

FIRST ANNUAL REPORT TO THE PRESIDENT

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BY

Council  
of Economic  
Advisers

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*December 1946*

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## Letter of Transmittal

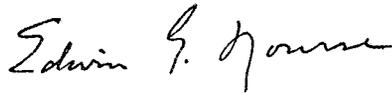
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COUNCIL OF ECONOMIC ADVISERS,  
*Washington, D. C., December 18, 1946.*

*The President.*

SIR: The Council of Economic Advisers herewith submits its First Annual Report in accordance with the requirements of Congress as set forth in the Employment Act of 1946.

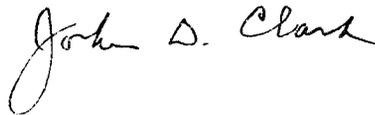
Respectfully,



*Chairman.*



*Vice-Chairman.*



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THE Employment Act of 1946 marks a distinct and important step in the evolution of our national life and our frame of democratic government. The Council of Economic Advisers, which this act sets up in the Executive Office of the President, constitutes an undertaking in the field of political science no less than in the field of economics. Therefore, it seems appropriate that, in this first annual report, the Council should clearly set forth its conception of the agency which Congress has established within the executive branch and explain the Council's relations to the administrative departments and independent agencies, to the Congress, and to nongovernmental agencies in our economic system. The opening section of this report, accordingly, will deal with the political philosophy of the Employment Act of 1946. The second section will consider the economic philosophy of sustained employment and high-level production. Against this background we shall then discuss briefly a few outstanding aspects of the outlook for production and jobs during 1947 and in the years immediately following. It is the President's Economic Report to the Congress rather than this Council report which will contain specific economic conclusions and recommendations.

## I. The Political Philosophy of the Employment Act

It is trite to observe that the responsibilities of the Chief Executive of the United States and of the Congress have grown enormously in scope and difficulty during recent decades. This is in part due to the sheer size to which our population and wealth have grown, but in part also to the increasing complexity in technical processes and in business organization which has come with the rapid march of industrialization. Beyond these changes, still a third factor must be recognized as playing a part in increasing the difficulty and burdensomeness of the duties of both President and Congress. This is the fact that the mass of citizens has come to expect and indeed, as voters, to demand of their Federal Government a more active role of leadership in dealing with matters which affect the Nation's economic life.

## SOURCES OF THIS LEGISLATION

In the First World War, in the severe depression of the thirties, and again in the Second World War, a general sense of national emergency led to acceptance of a more active role of executive leadership by the President and the more prompt development and explicit implementation of a national program by the Congress in activating, directing, or safeguarding the economic life of the country. Drawn under pressure of time and in the face of danger, those national programs of both the executive and the legislative branch often were, of necessity, hastily improvised and sometimes set aside or suspended for a time some deeply cherished values such as love of individual freedom and our belief in the efficiency of a flexible business set-up.

As the Second World War drew toward a close there was deep concern in public thinking and in the Congress as to our ability to handle our affairs in peacetime with the vigor and effectiveness that we had shown in meeting wartime needs. There was apprehension lest we might drift into a postwar depression as great as that of the thirties—or even worse. Two clearly marked schools of thought arose. One held it to be imperative not merely to have prompt liquidation of wartime controls but also the abandonment of depression-born “action programs” of the Federal Government, so that “individual free enterprise” could, through automatic processes of the market, effect the transition to full-scale peacetime business and (even with recurrent depressions) the highest practicable level of prosperity thereafter. The other school held that the economic activities of individuals and groups need, under modern industrial conditions, more rather than less supplementation and systematizing (though perhaps less direct regulation) by central government.

Some of this latter group were concerned merely with “spot” remedies for particular situations which they regarded as peculiarly important or dangerous. Others centered their attention on some great over-all device that they believed would assure or promote national economic stability or guard against a business decline. Followers of this latter school of thought became active as early as 1944 in drafting legislation under which the Federal Government should attempt to put their theories of economic stabilization into practice. Their proposals, however, encountered such sharp disagreement from the opposing school of thought that the early form of “full employment” legislation became deadlocked in Congress. Proponents of the bill followed, in this situation, the good American tradition of intellectual give-and-take. They gave opponents of the measure credit for being no less desirous than they themselves were of finding some practicable means of avoiding postwar depression or any unnecessary fluctuations of business. Hence they said in effect: “If you find our proposals defective, what alternatives have you to suggest?” Thus challenged, the opponents of the proposed

bill set to work refining definitions, moderating objectives, reducing commitments as to any specific form of attack, broadening the range of weapons to be used in the defense against depression or the attack on unemployment.

The measure which finally emerged from this process of legislative coalition was a well-balanced and carefully drawn piece of legislation. Although frequently referred to as a "much watered-down version" of the original proposal, it is in fact a broad enabling act of great flexibility as well as vigor. It is far from being a meaningless verbal compromise. The present act does not make any particular method mandatory. Nor does it legislate any specific remedy into use. Instead, the law states quite fully and clearly the general purpose and intention of the Congress and lays down the principle that the executive and the legislature shall seek diligently for any method which, in the peculiar circumstances of any given situation, appears to them to be sound and to promise helpful results. It is hard to see how a measure can be regarded as "watered down" which so clearly states the

responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy \* \* \* to coordinate and utilize all its plans, functions, and resources—

for the stated purposes of the act—maximum production, employment, and purchasing power.

As a result of lengthy deliberations over the bill, and the collaborative process of drafting, many individuals and groups gained a profound understanding of the problem and the purposes of the act. Furthermore, such persons and groups succeeded in removing ambiguities of language or in the elimination of what they regarded as dangerous or doubtful provisions. Beyond this, these participants contributed to the final draft such ideas or phraseology that in many cases they not merely ceased to oppose the bill but actually became supporters of the measure which was finally adopted. Thus, the Employment Act of 1946 has an extraordinary amount of friendly interest and approval among the public, and it was passed in the House of Representatives by a vote of 320 to 84 and in the Senate by a unanimous voice vote. In signing the act on February 20, President Truman commented:

In enacting this legislation, the Congress and the President are responding to an overwhelming demand of the people. The legislation gives expression to a deep-seated desire for a conscious and positive attack upon the ever-recurring problems of mass unemployment and ruinous depression. \* \* \* I am happy that the Senate adopted this legislation unanimously, the House of Representatives by a large majority. \* \* \*

The Employment Act of 1946 is not the end of the road, but rather the beginning. It is a commitment by the Government to the people—a commitment to take any and all of the measures necessary for a healthy economy, one that provides opportunities for those able, willing, and seeking to work. We shall all try to honor that commitment.

## BROAD POLICY OF THE ACT

This, then, gives us our first point with reference to the political philosophy of the act, namely, that it is not specific in character, prescribing a single kind of medicine for a simple kind of economic disease nor a panacea "good for what ails you." Instead, the act expresses an intention to call upon all competent sources for diagnosis of situations as they arise and for the recommendation of such treatment as the nature of the case, carefully studied, is deemed to require. Before considering the agencies set up for the purpose of this diagnosis and prescription, one should note carefully the political philosophy expressed in the declaration of policy in section 2 of the act.

Here, for the first time, the Congress has spelled out in unequivocal terms as a "continuing policy and responsibility of the Federal Government" something which hitherto had only fallen somewhat ambiguously within the general welfare clause of the Constitution. Now—the Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy \* \* \* to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining \* \* \* conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power.

A mandate is thus laid on the President and the whole executive establishment and upon both Houses of Congress to pursue this goal of promoting maximum productive use of the Nation's resources, natural and human, thereby providing work opportunities as ample as are practicably possible for those who are anxious to apply their labor to the supplying of their wants.

It should be clearly noted that the act is called the Employment Act of 1946, avoiding the vague—and in some quarters alarming—use of the term "full employment." There is in it not the slightest hint that anyone is to be coerced or constrained to labor more than he wants to, with inferior equipment, or at anything other than the calling of his choice. The act stresses maximum production and the purchasing power that makes for high consumption; it does not stress mere number of jobs. The freedom of the worker is fully protected by the expression "willing and seeking to work." The danger of resort to leaf raking or digging holes and filling them up is guarded against by the expression "useful employment opportunities."

Finally, it is part of the broad policy of the act that, in carrying out a central responsibility for promoting high production and the general welfare, the Federal Government should coordinate its program and activities with those of State and local governments on the one hand and of private business agencies—industry, labor, and agriculture—on the other. It is to operate "in a manner calculated to foster and promote

free competitive enterprise." Likewise, it is the expressed policy of the act that the Council of Economic Advisers, which it sets up, shall be closely articulated with other agencies of the Federal Government operating in the economic area and that its work shall be cooperatively related to theirs, coordinating rather than superseding their functions.

#### MACHINERY OF THE ACT

We turn now from the political philosophy of the Employment Act, as embodied in its statement of purpose and of general method or range of methods, to note the governmental machinery through which this purpose is to be attained. The measure as enacted is fully within the existing frame of government. It does not set up any authoritarian board or official dictator of labor, of plant, or of production. The traditional division of function between the executive and legislative branches of the Government is fully preserved and, as already mentioned, the complementary relation between Federal and State Governments. In the machinery of the act, however, something has been added to our customary equipment for handling matters that concern the Nation's economic life. No longer is the study of the multifarious economic problems of the country and the formulating of Executive programs for dealing with national economic welfare to be merely scattered among the Federal departments and independent commissions or the still more numerous bureaus and divisions within these agencies. Instead, a means is provided for reviewing and synthesizing all these studies, conclusions, and recommendations into a single coordinated whole.

To this end, the President is called upon to send to Congress at the beginning of its session an Economic Report—

setting forth (1) the levels of employment, production, and purchasing power obtaining in the United States and such levels needed to carry out the policy declared in section 2; (2) current and foreseeable trends in the levels of employment, production, and purchasing power; (3) a review of the economic program of the Federal Government and a review of economic conditions affecting employment in the United States or any considerable portion thereof during the preceding year and of their effect upon employment, production, and purchasing power; and (4) a program for carrying out the policy declared in section 2, together with such recommendations for legislation as he may deem necessary or desirable.

The new machinery set up for (a) preparing and (b) dealing with the Economic Report of the President consists of two parts: The Council of Economic Advisers to the President and the Joint Committee of Congress on the Economic Report.

The Employment Act establishes in the Executive Office of the President a Council of Economic Advisers, consisting of three economists, who, with the aid of the necessary staff, are to—

assist and advise the President in the preparation of the Economic Report . . . analyze and interpret economic developments, to appraise programs and activities of the Government in the light of the policy declared in section 2, and to formu-

late and recommend national economic policy to promote employment, production, and purchasing power under free competitive enterprise.

It was clearly the intent of the framers of the act that this shall be a small coordinating agency immediately adjacent to the President and effecting liaison between him and the vast area of technical services dealing with economic matters already available within the governmental establishment. It is not itself to be a fact-finding agency or one doing original statistical or economic research.

The intent of Congress to keep this new agency within the Executive Office of the President a small top-level consultative organization is evidenced by a statutory limitation on the salaries of the members, officers, and employees of the Council to an annual total of \$345,000—a limitation which the Council considers very salutary and hopes to see maintained in future. The same intent is manifest in the provision that—  
the Council shall, to the fullest extent possible, utilize the services, facilities, and information (including statistical information) of other Government agencies as well as of private research agencies, in order that duplication of effort and expense may be avoided.

In conformity with these evident intentions of Congress, the Council has set up a small (not to exceed 10) top staff of broadly trained economists, selected with a view to their competence to analyze the state of the Nation's business as a whole and appraise the functioning of the entire economy. Each, however, has specialized knowledge of the problems, the methods of analysis used, and materials and personnel available in some special area such as labor relations, plant capacity, agricultural problems, consumer demand, price-wage-cost relationships, money and credit factors, taxation, and fiscal problems. Together with a small secondary staff, these "specialized generalists" are utilized under the Council's direction to bring to its deliberations the best thinking of the economic and statistical profession in the Federal Government agencies, in non-Federal governments, and in the private organizations of business, labor, and agriculture. Easy and effective relations were promptly established between the Council's staff and the staffs of these many agencies.

As the deliberations of the Council and its staff lead to conclusions and recommendations at the policy level on matters concerning any agency or organization, the Council itself invites the consultation and comments of the respective agency or organization head. It seeks thus to arrive at the greatest degree of mutual understanding and agreement that is possible as to each element of the broad economic program which would be conceived as promoting the interests of the whole Nation. Such consultations at the policy level draw upon the thinking of experienced leaders of business, of finance, of labor, and of agriculture, as well as the executive heads of Government, local, State, and Federal. It is only after giving careful consideration to such views and suggestions that the Council would feel itself justified in offering its

counsel and advice to the Chief Executive as to an over-all economic program for the Nation. We are deeply gratified at the frank and cordial manner in which these various agencies have collaborated with the Council.

It is not within the province of this Council to elaborate on the functions of the other agency set up under the Employment Act, namely, the Congressional Joint Committee on the Economic Report. It should be noted, however, that the act in no way trenches on the primacy of the Congress in the field of final policy making. It simply sharpens that body's tools for evaluation of proposals made by the President as well as for the initiation of proposals of its own. Obviously, the joint committee will have at its disposal the improved facilities made available under the Congressional Reorganization Act as well as recourse to those contacts with all governmental and nongovernmental sources of facts and ideas which are the traditional prerogatives of Congress.

In the words of the act:

It shall be the function of the joint committee—(1) to make a continuing study of matters relating to the Economic Report; (2) to study means of coordinating programs in order to further the policy of this Act.

When the President's Economic Report is presented to the Congress at the opening of its session, it is to be referred to this joint committee. After study of the proposals embodied in the President's economic program and in the light of such studies as the committee may already have conducted into the economic problems which it considers pertinent, it will prepare—

its findings and recommendations with respect to each of the main recommendations made by the President in the Economic Report—

and submit them to the two Houses of Congress by February 1. This congressional report is designed to be—

a guide to the several committees of the Congress dealing with legislation relating to the Economic Report.

The outstanding feature of this procedure is that it tends to unite the President and Congress through mutual consideration of national economic policy as a coordinated whole instead of proceeding in an unrelated piecemeal fashion. It guards against the danger that economic legislation shall be incomplete, inconsistent, or directly conflicting, much as the creation of the Bureau of the Budget 25 years ago undertook to remedy the haphazard process of estimating fiscal needs and allocating public revenues.

Besides its February 1 report, the joint committee may also—  
from time to time make such other reports and recommendations to the Senate and House of Representatives as it deems advisable.

#### THE COUNCIL A CONSULTATIVE AND ADVISORY BODY

A final point as to the political science aspect of the Council of Economic Advisers is that, although set up as an arm of the Executive Office,

the Council as such does not have any administrative powers or responsibilities. It is purely a consultative and advisory agency. Besides its duty to—

assist and advise the President in the preparation of the Economic Report—

it is to—

analyze and interpret \* \* \* developments and trends \* \* \* appraise the various programs and activities of the Federal Government in the light of the policy—

of promoting maximum employment, production, and purchasing power, and make interim and supplementary studies either on its own initiative or at the request of the President. Thus it is designed to serve as a continuous agency of counsel to the President on the professional plane in regard to administrative decisions as well as his approval—or even veto—of legislative proposals.

The Council of Economic Advisers does not reallocate basic public responsibilities; it merely puts improved professional techniques and resources at the disposition of those who make national policy. Since the President must formulate his policies and shape his program within his own evaluation of the most varied and comprehensive political and social, as well as economic influences and considerations, it is not to be expected that his Report to Congress will merely reflect the conclusions and recommendations of his Economic Council. He will simply use as he deems wise such economic analyses, appraisals, conclusions, and recommendations as they prepare for him. What is said here is intended—as subsequent annual reports and perhaps interim reports will be—to serve as a general explanation of the purposes of the act and the nature of the Council's work. It sketches also the general setting of economic philosophy and policy-determining considerations within which our specific conclusions and particular recommendations to the President are developed.

## II. The Economic Philosophy of Sustained Employment

**I**N examining the Employment Act of 1946 from the standpoint of political science, we have of necessity given some intimation of the economic philosophy with reference to national employment and production which it embodies. Quite naturally, this theory or approach to the problem of the Nation's business and how it may be made most healthy and vigorous is not set forth formally or in detail in the act. It may, however, quite readily be inferred, in part from provisions which

were explicitly rejected by Congress during the drafting of the law and in part from the character of the provisions that were included.

Nowhere in the Employment Act can one find the expression "business cycle" or even such familiar and harmless single words as "prosperity" and "depression." And yet, no sooner had the Council been set up than the Man-on-the-Street began referring to us as having been assigned the task of "taming the business cycle" and the Inquiring Reporter pressed us for an opinion on the prospect for a postwar "boom and bust." This is only natural. For if, through constructive economic policies, the Nation were enabled to come closer to the attainment of "maximum employment, production, and purchasing power," business depressions would, to that extent, have been filled up and the turns of the cycle would have lost their former power to work hardship on the people. The passing of the Employment Act by Congress would have been no more than a senseless gesture if it did not express a considered belief that, by mobilizing our capacity of economic reasoning and the brains and experience of business management, labor leaders, and others, we could moderate in the future the devastating periods of business depression.

The three appointees who make up the initial membership of the Council, though no one of them had so much as met either of the others at the time of his selection, have found themselves in a gratifying state of like-mindedness on this matter. All of us believe wholeheartedly in the basic purposes of the act. We believe its broad enabling powers provide a device through which practical action can be suited to the demands of changing circumstances. In our judgment, too, there has come to be a broader understanding of the basic relationships among production, purchasing power, and employment, and an actionable degree of willingness to meet the requirements of better sustained general prosperity in the future.

All that this claims is that the American people really are smart enough to organize themselves in groups of sufficient size for high efficiency and yet keep the necessary flexibility of action under free enterprise and democratic government. But if such efforts are to be practically successful, they must be based on or guided by sound understanding of what really happens when our economic arrangements get so tangled up that production is held up, forced unemployment appears, and purchasing power ebbs away from the market. Businessmen, union officials, and organized farmers as well as economists have given an increasing amount of attention during the past generation to the ups and downs of business activity, employment, and market demand. Three major steps mark the progress of this thinking. By reviewing them briefly we can see the significance of the action taken by Congress in the Employment Act of 1946.

## THE SPARTAN DOCTRINE OF LAISSEZ FAIRE

Early thinking about the general upswings and downswings of business were of a highly individualistic and essentially fatalistic character. Those who follow this line of thought—and some still do—accept the cycle as a result produced by causes deeply rooted in physical nature or in fundamental human behavior and following an intricate pattern of short-, medium-, and long-time swings. They do not claim that this pattern is precise as to timing or invariable as to magnitude, like the movement of the stars. But they do think in terms of essentially mechanical relationships rather than human institutions that can be modified by intelligent action in a republic, and human behavior that can be changed by wise leadership.

Now if the businessman becomes convinced that cyclical swings will inevitably recur in response to sunspots, weather cycles, or some deep alternating pulls or tides of human behavior, what is the practical consequence? His prime concern becomes that of perfecting a technique for discovering what this extraneous pattern is and of measuring his position and that of business in general with reference to the progress of prosperity or depression. Insofar as he admits the likelihood of some variation in the pattern, he becomes concerned in identifying signs of its probable timing and magnitude. His major objective of business management centers on trying to outguess the course of the business cycle.

Whatever the mixture of trained measurement, experienced interpretation or evaluation, and sheer hunch, the practical outcome of this approach to the problem of economic fluctuations is, in the main, that of conformity or indeed exaggeration, not one of corrective action. If a majority of businessmen become convinced that a business recession "is due" in a specified quarter of the following year, ordinary prudence dictates that they shall put their business house in order for the impending storm. They will curtail their commitments and revise their operating plans in general accord with the prediction of time and severity of the depression in which they have placed their faith. If the various predictors and those who look to them for guidance, progressively comparing notes, come to substantial agreement in picking the third quarter as the time, 20 percent the magnitude, and 1 year the probable duration of the decline, and if the majority of businessmen accept this counsel as their guide to action, it can be expected that they will make about the appropriate curtailment in operations and will emerge from the storm cellar at about the appropriate moment so that the prediction will in fact prove true. It will, indeed, become the engine of its own verification. The journey into the area of restricted production, unemployment, and low purchasing power will have been completed according to schedule or even accelerated. The question, however, might be asked: "Was this trip necessary?"

Possible ill effects from stanch reliance on cycle theory and predictive techniques may be no less on the up side. If the business community in general becomes imbued with the idea that the economy as a whole is in a pronounced prosperity phase and that the upswing of this cycle is due to continue for three or five, or whatever number of years, they are likely to make plans of expansion without due care as to the particular factors of demand and available capacity in their own industry or their own locality. They are likely to follow looser practices as to management and cost control or be less cautious as to inventory accumulation and credit commitments than they would be if looking at each situation strictly on its own merits and in the long-time perspective.

This extreme type of business-cycle theory does not conceive the role of the business organizer and administrator as in any way different from that of the squirrel storing up nuts for the winter. It does not ask whether this individual protective action may, unlike an animal's instinctive conformity to the fixed cycle of the seasons, become itself a contributory cause of the drying up of business. These narrow-visioned individuals do not consider what happens to the whole economic system when those who are less strongly entrenched to withstand a period of lean production (or less well equipped with advisers to foretell its coming and plan protective measures) are allowed to go to the wall. The real 100-percenters of this school of thought carry their fatalism one step further. They believe that depression is a wholesome purgative for business, eliminating those who are too weak or too short-sighted to be entitled to survive. Like the ancient Spartans, they believe in exposing the young and weak, no less than the strong, to the full force of nature, trusting that the strong will survive and only the weak will perish. They forget or deny that in a depression the strong and efficient also suffer. This type of economic behavior is complacently referred to as "riding the business cycle." Those who practice the art believe that they can—

find as many advantages in depressions as in booms. \* \* \* Smart folks take advantage of the boom and are then ready for depression-time bargains. \* \* \* It is to be hoped that depressions are never abolished, for they have many desirable features.

In our modern economy, however, little recessions often develop into big depressions, once a setback causes contraction of purchasing power and markets. Efficient as well as inefficient businesses incur losses. Efficient workers as well as inefficient workers become unemployed, and the Nation as a whole suffers. Besides the human misery and the waste of productive resources implied, we wonder how often our social fabric can stand "cures" of the type prescribed by the Spartan school of thought.

Changing our figure of speech, the business cycle is often likened to swings of a pendulum. It is said that, when it has gone to one side or the other of the equilibrium point a certain distance determined by

mechanical laws, natural forces will check its deviation and turn it back. This may be measurably true as to the excesses of price inflation or deflation. A midpoint of stable values may be the object and the basis of a natural control process. But as to production and employment, such is definitely not the case. The greatest amount of employment attained at the peak of the boom (except the most extreme war boom) is quite within the desires of the workers to apply their energies toward the satisfaction of their wants. All the idleness and underconsumption which develops as business moves toward the midpoint and on to the bottom of the depression is net loss, not a true corrective movement.

So, too, the volume of production at the top does not represent excess, with the midpoint as the goal of our "stabilization" devices. It is prices and property values and credit extensions that are excessive and unstable at the top of the swing and that are artificially shrunken and carrying the potential of a rise when the bottom has been reached. We do not in a boom have an excessive physical volume of production or excess of employment (even though there may be a faulty distribution of it) that needs to be corrected by idleness and a reduction in total production—with resultant want. The greatest danger of recent years has been that our economic institutions and our business practices would bring us to a more or less permanent equilibrium at a low or "stagnation" level. The Employment Act of 1946 reflects truly the proper goal of business stabilization in setting maximum production, maximum employment, and maximum purchasing power or scale of living as the kind of stability to which we are to apply our "plans, functions, and resources."

#### THE ROMAN DOCTRINE OF AN EXTERNAL REMEDY

Unlike those whose belief in the external character of the cycle causes them to conclude that nothing can be done about it but to adapt one's business operations or exploit it for individual profit, a second group would master the cycle by a remedy equally external to the processes of private business—the power of government to spend and create a purchasing medium. There has arisen in recent years a widespread belief that, whatever the "cyclical" forces beating upon business in general or whatever adaptations to such forces may be spontaneously made by the dictates of private managerial understanding or prudence, the economy as a whole may be kept on a reasonably even keel merely through the intervention of central government in the monetary and fiscal area.

According to this philosophy of external remedy, the essential phenomenon of a business depression is a too restricted volume of purchasing power being turned into the system, and this particularly in the form of capital expenditures. The obvious remedy, therefore, is for central government to measure the amount of this aggregate deficiency and restore the Nation's business to a satisfactory state of activity by injecting

an appropriate amount of the purchasing medium. There is a certain undeniable cause-and-result logic in the prescription of government spending limited to specific support or "pilot" purposes, just as there is a measure of validity also in the doctrine of individual adaptation to cycle forces. But there are also rather obvious shortcomings and indeed dangers in the extreme proposals of this as a "cure-all" remedy.

In contrast to the Spartan business theory and practice that carried a cult of individual self-reliance to the point of brutality and needless waste, we believe it is not fanciful to liken this doctrine of an over-all offset to managerial maladjustment to the Roman system that swung to an extreme opposite to that of Sparta. Roman citizens were—for a time—relieved of the compulsion of relying on their own efforts to keep their economy as a desirable level. "Bread and circuses" were provided for all through the power of the state. Similarly, this theory relieves businessmen of the necessity of themselves making the business adjustments by which they would keep the system going at a satisfactory level. As we found in the Spartan school of thought, it is with the 100-percenters or perhaps the 90-percenters that we disagree. Extremists of the Roman doctrine says that we need not worry about any maladjustments in our enterprise system. Monopolistic price policies may curtail markets and cause unemployment. Excessive wage demands may drive costs up and paralyze profits, investments, and employment. We do not need to worry because we can always create full employment by pumping enough purchasing power into the system. If there is too much demand for labor and materials—that is inflation—we turn the faucet off and cause a contraction. Thus by manipulation of Government expenditures and taxation, continuing full employment is assured, and we do not need to worry about anything else in the economy.

It would be very simple indeed if we could rely on fiscal policy as a panacea. Broadly speaking, the shortcoming of this single-track doctrine of fiscal policy is that it does not face the complexity of our economic system. It assumes that by pumping money up or down the Government could control the Nation's economic life without regard to what employers and workers, farmers, and traders were doing in the countless specific price and wage and profit relationships that make up the body of their business life.

If certain industries are suffering set-backs, or if economic development in certain regions of the country is lagging, or if consumers are bidding up prices for scarce goods, a regulation of purchasing power in general by fiscal measures will not help. We cannot assume that deficiency of demand in one particular area or of one particular character can be made up just by adding purchasing power in general, for instance, through tax relief. Nor can we assume that demand for houses or automobiles in excess of supply can be curtailed by an increase in general taxes.

Placing too sweeping reliance on the supposed importance and persistence of certain general relationships between consumption, saving, and investment, this attack ignores both the difference in these relationships in different parts of the economy and their changes—as technological or institutional conditions change. Jobs and markets depend on very specific wage-price-cost relationships. If labor is pricing itself out of jobs or manufacturers and farmers are pricing themselves out of a market, or capital is pricing itself out of investment, the basic remedy is the correction of these specific situations, not the injection of some aggregate purchasing power in a dose measured in size to offset an estimated future total of unemployment.

The causes of a fall in production and employment at any given time may be one of a numerous set or combination of conditions. For some of these the single remedy prescribed is not effective or not the best remedy. For example, a temporary decline in employment and production may accompany a decline of inflated prices and reduction of excessive inventories, both of which are necessary to bring prices into a balance with purchasing power that will be sustained. Use of the “all-embracing” cure might bolster up prices for a time but retard the necessary readjustment. Why limit ourselves to a single remedy—and a crude remedy at that—when we can muster a set of remedies fitted to the whole range of particular situations? In placing sole reliance on action external to the markets and the bargaining tables where investment, output, prices, and wages are determined, this doctrine fails to marshal the abilities of individuals and leaders of groups in the world of affairs where many of the causes of depression originate, to aid in maintaining maximum employment, production, and purchasing power by wise and statesmanlike decisions in their conduct of affairs. Surely we are not such a soft people that we do not want to participate vigorously in such a vital matter as this.

We of the Council of Economic Advisers do not believe that the facts of the situation or the requirements of the process are so simple. We believe that the internal relationships of business must be carefully adjusted by business participants themselves within an institutional atmosphere made favorable by government but also that government itself is now and must to a somewhat greater extent in future be an actual stimulative and guiding element in the economy. Its role is thus complementary to that of private business. It should not, and need not, be either conflicting or confusing. We pass on, therefore, to state briefly the outlines of this complementary relationship between mutually interested partners in a total business relationship.

#### AMERICAN DEMOCRACY'S DOCTRINE OF MUTUAL ADJUSTMENT

Although American thought has largely been of the Spartan pattern of self-reliance, not without some of the brutally wasteful accompani-

ments of laissez faire, and although the softer Roman philosophy of external salvation has been aggressively sponsored in recent years, we believe the great body of American thinking on economic matters runs toward a more balanced middle view. This view stresses the importance of having the specific wage-profit-investment-disbursement relationships soundly adjusted at the points where business is actually done, markets found, and jobs created. It recognizes, however, that not all economic functions are or ever have been performed entirely by private enterprise rather than as government agencies. It is essential, therefore, that those parts of the national business which we find it necessary or convenient to initiate through agencies that are organized as public enterprises shall be as soundly conceived, as flexibly modified in the light of changing conditions, and as efficiently operated as our knowledge of managerial principles and economic forces will permit.

This broad concept of national economic life we find to be written securely into the Employment Act of 1946. The act states clearly at the very outset that the objectives of maximum employment, production, and purchasing power are to be pursued in ways "calculated to foster and promote free competitive enterprise and the general welfare." But, at the same time, there is a "continuing policy and responsibility of the Federal Government." This is not an intention to create jobs artificially or pad the Government pay roll, but "to create and maintain conditions under which there will be afforded useful employment opportunities, including self-employment for those able, willing, and seeking to work." It accepts the well-known fact that Americans by and large are a nation of businessmen, whether in overalls or white collars, alert to see and skillful to develop opportunities for better income. It assumes also something that is not as yet proved as fully as we might wish. They still have to demonstrate that, in claiming for themselves the right to embrace these opportunities, they display an adequate understanding of fundamental economic forces and of how to work out such mutual wage, price, and profit relationships as will correlate an efficient system of production with a fluid and vigorous market. It is an integrated consideration of private and public functioning in the economic sphere that the act is designed to promote.

To achieve such a system of broad-viewed organization of the Nation's business, with the maximum of individual freedom but the degree of self- and group-discipline necessary for high efficiency is the challenge of our democratic system. The war experience gave us a great lesson as to the productive power we develop when private enterprise is harnessed to a unified national effort. The Employment Act of 1946 enunciates sustained peacetime utilization of our productive resources as a no less important national purpose and proposes a concerted effort to develop an equally good coordination of effort among all agencies, without the legal controls which were both enduring and necessary in the face of our war danger. The Congress in this act did not either exclude

Government nor put exclusive reliance on this single means of attacking the problem of stabilizing the practically attainable maximum of production or utilization of the Nation's resources. Far from shutting out other measures or means of approach, the act plainly invites the Council to pursue its studies and make its recommendations "with the assistance and cooperation of industry, agriculture, labor, and State and local governments" and to proceed "in a manner calculated to foster and promote free competitive enterprise and the general welfare."

In moving toward this realistic, understanding, and efficient organization of private and public business activity a few basic principles seem evident. For the actual operation of the major forms of business, we need the intimately informed and flexible decision making of private individuals in their business relations and of executives of business organizations. But we must recognize also that the practically sound and individually efficient management of private farming, manufacturing, transportation, distribution, and banking in the practical situations in which the active managers must make their decisions will not, year in and year out, add up to a sustained and satisfactorily stabilized total utilization of the Nation's resources in producing the national well-being of which we are in fact capable.

Hence experience and experimentation teach us that there is an important area of Government action in stimulating, facilitating, and complementing the enterprise of private business even if individually well managed. This functional differentiation and cooperation between private enterprise and public enterprise is in our view something quite different from and much better suited to our situation and temperament than the nationalization of industries to which our English cousins have now resorted. Nor does it involve that regulation of actual business operation which would constitute bureaucratic "regimentation."

We believe, therefore, that when the Congress instructed the Council of Economic Advisers to set up consultative relations "with such representatives of industry, agriculture, labor, and consumers, State and local governments, and other groups as it deems advisable," this outlines one of the major features of our work and one of the most important ways in which we may prove of aid in creating and maintaining conditions of maximum employment and the high standards of living that go with it. By consulting with the most thoughtful and responsible leaders of these groups with reference to conditions which would promote the welfare of the country as a whole, we believe that our counsel and advice on the national economic program will reflect a realistic grasp of the needs and difficulties of the several factors in the total economic process. We trust also that in the course of these consultations we may reflect back to the leaders of these groups something of the demands that successful operation of a total system make upon each of its component parts. In particular, we trust that we may translate objectively to the representa-

tives of the various business, labor, and agricultural groups the purposes and methodology of the Government programs so that, instead of blind opposition which might arise through misunderstanding, there may always be constructive criticism, which will lead to useful adaptation.

As to the methods by which "competitive private enterprise" in consultation with the Federal Government through its Council of Economic Advisers and other agencies may systematically perfect a peacetime program of "maximum production, employment, and purchasing power," only a few words can be said here. The process itself must stretch over the future years and draw upon the best thinking of many devoted citizens. It is clear, however, that in this day of large corporations, large labor unions, and comprehensive agricultural organizations, cooperatives, and trade associations, private business management cannot safely accept a cynical philosophy of "riding the cycle" or of such isolationist company management and accounting as merely assumes that the strong shall be in a position to survive even the deepest depression. Their counsel and their pressure for legislation governing business forms and practices and also tax and fiscal measures must be geared to a broad and sincere endeavor to give all who are able, willing, and seeking to work an opportunity to add their effort to augment the Nation's total product and, in that proportion, raise their own purchasing power or scale of living. Only by attaining such general welfare can they in their several roles as capitalists, as laborers, as farmers, or as managers and technicians gain their own greatest profit and security.

Besides promoting a more adequate use of our national resources by private enterprise, several methods of stabilizing the economy lie within the hands of the Government alone. It must review, as part of a total program, the legal aids and financial subsidies that it has always given to particular branches or phases of transportation, manufacture, trade, and finance, and, more recently, to agriculture and labor. It must gauge carefully the amount and character of public informational, regulatory, and service work the Government needs to perform as a means of preventing fraud, discrimination, or waste, and securing maximum advance in efficiency of operation, particularly among the very small business units, at a minimum of cost. It must consider carefully how much of the national income it shall allow to be channeled into military outlay in view of the nature of dangers and the possibility of physical protection in the light of latest developments. It must decide whether changes in our traditional use of Government agencies in the fields of education, health, and conservation would most surely advance our total production and purchasing power. The timing, volume, and distribution of its own expenditures must be considered in relation to those of private business and State and local governments. The Government must weigh the claim made by some citizens and businessmen that taxation (as such or after the rate has reached some point) is legal-

ized robbery. Or is it being so handled as to be the means by which Government can redress faults in the distribution of total product and the adjustment of these shares to individual or group contributions, faults which tend to keep production below its possible maximum?

The agents of government must diligently study and vigorously use a democratic and statesmanlike control of the public purse to put a brake at certain strategic points where boom forces develop dangerous trends, and to stimulate employment and production and support purchasing power when and where it becomes unduly depressed. Here Government must constantly face the same dilemma that every doctor—and every parent—faces. Calm judgment must be exercised not to rush in fussily, ministering to small and temporary disturbances that would right themselves sooner and better if left to themselves. On the other hand, carelessness or ignorance must not keep Government from detecting serious symptoms promptly and initiating corrective measures with skill and decisiveness.

With this broad principle in mind, a few observations may be made as to the actual situation by which the Nation's business is confronted as the President and the Congress undertake to put into operation the policy enunciated in the Employment Act of 1946.

### III. Some Aspects of the Outlook for Production and Jobs

**T**HIS first report of the Council of Economic Advisers appears at a time which is highly ambiguous in the economic affairs of the Nation. We were not devastated by the war, but emerge with a plant, labor force, and technology whose productive capacities exceed anything known in our past. Likewise, we have funds more than adequate to full use of our physical resources. We have a postponed consumer demand, enterpriser ambitions, and purchasing power which hold the potential of some years of great activity along lines essentially similar to past periods of prosperity. This much could be accomplished without any material change in traditional patterns of business life. These conditions present the possibility, for a people who know how to use them, of great prosperity in 1947. By foresight and intelligence we believe such prosperity for the Nation could be approximately stabilized and broadly disseminated so long as world peace can be preserved.

On the other hand, even with these favorable conditions, it is easy to visualize such a mishandling of our economic affairs as might make 1947 a year of curtailed production, irregular employment, and unsatisfactory

purchasing power. The year and a half since the end of active fighting have been marked by anything but smooth transition to peaceful and economically efficient conditions of business—including the relationship of private enterprises to the agencies of government. We stand at the moment in a situation of misunderstanding and tension among the indispensable parties to our total economic life that causes many persons to forecast a business recession starting some time in 1947. We do not find many accredited business officials or professional economists who are really apprehensive that a recession once started will induce a downward spiral into deep or prolonged depression, although a chain reaction in the economic area is always conceivable. The basic economic conditions show such a strong recuperative power as to minimize such a fear—barring international tension verging on war or a persistent round of strikes.

What has been said in the preceding section of this report about mutual adjustment of wage, price, cost, and profit relations by the voluntary bargaining of the parties at interest shows clearly that we believe that the outlook for production and jobs in 1947 lies primarily in whether the responsible persons in these groups will show a willingness to face the issues and demands of a free enterprise system realistically and show intelligence and skill or flexible experimentation in arriving at workable formulas of adjustment. Something can no doubt be done during the coming year toward improving the institutions under which such negotiation is carried on and the terms of adjustment carried out. But legislative changes in our business institutions will be a minor determinant of what actually happens in 1947. The major determinant will be found in the statesmanship or the obstinacy of the men, particularly the leaders, who are the active parties in business operation.

Mere legislative acts alone will not force capitalists to invest, employers to hire, or laborers to work. What was said in the previous section also indicates that we do not believe that 1947 presents a situation in which government should undertake heroic measures of public works, consumer or producer subsidies to quicken employment or stimulate production. We suggest that the impediments to prosperity in the near future are of the sort that must be worked out, without benefit of direct Government intervention, through the practical wisdom of management and labor, farmers, and financiers.

In a sense, of course the Government is, in spite of itself, forced to be a contributing factor in the maladjustments of the present time. It becomes an indirect influence in the labor situation, in fact bidding against employers by the extent of the aid it gives GI's to go back to school rather than into the labor market. Through veteran hospitals and other services and through whatever construction work is undertaken in lines deferred by Government agencies during the war it is bidding for both labor and materials which are already short as compared with the

demands of private construction. No one would for a moment suggest that the Government should not do these things wherever service people are concerned. And we are anxious also to make these outlays when they furnish protection, provide civilian health aids, and make better provision for the education of the oncoming generation. But we cannot ignore the conflicting factor they inject into the general economic picture. Government has in fact withdrawn from such activities or pared them down during 1946 to such an extent as seemed practicable, both in the interest of keeping from contributing to inflationary pressures and of getting more for each dollar spent at a later time. This deferment means that these public works added to the backlog can be made available at some subsequent time when private demand slackens.

While the prospect for high employment and production in the near term is good—barring the possibility of a brief dip—it is pretty generally recognized that the bases of this activity are somewhat artificial or at least that activity in the present lines cannot be expected to continue indefinitely. Thus the plans of private business and the thinking of the Government cannot too soon be directed toward appraising the probable duration of present sources of activity and toward foreseeing what may be done to utilize the Nation's resources after present stimuli have been removed or weakened.

The outstanding factor in the present situation is that we are working under a strong domestic urge and foreign demand to catch up on durable (producer and consumer) goods, whose production had to be postponed during the war at the same time that, because of high income and war savings, the majority of the population are eager and able to maintain a higher than prewar level of consumption also of nondurables. Added to these two more-than-ordinary supports of employment and productive enterprise is a third—the need to reconvert plant, reequip it for these particular types of production, and expand these industries to meet the accelerated rate demanded by this race to catch up after the war's interruptions. Everybody without a house or a car wants one this year. The success of '47 and '48 is gauged by our ability to make and sell 6,000,000 cars, 1,500,000 housing units, and similar numbers of electric refrigerators, washing machines, and other accessories in each of these years. But the closer we come to this standard of performance in the immediate future, the more pressing becomes the problem of sustaining employment, production, and purchasing power in the years that follow. Automobiles, as we have learned under war conditions, have a normal life expectancy of 8 to 10 years and houses last anywhere from 25 years to generations or even centuries. Hence, the very industries which feature the prosperity of the moment could, if nothing is done, be expected to drop to a replacement basis after a few years.

This might spell deep depression for some later time—but only if we fail to make the gradual shift in expenditures and resource use that wise

foreseeing and astute planning for this inevitable trend of development suggests to a sagacious people. For it would be absurd to say that there are not things to do with these resources after the present making up of war deprivations has been completed. We must recognize the real magnitude of our productive power and keep it going to produce for all the things that only the more favored have enjoyed in the past. As progress is made in catching up on the wartime postponables, we must feed into our "product mix" more of those semi-luxuries, those welfare and culture goods, which are put within the reach of our people as a whole by reason of our unparalleled productive capacity. This, as we have said before, will combat depression and even up the years of traditional recession by allowing those able, willing, and seeking to work to go on supplying themselves rather than being every few years forced to loaf amid want.

In a word, then, our view as to the outlook for production and jobs is that it should be more than ordinarily favorable for a period of some years ahead. In spite of certain conditions that might make for a dip in 1947, we believe that courageous and sensible action by those responsible for the administration of private business relations (including labor unions) can at least hold such a recession to moderate proportions if not avert it. Thereafter, it would seem that broad basic conditions suggest that it will be easy to have some years of high production, employment, and purchasing power without the display of any extraordinary economic statesmanship by leaders of industry, labor, farming, and finance. In those years, however, we should not be satisfied with a level of production and conditions of use which fail to produce favorable results for all sections of the country and all segments of the population. In those years, also, if foresight is not keen and action vigorous, the stage will be set for serious unemployment, underproduction, and want in the years that follow. It is our belief, however, that enough time is afforded in which wise policy and action on the part of labor, of management, of agriculture, and of finance, with a very carefully considered complementary role by Government, will not only raise the national prosperity to new high levels but will maintain those levels with a degree of stability which has not characterized the earlier exploratory and speculative decades of our industrial life. It is toward such a system of continuous study and collaborative guidance of the Nation's business on a basis of competitive private enterprise and economic democracy that the Employment Act of 1946 is directed. To its achievement the Council of Economic Advisers dedicates its best efforts.

# Appendix

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[PUBLIC LAW 304—79TH CONGRESS]

[CHAPTER 33—2D SESSION]

[S. 380]

AN ACT

To declare a national policy on employment, production, and purchasing power, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SHORT TITLE

SECTION 1. This Act may be cited as the “Employment Act of 1946”.

DECLARATION OF POLICY

SEC. 2. The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and State and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power.

SEC. 3. (a) The President shall transmit to the Congress\* ~~within sixty days after~~ at the beginning of each regular session (commencing with the year 1947) an economic report (hereinafter called the "Economic Report") setting forth (1) the levels of employment, production, and purchasing power obtaining in the United States and such levels needed to carry out the policy declared in section 2; (2) current and foreseeable trends in the levels of employment, production, and purchasing power; (3) a review of the economic program of the Federal Government and a review of economic conditions affecting employment in the United States or any considerable portion thereof during the preceding year and of their effect upon employment, production, and purchasing power; and (4) a program for carrying out the policy declared in section 2, together with such recommendations for legislation as he may deem necessary or desirable.

(b) The President may transmit from time to time to the Congress reports supplementary to the Economic Report, each of which shall include such supplementary or revised recommendations as he may deem necessary or desirable to achieve the policy declared in section 2.

(c) The Economic Report, and all supplementary reports transmitted under subsection (b), shall, when transmitted to Congress, be referred to the joint committee created by section 5.

#### COUNCIL OF ECONOMIC ADVISERS TO THE PRESIDENT

SEC. 4. (a) There is hereby created in the Executive Office of the President a Council of Economic Advisers (hereinafter called the "Council"). The Council shall be composed of three members who shall be appointed by the President, by and with the advice and consent of the Senate, and each of whom shall be a person who, as a result of his training, experience, and attainments, is exceptionally qualified to analyze and interpret economic developments, to appraise programs and activities of the Government in the light of the policy declared in section 2, and to formulate and recommend national economic policy to promote employment, production, and purchasing power under free competitive enterprise. Each member of the Council shall receive compensation at the rate of \$15,000 per annum. The President shall designate one of the members of the Council as chairman and one as vice chairman, who shall act as chairman in the absence of the chairman.

(b) The Council is authorized to employ, and fix the compensation of, such specialists and other experts as may be necessary for the carrying out of its functions under this Act, without regard to the civil-service laws and the Classification Act of 1923, as amended, and is authorized,

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\*"at the beginning of each regular session" as amended by Legislative Reorganization Act of 1946, Public Law 601, sec. 226, 79th Cong., 2d sess.

subject to the civil-service laws, to employ such other officers and employees as may be necessary for carrying out its functions under this Act, and fix their compensation in accordance with the Classification Act of 1923, as amended.

(c) It shall be the duty and function of the Council—

(1) to assist and advise the President in the preparation of the Economic Report;

(2) to gather timely and authoritative information concerning economic developments and economic trends, both current and prospective, to analyze and interpret such information in the light of the policy declared in section 2 for the purpose of determining whether such developments and trends are interfering, or are likely to interfere, with the achievement of such policy, and to compile and submit to the President studies relating to such developments and trends;

(3) to appraise the various programs and activities of the Federal Government in the light of the policy declared in section 2 for the purpose of determining the extent to which such programs and activities are contributing, and the extent to which they are not contributing, to the achievement of such policy, and to make recommendations to the President with respect thereto;

(4) to develop and recommend to the President national economic policies to foster and promote free competitive enterprise, to avoid economic fluctuations or to diminish the effects thereof, and to maintain employment, production, and purchasing power;

(5) to make and furnish such studies, reports thereon, and recommendations with respect to matters of Federal economic policy and legislation as the President may request.

(d) The Council shall make an annual report to the President in December of each year.

(e) In exercising its powers, functions and duties under this Act—

(1) the Council may constitute such advisory committees and may consult with such representatives of industry, agriculture, labor, consumers, State and local governments, and other groups, as it deems advisable;

(2) the Council shall, to the fullest extent possible, utilize the services, facilities, and information (including statistical information) of other Government agencies as well as of private research agencies, in order that duplication of effort and expense may be avoided.

(f) To enable the Council to exercise its powers, functions, and duties under this Act, there are authorized to be appropriated (except for the salaries of the members and the salaries of officers and employees of the Council) such sums as may be necessary. For the salaries of the members and the salaries of officers and employees of the Council,

there is authorized to be appropriated not exceeding \$345,000 in the aggregate for each fiscal year.

#### JOINT COMMITTEE ON THE ECONOMIC REPORT

SEC. 5. (a) There is hereby established a Joint Committee on the Economic Report, to be composed of seven Members of the Senate, to be appointed by the President of the Senate, and seven Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives. The party representation on the joint committee shall as nearly as may be feasible reflect the relative membership of the majority and minority parties in the Senate and House of Representatives.

(b) It shall be the function of the joint committee—

(1) to make a continuing study of matters relating to the Economic Report;

(2) to study means of coordinating programs in order to further the policy of this Act; and

(3) as a guide to the several committees of the Congress dealing with legislation relating to the Economic Report, not later than\* ~~May 1~~ *February 1* of each year (beginning with the year 1947) to file a report with the Senate and the House of Representatives containing its findings and recommendations with respect to each of the main recommendations made by the President in the Economic Report, and from time to time to make such other reports and recommendations to the Senate and House of Representatives as it deems advisable.

(c) Vacancies in the membership of the joint committee shall not affect the power of the remaining members to execute the functions of the joint committee, and shall be filled in the same manner as in the case of the original selection. The joint committee shall select a chairman and a vice chairman from among its members.

(d) The joint committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings as it deems advisable, and, within the limitations of its appropriations, the joint committee is empowered to appoint and fix the compensation of such experts, consultants, technicians, and clerical and stenographic assistants, to procure such printing and binding, and to make such expenditures, as it deems necessary and advisable. The cost of stenographic services to report hearings of the joint committee, or any subcommittee thereof, shall not exceed 25 cents per hundred words. The joint committee is authorized to utilize the services, information, and facilities of the departments and establishments of the Government, and also of private research agencies.

\*"February 1" as amended by Legislative Reorganization Act of 1946, Public Law 601, sec. 225, 79th Cong., 2d sess.

(e) There is hereby authorized to be appropriated for each fiscal year, the sum of \$50,000, or so much thereof as may be necessary, to carry out the provisions of this section, to be disbursed by the Secretary of the Senate on vouchers signed by the chairman or vice chairman.

Approved February 20, 1946.