

MEMORANDUM  
FOR THE INFORMATION AND GUIDANCE OF THE FEDERAL  
RESERVE DISTRICT COMMITTEES

OUTLINE OF A PLAN FOR THE CONSERVATION OF CREDITS

Men in the councils of the Nation appreciate already that the greatest national problem of today (because of the war) is the Conservation of Goods and Services. It is recognized that this can be brought about only through cooperation and moral suasion. Hence the proposals hereinafter outlined are framed with that object in view. The problem above stated phrased in a different way might very truly be said to be the gigantic labor problem of releasing workers and raw materials for war industries by gradually curtailing unessential operations and doing it in such a way as to cause as little hardship as possible to the workers or their employers. This is by no means an easy problem for it means a very general redistribution of labor.

In connection with the Problem it will probably be necessary or desirable:

(1) To coordinate wherever practicable with the War Savings Committees already launched in the different States and utilize those organizations (State, County, and Municipal) so far as possible.

(2) To encourage the gospel of the "Conservation of goods and services" until it is understood even though it means ringing the changes upon it, and hammering it in as the first great essential.

(3) To urge that all public or private expenditures for nonessential improvements be curtailed or postponed. This may mean sooner or later:

- (a) An appeal to Congress for assistance and cooperation.
- (b) An appeal to the Governor and Legislature of every State for assistance and cooperation.
- (c) An appeal to the Mayor and Council of every City for assistance and cooperation.
- (d) An appeal to the public utility or public service commissions of every State and City not to require extensions, improvements or betterments which can be deferred till after the war, and an urgent request that they refuse authority for increments to capital for improvements which they think can be safely deferred.

(4) To urge all corporations, copartnerships, and individuals not to make improvements which require new capital unless they be absolutely necessary.

(5) As the Government's war needs can be met both by economizing services on the one hand and by increasing production or the productivity of labor on the other, it is well to urge an increased production along the more essential lines:

- (a) By the employment of women in all classes of industry where their labor can be used to advantage and especially wherever men whose labor is required can be released thereby.
- (b) By increasing the productivity of men's labor through discussions and treaties with the representatives of organized labor or by adopting methods which will, during the period of the war, result in the more continuous employment of labor or increase its productivity.

It may be pointed out that great progress along both these lines has been made in European countries.

(6) Waste or unnecessary consumption of bread, meat, sugar, and other foodstuffs should be stopped, and to that end there should be the closest harmony and cooperation with the United States Food Administrator.

In the same way the consumption of other necessary staples, such as coal, fuel oil, gasoline, etc., should be restricted wherever possible, to the end that these necessities shall not be used for unessential purposes. In these matters there should be the closest harmony and cooperation with the Fuel Administrator.

(7) It is important, and it should be borne in mind that the discharge of workers from one kind of employment, unless some scheme is devised for their reemployment in some necessary work, will not have a beneficial effect but will be harmful. In other words, it must be remembered that labor is fluid only to a limited extent and that workers can not be shifted quickly from one point to another or from one kind of work to another without a certain amount of enforced idleness and pecuniary loss.

(8) While it may be argued that some kinds of employment are unessential to the conduct of the war and therefore should be restricted, it must at the same time be admitted that if the articles, however unessential to our needs, are exported - let us say to some neutral country from which we are obtaining necessary articles - it is an industry which may properly be encouraged, not at the expense of necessary industries, but only through absorption of available labor.

(9) It will probably be found desirable to adopt some sort of application blank, in the nature of a "certificate of necessity" for all proposed capital expenditures and require all National and State banks when asked to lend money to corporations, copartnerships or individuals, to demand the filling out of such certification, it being understood that this would not apply to seasonal or commercial borrowing, but only to

extensions of credit for improvements, betterments, and other capital expenditures.

The blanks when filled out and attested would be passed upon by the District Committees and, if approved, passed on with that Committee's recommendation to the Capital Issues Committee in Washington.

(10) The Committee on Capital Issues will pass only upon requests in excess of \$100,000 but will delegate to the District Committees the authority to make final decisions subject to appeal to it in cases involving smaller amounts.

(11) The carrying out of this program presupposes, and to be successful must have the hearty cooperation of banks and bankers, merchants, and manufacturers, little and big all over the country, with the object in view of decentralizing the work and arresting the flood of applications, so far as possible at their source.

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