

C O P Y

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON 25, D. C.

EDWIN G. NOURSE, CHAIRMAN
LEON H. KEYSERLING, VICE CHAIRMAN
JOHN D. CLARK

March 24, 1948

Dear Mr. President:

Following our report to you on the steel price advance, we have been carefully reviewing the industrial and financial situation with a view to presenting our first quarter appraisal to you on March 31 or April 1. We see grave difficulties in the way the current industrial situation has been developing.

Meanwhile the new preparedness program which has been taking shape since your address to the Congress on March 17 greatly complicates the picture. We are studying this new factor in conjunction with the National Security Resources Board and the Bureau of the Budget.

The inflationary dangers which we emphasized in the materials presented for use in your Economic Report last January have by no means been overcome. The additional pressures coming from the expenditures, the appropriation, or even the consideration of some additional billions of government money must inevitably aggravate this danger. We feel we must face the question whether, at the very outset of this new spending program, we would not need to set aside the free market practices that we have been trying to guide toward stabilized peacetime operation and substitute a rather comprehensive set of controls of materials, plant operation, prices, wages, and business credit.

We believe that these economic phases of preparedness must be considered in step with military needs and physical requirements. We shall hope to present some significant aspects of the issue in our report at the end of this month.

Respectfully yours,

/s./ E. G. Nourse
Chairman

/s./ Leon H. Keyserling
Vice-Chairman

/s./ John D. Clark

The President
The White House