever one looks, abroad or at home, the problems that thrust themselves upon us lie outside the range of our experience. The solutions that we adopt must also transcend that range. Our way of life, our heritage, and our prospects are all in the balance. Where that balance will go will depend upon the insight and leadership that America can develop in the "grassroots" as well as in the inner councils of state.

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# **Facts about the Committee for Economic Development**

The Committee for Economic Development is a non-profit, non-political organization of some of the nation's leading businessmen and educators, who form its Board of Trustees. It is supported entirely by voluntary contributions from business concerns. It is devoted to these basic objectives:

- 1) To develop, through objective research and discussion, findings and recommendations for business and public policy which will contribute to the preservation and strengthening of our free society, and to the maintenance of high employment, increasing productivity and living standards, greater economic stability and greater opportunity for all our people.*
- 2) To bring about increasing public understanding of the importance of these objectives and the ways in which they can be achieved.*

The first objective is the responsibility of CED's Research and Policy Committee. This Committee is composed entirely of businessmen selected from the Board of Trustees. It directs the research program and is solely

responsible for Statements on National Policy\* which are worked out after months of careful study and frequent meetings with the members of the Research Advisory Board, Research Staff, and other specialists.

The Research Advisory Board is composed of economists and social scientists, who consult with the Research and Policy Committee and give the businessmen the benefit of their specialized knowledge. It also has the responsibility of approving, in terms of technical competence but not in terms of content or conclusion, the Research Reports\* prepared by independent experts in various fields.

The Research Director and Staff assist the Research and Policy Committee and the Research Advisory Board.

CED attempts to reach its second objective—increased understanding of our economy and its potential—through:

- 1) *Wide distribution of CED's research publications, and*
- 2) *Cooperation with interested groups, ranging from small study units to colleges and communities. CED responds to requests for counseling, technical assistance and programming within the limits of its facilities. Statements on National Policy by the CED Research and Policy Committee are used by discussion groups and community forums.*

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\*See the listing on pages 22-23 for Statements on National Policy and Research Reports already published.

Since 1947 CED has been cooperating with 12 colleges in regional projects of economic research in which businessmen and scholars participate. This program was established after several college presidents, members of CED's Board of Trustees, suggested that the CED methods of studying national economic problems would be valuable on a regional or community basis.

One project was an experimental workshop on economics instruction in secondary schools, carried out in cooperation with New York University in 1948. At the request of the workshop participants—leading schoolmen from 22 states—the program has been extended nationally. Three such workshops were held in 1949, in cooperation with the Joint Council on Economic Education, at the University of Minnesota, New York University and Michigan State College. Eight or more additional states and six communities are planning similar activities in 1950.

For specific information concerning CED's services write: Wesley F. Rennie, Executive Director, Committee for Economic Development, 444 Madison Avenue, New York 22, N.Y.

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# Statements on National Policy

## Long-Range Problems

- National Security and Our Individual Freedom.....  
.....*Published November, 1949*
- The Uses and Dangers of Direct Controls in Peacetime.....*Published July, 1949*
- The International Trade Organization and the Reconstruction of World Trade....*Published June, 1949*
- Tax and Expenditure Policy for 1949.....  
.....*Published May, 1949*
- Monetary and Fiscal Policy for Greater Economic Stability.....*Published December, 1948*
- An American Program of European Economic Cooperation.....*Published February, 1948*
- Taxes and the Budget: A Program for Prosperity in a Free Economy.....*Published November, 1947*
- Meeting the Special Problems of Small Business.....  
.....*Published June, 1947*
- Collective Bargaining: How to Make It More Effective.....*Published March, 1947*
- Agriculture in An Expanding Economy.....  
.....*Published December, 1945*
- Toward More Production, More Jobs and More Freedom.....*Published November, 1945*
- International Trade, Foreign Investment and Domestic Employment.....*Published May, 1945*
- Postwar Federal Tax Plan for High Employment....  
.....*Published September, 1944*

## Transition Problems

- Postwar Employment and the Settlement of Terminated War Contracts....*Published October, 1943*
- Postwar Employment and the Liquidation of War Production.....*Published July, 1944*
- Postwar Employment and the Removal of Wartime Controls.....*Published April, 1945*
- The Problem of Changeover Unemployment.....  
.....*Published August, 1945*
- The End of Price Control—How and When?.....  
.....*Published April, 1946*
- Fiscal Policy to Fight Inflation.....  
.....*Published September, 1946*

Single copies of these Statements are available without charge. Additional copies 35¢ each.

# Research Reports

## Long-Range Problems

Monetary Management <i>by E. A. Goldenweiser</i> .....	\$2.75
Small Business: Its Place and Problems <i>by A. D. H. Kaplan</i> .....	\$3.25
*Controlling World Trade—Cartels and Commodity Agreements <i>by Edward S. Mason</i> .....	\$3.00
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Agriculture in an Unstable Economy <i>by Theodore W. Schultz</i> .....	\$3.00
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## Supplementary Research Studies

Economics of a Free Society <i>by William Benton</i> .....	free
Personnel Problems in the Postwar Transition Period <i>by C. A. Myers</i> .....	free
World Politics Faces Economics <i>by Harold D. Lasswell</i> .....	\$1.50
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