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Message to Congress re Inflation

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STEPHEN EARLY
Secretary to the President

' TO THE CONGRESS OF THE UNITED STATES:

In certain ways the present world encircling war presents problems which were unimaginable during the First World War.

The theatres of combat today cover vastly greater areas. Many more millions of human beings are involved. The new factors of mechanical power, in the air and on the land and on the sea, have produced radical changes in basic strategy and tactics.

In this new war the nations resisting the Axis Powers face an even greater challenge to their very existence. They fight more powerful, more sinister foes; but their understanding of the magnitude of the task and the very firmness of their determination make victory certain in the long days to come.

In some other ways, however, the circumstances of today parallel those of 1917-1918. Now, as in the last war, the common enemy has had all the advantage at the outset. Now, as then, bitter defeats and heavy losses must be endured by those who are defending civilization, before we will be able to establish the vital superiority in men and munitions which will turn the tide.

The United States was far better prepared for actual war on December 7, 1941, than it was on April 6, 1917. For over two years, by a succession of Congressional Acts, we had carried out or initiated safety measures for our own defense in growing volume and importance. There were the revisions of the Neutrality laws, the adoption of the Selective Service law and the Lend-Lease law, and the great increases of our Army and Navy and the instruments of war which they needed.

After Pearl Harbor, the American people adopted a national program of war production which would have been called fantastic by most people two years before. It has required the shifting of the major part of American industry from the products of peace to the weapons of war.

Inevitably -- but with the full approval of the nation -- this enormous program is dislocating industry, labor, agriculture and finance. It is disrupting, and will continue to disrupt, the normal manner of life of every American and every American family. In this, we repeat the pattern of the first World War, although on a vastly greater scale.

During that earlier war there were certain economic factors which produced unnecessary hardships; and these hardships continued long after the signing of the Armistice. I use the word "unnecessary" because it is my belief that a very great deal of the suffering which was caused then can be avoided now.

These economic factors relate primarily to an easily understood phrase which affects the lives of all of us — the cost of living. Because rises in the cost of living which came with the last war were not checked in the beginning, people in this country paid more than twice as much for the same things in 1920 as they did in 1914.

The rise in the cost of living during this war has begun to parallel the last. The time has definitely come to stop the spiral. And we can face the fact that there must be a drastic reduction in our standard of living.

While the cost of living, based on the average prices of necessities, has gone up about 15% so far since the Autumn of 1939, we must now act to keep it from soaring another 80% or 90% during the next year or two — to hold it to somewhere near the present level.

There are obvious reasons for taking every step necessary to prevent this rise. I emphasize the words "every step" because no single step would be adequate by itself. Action in one direction alone would be offset by inaction in other directions. Only an all-embracing program will suffice.

When the cost of living spirals upward week after week and month after month, people as a whole are bound to become poorer, because the pay envelope will then lag behind rising retail prices. The price paid for carrying on the war by the Government and, therefore, by the people, will increase by many billions if prices go up. Furthermore, there is an old and true saying that that which goes up must always come down — and you and I know the hardships and heartaches we all went through in the bad years after the last war, when Americans were losing their homes and their farms and their savings and were looking in vain for jobs.

We do not intend after this war to present the same disastrous situation to those brave men who today are fighting our battles in all parts of the world. Safeguarding our economy at home is the very least that our soldiers, sailors and marines have a right to expect of us civilians in government, in industry, on the farm, and in all other walks of life.

We must therefore adopt as one of our principal domestic objectives the stabilization of the cost of living, for this is essential to the fortification of our whole economic structure.

Relying on past and present experience, and leaving out masses of details which relate more to questions of method than to the objective itself, I list for the Congress the following points, which, taken together, may well be called our present national economic policy.

1. To keep the cost of living from spiraling upward, we must tax heavily, and in that process keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.

2. To keep the cost of living from spiraling upward we must fix ceilings on the returns

3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.
4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.
5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing War Bonds with their earnings instead of using those earnings to buy articles which are not essential.
6. To keep the cost of living from spiraling upward, we must ration all essential commodities of which there is a scarcity, so that they may be distributed fairly among consumers and not purely in accordance with financial ability to pay high prices for them.
7. To keep the cost of living from spiraling upward, we must discourage credit and installment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying and adds to the amount available to the creditors for the purchase of War Bonds.

I know that you will appreciate that these seven principal points, each and every one of them, will contribute in substantial fashion to the great objective of keeping the cost of living down.

It is my best judgment that only two of these points require legislation at the present time, for the very good reason that the Congress has already passed laws with respect to the others which seem adequate to meet the national policy unannounced.

I assure the Congress that if the required objectives are not attained, and if the cost of living should continue to rise substantially, I shall so advise the Congress, and shall ask for any additional legislation which may be necessary.

In the first item, legislation is necessary, and the subject is now under consideration in the House of Representatives. Its purpose is to keep excess profits down and, at the same time, raise further large sums for the financing of the war.

On this subject, I believe that the objective can be attained through tax processes. We are now spending, solely for war purposes, the sum of about one hundred million dollars every day of the week. But before this year is over that rate of expenditure will be doubled. This means that a sum equal to more than half of the entire national income will be spent in the war effort. Almost the whole of these billions is being and will be spent within the United States itself.

Profits must be taxed to the utmost limit consistent with continued production. This means all business profits -- not only in making munitions, but in making or selling anything else. Under the proposed new tax law we seek to take by taxation all undue or excess profits. It is incumbent upon the Congress to define undue or excess profits; and anything in excess of that specific figure should go to

One of our difficulties is to write a law in which some clever people will not find loopholes, or in which some businesses will not be equitably included. I have suggested to the Chairman of the Committee on Ways and Means in the House of Representatives that some blanket clause could well cover, by a special tax, all profits of any kind of business which exceed the expressed definition of the legal profit figure.

At the same time, while the number of individual Americans affected is small, discrepancies between low personal incomes and very high personal incomes should be lessened; and I therefore believe that in time of this grave national danger, when all excess income should go to win the war, no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year. It is indefensible that those who enjoy large incomes from State and local securities should be immune from taxation while we are at war. Interest on such securities should be subject at least to surtaxes.

I earnestly hope that the Congress will pass a new tax bill at the earliest moment possible. Such action is imperative in the comprehensive all-out effort to keep the cost of living down — and time is of the essence.

The second item, relating to price control is, with the exception of farm prices, adequately covered by existing law, and I have issued instructions to put this into effect immediately. It is our effort to be fair in all phases of price control; and if our future experience reveals inequality or unfairness, corrections will, of course, be made.

In respect to the third item, seeking to stabilize remuneration for work, legislation is not required under present circumstances. I believe that stabilizing the cost of living will mean that wages in general can and should be kept at existing scales.

Organized labor has voluntarily given up its right to strike during the war. Therefore all stabilization or adjustment of wages will be settled by the War Labor Board machinery which has been generally accepted by industry and labor for the settlement of all disputes.

All strikes are at a minimum. Existing contracts between employers and employees must, in all fairness, be carried out to the expiration date of those contracts. The existing machinery for labor disputes will, of course, continue to give due consideration to inequalities and the elimination of sub-standards of living. I repeat that all of these processes, now in existence, will work equitably for the overwhelming proportion of all our workers if we can keep the cost of living down and stabilize their remuneration.

Most workers in munition industries are working far more than forty hours a week, and should continue to be paid at time and a half for overtime. Otherwise, their weekly pay envelopes would be reduced.

All these policies will guide all government agencies.

In regard to item four, prices of farm products: for nearly nine years it has been the policy of the Government to seek an objective known as "parity" -- or, in other words, farm prices that give the farmer an assurance of equality in individual purchasing power with his fellow Americans who work in industry. Some of the products of the farms have not yet reached the stage of parity. Others have exceeded parity. Under existing legislation a ceiling cannot be placed on certain products until they reach a level somewhat above parity.

This calls for the second legislative action which I have mentioned. Under a complicated formula in the existing law, prices for farm products -- prices which housewives have to pay for many articles of food -- may rise to 110% of parity or even higher. It is the fault of the formula. In the case of many articles this can mean a dangerous increase in the cost of living for the average family over present prices.

In fairness to the American people as a whole, and adhering to the purpose of keeping the cost of living from going up, I ask that this formula be corrected, and that the original and excellent objective of obtaining parity for the farmers of the United States be restored.

It would be equally harmful to the process of keeping down the cost of living if any law were passed preventing the Government from selling any of its own surplus farm commodities at the market price. As a national policy, the ceiling on farm products -- in other words, the maximum prices to be received by the producers of these products -- should be set at parity:

With respect to item five -- the purchase of War Bonds -- the American people know that if we would raise the billions which we now need to pay for the war and at the same time prevent a disastrous rise in the cost of living, we shall have to double and more than double the scale of our savings. Every dime and dollar not vitally needed for absolute necessities should go into War Bonds and Stamps to add to the striking power of our armed forces.

If these purchases are to have a material effect in restraining price increases they must be made out of current income. In almost every individual case they should be big enough to mean rigid self-denial, a substantial reduction for most of us in the scale of expenditure that is comfortable and easy for us. We cannot fight this war, we cannot exert our maximum effort, on a spend-as-usual basis. We cannot have all we want, if our soldiers and sailors are to have all they need.

I have been urged by many persons and groups to recommend the adoption of a compulsory plan of savings by deducting a certain percentage of everyone's income. I prefer, however, to keep the voluntary plan in effect as long as possible, and I hope for a magnificent response.

With respect to item six -- rationing -- it is obviously fair that where there is not enough of any essential commodity to meet all civilian demands, those who can afford to pay more for the commodity should not be privileged over others who cannot. I am confident that as to many basic necessities of life rationing will not be necessary, because we shall strive to the utmost to have an adequate supply. But where any important article becomes scarce, rationing is the democratic, equitable solution.

Item seven -- paying off debts and curtailing instalment buying -- should be made effective as soon as possible now that money is becoming more plentiful. Those who comply with it will be grateful that they have done so, when this war is over. Elimination of private debts and an accumulation of savings

Indeed, as to all the items which do not require legislation, the executive departments and agencies whose functions and duties are involved, are at work as expeditiously as possible in carrying out this whole broad policy.

The result will mean that each and every one of us will have to give up many things to which we are accustomed. We shall have to live our lives with less in the way of creature comforts than we have in time of peace. Our standard of living will have to come down.

Some have called this an "economy of sacrifice". Some interpret it in terms that are more accurate — the "equality of sacrifice". I have never been able to bring myself, however, to full acceptance of the word "sacrifice", because free men and women, bred in the concepts of democracy and wedded to the principles of democracy, deem it a privilege rather than a sacrifice to work and to fight for the perpetuation of the democratic ideal. It is, therefore, more true to call this total effort of the American people an "equality of privilege".

I firmly believe that Americans all will welcome this opportunity to share in the fight of civilized mankind to preserve decency and dignity in modern life. For this is fundamentally a people's war — and it must be followed by a people's peace. The achievement of victory in war and security in peace requires the participation of all the people in the common effort for our common cause.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

April 27, 1942.

SPEECH OF THE PRESIDENT

APRIL 27, 1942.

The World War in which we are actively fighting today began on the first of September, 1939. During its first Winter the active fighting was largely confined to a relatively small portion of Europe itself. But with the coming of the Spring of 1940, the world witnessed a series of wanton attacks, in violation of all treaties, on Denmark and Norway and the Netherlands and Belgium, followed soon thereafter by the defeat of the French armies, the British withdrawal from Dunkirk, and the attempted invasion of Great Britain.

It was during that period that the United States became aware of the danger to our own country and to the rest of the American Hemisphere. While the increase in our own armed forces, even prior to this, had been accelerated for a number of years, the first authorization of their great additional production of war materials came in June, 1940, with the creation of the Office of Production Management -- OPM. There were very many people here who, at that time, could not see the danger to ourselves, and gave less than half-hearted support to our defense measures.

The program at that time was so large in comparison to pre-war days that it required wholly new machinery for its accomplishment. In large part the program necessitated building new factories and new shipbuilding plants, and we knew at the time that the program would not be under way at full speed for at least a year. Hundreds of new problems confronted the Government -- problems involving financing and agriculture and labor and business.

Yet, while this great original program seemed adequate in the Spring of 1940, the total of that program, in the light of today, seems almost picayune.

Later in 1940 the Congress, with great wisdom, instituted the Selective System for the building up of an army four or five times greater than the army of that day, and this alone called for many more billions for its equipment.

Next, in the Winter of 1941, came the Lend-Lease program which piled on top of the two previous programs the manufacture of all kinds of munitions for the benefit of those nations which literally were fighting a war for survival against the onslaught of the "rule or ruin Axis Powers".

Again, our manufacturing facilities had to be increased to an extent most people had considered impossible of achievement, less than two years before. At this time again large groups in the United States opposed the whole business on the ground that the United States was wholly safe, would not be attacked, and could live unto itself while the rest of the world burned. Subsequent history already compares them to the gentleman who fiddled while Rome burned.

As in the case of the original defense measures appropriated for in the Spring of 1940, the Lend-Lease program and the equipping of our own Army and Navy called for the creation of machine tools, plants, labor training, management instruction, etc., which could not, and did not, show maximum results until nearly a year later -- in other words, the period in which we now live.

It is well for us to remember that in the Spring of 1941 nearly everybody in the country thought that we had undertaken a program of total effort and that we had about reached the maximum of our possible output.

The final scene was the unexpected attack on Pearl Harbor on December seventh. I suppose it is fair to say that the Government of the United States in all its branches, as well as the people of the United States, were taken by complete surprise. The underlying reason for this was that we as a nation have relied perhaps altogether too much on the normal method of international dealings between civilized nations. It is true that our relations with Japan were strained, but Americans in general hoped that some way could be worked out for the maintenance of peace in the Pacific, and expected also that any attack would follow the usual rules of the breaking of diplomatic relations or the serving of an ultimatum by one side on the other.

The American people will never forget that the attack on Pearl Harbor and the killing of several thousand Americans took place one hour before the Japanese Ambassador and his colleague went to our State Department to present a polite note saying that the Japanese Government could not accede to the suggestions of our own Secretary of State, which had been sent to Japan nearly two weeks before. The American people had not yet learned the barbarity and the treachery of their foes.

The attack brought this country to full realization of the peril to its own safety -- its own survival.

Your Government decided at once to call upon the Congress for an all-out effort -- and effort based, not on matching the power of our combined enemies, but of out-stripping and out-building that power so greatly that victory in the long run would be inevitable.

Therefore, in January I proposed a new program, super-imposed on the three previous programs, that was called "breath-taking" over here. Our enemies called it "fantastic", and from that time on have been telling their own peoples that the program had failed of its own weight -- had broken down -- had failed to receive the support of the American people -- together with eulogies of those few Americans who were stirring up disunity or tossing sand into the gear box of our production. I need not give you the names of those so-called statesmen, commentators, and newspaper owners who today enjoy popularity in Berlin.

I want to discuss for a few minutes certain aspects of the fulfillment of this greatest of all world production programs. Broadly speaking, the program is being attained and it will be recognized by all except the unfair that in

the details of the program changes have to be made from time to time, in the light of actual war developments.

For example, at this time, three and a half months later, it seems necessary for us to increase, even over the January figures, our production of ships. In the same way, events since January led us to believe that the total of the tank program ought probably to be slightly modified, using a small percentage of the proposed tank production for the building of certain other items which were not planned for in the beginning.

As in the case of the three previous programs, it will take nearly a year before we get the new program into full production. Let us remember that there are not four or five items in the program but many thousands of items in the program. In the case of many items, we are today actually ahead of schedule. In other items we are slightly behind schedule, but the general average production of all the items is satisfactory.

In the actual details of manufacture it is natural that many people who do not know the problem or the process of making things, have listened to all kinds of people who saw no harm in spreading false facts abroad. Those people ranged from those who from selfish or political motives hoped to gain an advantage and did not themselves realize the harm they were doing, to those

who were willing to help our enemies by slowing our efforts.

I would put into this general classification of "sand-throwers", for example, those who tried to upset the objective of parity for our farmers by promising greatly higher prices for his crops, thus forcing up the cost of living for everybody else; those who, horrified at the excesses of a few labor leaders, tried to make people believe that strikes throughout the country were very seriously impairing our munitions output. May I remind you again that the total munitions output has been slowed down less than half of one per cent by strikes since January, and that during the same period it has been slowed down eight times as much -- 4% -- by colds and illness and industrial accidents. And there are those -- a small minority xx among labor leaders themselves -- whom labor itself will accuse of seeking to feather their own nests, seeking to gain advantage through war, seeking to charge exorbitant initiation fees and seeking to slow down output. And, finally, there are those in business who are trying to get outrageously high _____ or make outrageously high profits out of the contracts let by the Government.

I think most of our people appreciate the fact that in any group or occupation there exists a small percentage of chislers and black sheep. You and I know the type among any group of workers or professional men. That small percentage is a headache in any community -- it is a headache in county government, or municipal government, or state government, or the federal government itself. But, on the other side of the picture, the overwhelming majority of workers on the land or workers ~~in~~ⁱⁿ industry, and business men and professional men are honest, are patriotic and are not seeking to line their pockets or gain advantage over their fellow men by hurting their Government and their fellow citizens in war time.

I remember saying, several years ago, that in the giving of relief to destitute citizens at the end of a long period of depression, the administration of relief was correct and honest on the whole and that between 90% and 95% of the workers on relief were properly on the rolls and that probably 5% or 10% were border-line cases or were not worthy of being on the rolls at all. I think the same thing applies to the conduct of this war and its thousands of aspects. The American people will not be fooled into believing that the wrong-doer whom we are catching and exposing as fast as we can is by any means typical of the overwhelming majority who are keeping the

wheels turning.

I told my Press Conference the other day that I did not like the word "inflation" -- that I wanted something simpler -- and the only substitute I can think of are the words "rise in the cost of living". That, after all, is what appeals to you and me in our daily lives.

It is an interesting fact that from the beginning of the first World War up to the time we entered it -- two years and a half -- the cost of living in this country rose about 25%, and that during a similar period between 1939 and the Spring of 1942, our cost of living has gone up about 20%. But let us take another look. Between the Spring of 1917 and the Spring of 1919, the cost of living had gone up 75% or 80% -- nearly double -- and what I am most earnestly seeking, during the next year or two, is to prevent the cost of living from going up in similar fashion.

There is one practical reason why we ought, insofar as possible, to stabilize the cost of living: that is that if the prices of durable good and consumer goods go up drastically, the average individual and the average family is going to be poorer and will, with justification, demand higher prices for what they have to sell -- higher prices for their vegetables and their live stock and their dairy products, etc.; and the man who works for wages will properly ask for higher wages, in order to keep his family alive. That means constant turmoil. It means instability in the lives of every one of us because we never know just what it will cost us next week or next month to buy the things we need.

The cost of living is, of course, principally effected in most things by the price of raw materials -- such as the things we eat or wear, and by the cost of the labor that enters into the raising and selling of them. Furthermore, history shows that after every period of a tremendous rise in the cost of living, the whole structure reverses its course and wages and prices go down abruptly and almost everybody in the country suffers.

It is, therefore, necessary for this country to adopt a war time policy in order to stop any more abrupt rises in the cost of things that enter into the cost of living -- and your Government is compelled by the danger of an abrupt rise to set forth a policy -- an objective -- in simple terms which, when it is understood, will, I am confident, be accepted by practically everybody because it is a policy and an objective which means that all of us give up in time of war the right to get rich at the expense of our fellow citizens.

As a first part of this policy, it is necessary to increase our taxes very heavily and to distribute those taxes as equitably and fairly as possible, on the general principle that people who are living on a bare subsistence level will pay the least and the people who have the most will pay the most. Naturally we want to pay in this generation as much as we possibly can toward the enormous cost of this war so that the next two generations will not have to a debt hanging over their heads and their lives.

We are now spending three billion dollars for war expenditures every month, and before this year is over we will be spending more than five billion dollars every month. But it is worth it if thereby our civilization survives.

By next year more than half of our entire national income will be spent in the war effort, and by national income I mean all the money each individual citizen and partnership and corporation earn in the course of a year.

We must remember, too, that this national income of ours has gone up from about seventy-five billions in 1940 to an expected one hundred and twenty-five billion dollars in 1943. There are two reasons. First, millions more people are being employed, and at steadier employment; and, second, raw materials and crops and wages are at a higher level than ever before. There is more cash in our pocketbooks and bank accounts than at any time in our history.

The natural tendency is for people to want to buy a great many more articles with this extra cash. But here we run into another difficulty. The total supply of luxuries and necessities which you and I might ordinarily buy is being constantly cut down day by day. It is being cut down every time we take materials away from civilian use and put them into war production; every time machinery and factories are converted to war use; every time sources of supply from foreign countries are cut off by enemy action. We know that very soon automobiles and household appliances and hundreds of other articles will not be for sale at all.

You and I do not have to be economists to realize that the tremendous scarcity of all kinds of goods creates a tendency for people to bid against each other and force the prices up. Therefore, we are putting into effect ceilings on more and more articles to prevent this from happening -- and, incidentally, to prevent an unpatriotic kind of profiteering. It is equally clear that unless we put a ceiling on prices we will be in the middle of a spiral because crop producers and wage earners will try to catch up with the prices of things they use. If you increase the buying capacity of one group in the community, you have to increase successively the buying power of other groups in the community -- and there is no end to the confusion and the competition among them. The setting of ceilings on prices is, therefore, the first step to stabilize the whole of our cost of living.

What then becomes of this greatly enlarged pool of dollars which comes from the great increase in the national income? First of all, a large part of it will be recaptured by the Government under the present and future tax law -- thus helping to pay for the war; and, second, it must be used by the individual citizen to subscribe to war bonds -- in other words, to lend the money to the Government to pay cash for the war and to give a nest-egg to the individual

purchaser for him to use after the war is over, in order to prevent a complete slump while we are getting back to normal times.

I have thought of calling all of this "an economy of sacrifice" -- or, better still, "an equality of sacrifice". And yet, for the life of me, I cannot see that there is very much sacrifice involved in helping us to save the nation and all it stands for and, at the same time, lay some of our increased earnings aside for our own benefit after the war is over.

The element of sacrifice does come in only to the extent that we have got to do without certain things which we have become accustomed to. You will remember that a few years ago I spoke in a somewhat critical way of "the horse-and-buggy days". Most of us do not want to go back to those days but we are perfectly willing to do so in order to gain a great victory in this war. Besides there are not enough horses and buggies to go around, and the result is that while we cannot buy any new automobiles, we shall find ways and means of getting along with the old car and, incidentally, taking fewer rides. We shall have to do without a new radio set, but we must remember that twenty-five years ago we did not have any radio sets at all.

Therefore, if you want to call it "equality of sacrifice", I hope you will stress the word "equality" and smile when you use the word "sacrifice". Now I come to certain other broad elements which enter into the general effort of stabilizing the cost of living. As a part of that objective, I suggest three policies.

The first relates to business profits, not only on the making of munitions but on the making or selling of anything else. Under the present tax law, and in the making of the new tax law, we seek to prevent undue or excess profits by taxation -- in other words, if a man or a corporation makes more than a reasonable profit, the excess will automatically go to the Government. Our difficulty is to write a law that some clever people will not find loopholes in, and I have suggested to the Chairman of the Committee in the House of Representatives, which is drawing up the bill, that there be a blanket clause so that in case any corporation finds a way of making an excess profit that is not taken by taxation, a special tax will be levied to take care of that kind of case. And the same thing goes, in my judgment, in that small number of personal individual incomes which are based on unreasonable salaries or in an unreasonable boosting of previous salaries. For example, I do not think that in ^a time of crisis like this any American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000.

Of course, it is not enough to use the tax method alone to stabilize the cost of living; nor is it enough to prevent all undue or excess profits in business.

We must also stabilize the price of raw materials, including food crops and textile crops and animal crops, including dairy products. Such stabilization is merely carrying out the idea of parity which we have been working toward for many years and which is merely another way of saying that parity is based on assuring the farmer an equality of individual purchasing power with his fellow Americans who work in industry. I feel certain that most farmers -- nearly all of them -- do not want to upset the apple-cart of the whole cost of living of the country by asking for a greater share than the well thought out parity system provides. Because of the equality worked out for the farmer, if he himself gets more than parity, the cost of the things he buys will go up and he himself will seek more to meet it. The old vicious spiral again. Remember, too, that if the cost of living goes up the farmer's income and the worker's pay are always one jump behind the procession of rising prices. And, while I am on the subject, I hope farmers will realize what happened to them in 1920. They were the first to suffer when, in seeking to return to normalcy after grossly excessive prices, our foot slipped and we slid down

hill and landed with a thud. And very much the same thing happened when the bottom dropped out of abnormal prices in the Fall of 1929. The farmer was very close to the bottom of the heap.

Finally, I come to the problem of wage increases. In this case, too, I am not asking so much for the stressing of the word "sacrifice" as I am that they stress the word "equality". Labor today is getting wage rates that have gone up about 30% during the period that the cost of living has gone up about 20% -- and it is my personal opinion that during the period of the war the average of the pay of labor ought not to go up. In this I am consistent in applying the same rule to them as I would apply to higher farm prices and business profits, over and above a very reasonable level.

Organized labor has given up the right to strike during the continuation of the war -- and this is a fine action on their part. There has been provided a War Labor Board to which all questions may be taken and if their determination is not accepted, the matter can, through the accepted machinery, be settled finally by arbitration. The fact that the present machinery is working is evidenced by the, on the whole, excellent production results during the past four months. Out of approximately forty million workers in industry, strikes

have effected far less than a half of one percent of production during this period. Yet many good citizens have been unnecessarily fooled by orators and writers who have sought to deceive them into believing that strikes are the rule instead of the very rare exception. As in England, where strikes were voluntarily outlawed by labor early in the war, we have a very occasional and generally very short strike of a very few people in an occasional individual plant. When that occurs, there is a certain type of newspaper in the United States which puts the fact that fifty men have struck in a small town on the front page as a "scare" story. I think of one case where that happened where the men, very mistakenly, went out because they did not like the language of their foreman. They were back at work next day and the papers that made a ~~xxxxxxx~~ "scarehead" story of it either left out the fact that they had returned to work from the next day's paper altogether or put it in a very inconspicuous place on the tenth page. That kind of misinformation applies, I am sorry to say, to some news radio commentators as well as to some newspapers.

May I say, too, that if no additional laws are passed by this Congress in regard to agricultural prices or affecting labor, I am firmly of the belief that under present circumstances the policy of the Government can be carried through

with the laws as they stand today. The exception is in the case of controlling undue or excess profits. In that respect additional tax legislation is clearly necessary.

To sum up:

1. The policy of the Government is to put a ceiling on the price of what people buy and to prevent the manufacture of certain articles where this interferes with production of munitions of war.
2. It is the policy of the Government to seek legislation preventing undue or excess profits altogether and to limit excess salaries or individual incomes from investment.
3. It is the policy of the Government to retain parity prices for all farm products and to apply the same general rule for all other raw materials.
4. It is the policy of the Government, with the assistance of the machinery now in existence, to establish a similar parity for industrial wages. Using the machinery, however, to do justice and equity in those wage cases which are unjust or inequitable.

Before I stop I cannot do more than say a word about the progress of the war. As I have said before on several occasions, everything points to a continuation of this war

for a year or two years or three years. I do not know what the official name will be that is given to this war in the future, but in talking with the Ambassadors and Ministers of the other twenty American Republics the other day I found general approval for the thought that this is a war for survival -- an actual life and death struggle to determine whether our form of civilization survives or is supplanted by the dictatorship system under which all men, except a dictator and the group that surrounds him, lose their essential freedoms -- those freedoms which are so ingrained in us and precious to us that we have the quiet determination that we would rather lay down our lives -- that we would make every possible sacrifice -- in order to retain them for the sake of ourselves and the sake of our children.

There have been many reverses, which should be properly called "local reverses", for they are local when we consider the size of the war and the fact that it covers nearly all of the world. We have to consider the important fact that seventy-five or eighty million Japanese are fighting against nations whose total populations are infinitely greater; that the Japanese have a capacity to reproduce airplanes and ships and other munitions of war that is infinitely inferior to the reproductive power of these articles by all of us whom

they have attacked so wantonly. It is written in the stars of Heaven that in the long run Japan will be defeated by superior manpower and by superior production capacity.

On the other side of the world, the Germans and the Italians are in exactly the same position. As Russian resistance and Russian production capacity increases, as our own stream of the implements of war and our own Armies and Navies spread out to meet the enemy, Germany begins to realize that Hitler and his Nazis have passed their peak and are headed down-hill from now on.

It is a simple fact that the Russian people are doing more to hasten that end than all the rest of the United Nations put together. That is why it is incumbent on the twenty-five other United Nations to do all we can to strengthen the great fight of Russia, in order that Russia may destroy more and more German legions and destroy more and more German implements of war.

And it is equally incumbent on us ourselves to assist in taking the greatest possible toll of the enemy wherever we can get at him. That may sound like a harsh and cruel statement -- but our very existence is wrapped up in it, and the facts of war itself make destruction an inevitable prelude to victory.

INSERT A

There are many minor ways in which the American people can help their Government and incidentally aid in stopping the rush to buy and the inevitable rise in the cost of living. One of these is for all Americans to use such parts of their income as they can to pay off their debts -- to pay off what they have borrowed on their insurance policies; to pay off what they owe on purchases made on the installment plan; to pay off their mortgages. Such payments mean, in the long run, that they will be put by their creditors into war bonds or into financing new plants for war production, and such payments will not increase the general cost of living. Every agency of the Government should help to persuade people to do this.

INSERT B

There has been a lot of wild talk about the hours of labor and here again many people have given misinformation either without realizing it or in order to stir up trouble. For a great many years we have had a national industrial standard of forty hours of work a week, to be paid for at straight time -- with time and a half payments for any excess of hours.

No factory in the United States is limited to the employment of their people for forty hours a week. Your misinformants have tried to make you believe that munitions' workers are limited ~~is~~ by law to forty hours a week, whereas the simple facts prove that almost all munition plants work far more than forty hours a week -- for they employ their labor for forty-four and forty-eight and fifty-eight and even more than sixty hours a week.

It is a further fact, established by careful study, that the average worker turns out at least as much or more actual production in forty-eight hours than in sixty hours a week, and in many types of work, calling for great concentration, men turn out as much work in forty hours as they do in forty-eight hours. It is a simple rule that very long weekly hours accomplish no greater production.

Therefore, any effort to change the present standard of forty hours straight pay and time and a half for overtime will not increase production. Its only effect will be to cut the pay envelope of the worker every Saturday. If anybody thinks it is fair to do this, let him at the same time demand that the pay envelopes of farmers and middle men and salesmen and all other occupations be cut at the same time. I have no desire that the present incomes of farmers, industrial workers or anybody else, except in the very high brackets, be cut below the present scale.

All the minor details of employment can and should be worked out through the existing Government machinery. For example, if you listen to the "sand throwers" you must believe that factory workers are in the habit of working Sundays and getting double pay for that work. Because no human being ought to work more than six days out of every seven, the whole discussion sounds to me rather silly. I have sent out word all over the country that except in very rare and exceptional cases, every employee is to be given one day of rest in seven. Because we have to keep factories going seven days a week, we have to have what is known as "staggered shifts" so

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that the day of rest may come on Sunday or Monday or Tuesday or any other day in the week. It is a proved fact that workers turn out more work if they have one day of rest in seven than if they do not.

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SPEECH OF THE PRESIDENT

APRIL 27, 1942.

Everybody who has lived through these last three years knows that the American people have progressively accepted one responsibility after another, ^{As} they realized the full magnitude of this war and of the tasks this war imposed, ~~it became clear to them that they were facing unprecedented tasks.~~

The war began on September 1, 1939. Immediately it became apparent that we must amend the Neutrality laws before we could even sell arms and equipment to our friends who were fighting against Nazi Germany. And that was done.

In the Spring of 1940, from our position of seeking security across the Atlantic Ocean, we witnessed a series of wanton attacks on ^{neutral} countries, in violation of all treaties. These attacks culminated in the fall of France and the threatened invasion of Great Britain.

The swift tempo of the new method of warfare brought home to us the fact that our own country and our own hemisphere were in danger. Three necessities became clear to the American people: First, it was obvious that we must make vast appropriations for national defense; second, we must break with our peacetime tradition by the enactment of a selective service law to muster our manpower; and third, we must give

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all possible aid to embattled Britain. And all this was done.

The next phase of the world conflict might be called the phase of extension. Japan, in September 1940, joined in the Tripartite Pact, and thus finally and openly acknowledged its membership in the Axis. The war was carried into Greece and southeastern Europe. It was carried into Africa. And through it all the Nazis continued their relentless bombing of British cities and their attacks on British life-lines at sea.

The American people then recognized that if Hitler was to be stopped in his march to world domination, our country must become the arsenal of democracy. To achieve that end, courageous and realistic legislative measures had to be taken. Nothing short of the Lend-Lease Law could meet the serious situation. And that was done.

The program we had undertaken was so large in comparison to pre-war days that it required the shifting of the major part of American industry from the products of peace to the weapons of war. It required building new factories. It required tremendous expansion of our shipbuilding. Our production facilities had to be increased to an extent most people had considered impossible of achievement. Countless new

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problems confronted the Government and the people -- problems of finance and agriculture and labor and business, and the readjustment of individual lives.

During all this time, certain groups in the United States opposed the whole program -- they scoffed at the very purpose behind the program -- on the ground that the United States was comfortably isolated and secure -- that we could not be attacked -- that we could live complacently unto ourselves while the rest of the world crashed in ruins.

But then, one quiet, peaceful Sunday morning -- Dec. 7, 1941 -- the war came home to us.

The American people will never forget that the attack on Pearl Harbor and the killing of several thousand Americans took place one hour before the Japanese Ambassador and his colleague went to our State Department to present a polite note saying that the Japanese Government could not accede to the suggestions which had been sent to Japan by our own Secretary of State nearly two weeks before.

Although the sudden, treacherous attack on Pearl Harbor caught us off guard, it was not long before we were able to begin to strike back at the enemy. In fact, it can be said that we were actually better

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prepared than we had been at the outbreak of any previous war. We had eighteen months of industrial preparation behind us, and a year of intensive training of a greatly increased Army and Navy. We had substantial physical strength. But this physical strength was only one part of our preparedness. Of far greater importance was the fact that we were spiritually prepared. We went into this war fighting. We knew what we were fighting against -- and, more important, we knew what we were fighting for.

Great as had been our program of preparedness up to then, it now became apparent to the American people that it had to be immeasurably increased. The war which had begun in Poland had encircled the world. It had become what Hitler had originally proclaimed it to be -- a Total War.

Therefore, in January, I proposed a new program, superimposed on all the previous programs. Our enemies called it "fantastic". They called it mere words, impossible of accomplishment. They are saying today that the program has collapsed -- that it has failed to receive the support of the American people. And they attempt to prove this point by quoting those dubious Americans -- the faithless few -- who

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have been sabotaging national unity and tossing sand into the gear box of our war effort. I need not give you the names of those sand-tossers, those politicians and publishers who are today the only American citizens enjoying popularity in Berlin and Tokyo.

But disregarding the sneers of our enemies and the doubts of *-and our own native termites-* our own native wasals, the American people squared their shoulders and gave their traditional answer to a major challenge: "It can be done, it must be done, it will be done". And it is being done.

However, we all know that statistics of production are not enough to win the war. Even the heroic exploits of our fighting men are not enough. Victory can be won only by the application of every ounce of energy of every man, woman, and child in the United States, and indeed throughout the United Nations.

Every loyal American is aware of his individual responsibility. Whenever I hear anyone saying, "The American people are complacent -- they need to be aroused", I feel like asking him to come to Washington and read the mail that floods into the White House and into all departments of this government. The one question that recurs through all these thousands of letters and messages is "What more can I do to help my country in winning this war?"

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I am certain that never has any people been so eager to serve, so insistent on joining in the privilege of sacrifice for so great a cause.

We cannot all participate personally in the victories that must be won on the battlefields or in the factories of this war. But all of us can and must participate in the national effort which alone can make these victories possible. And as America shifts into this high gear of production, every one of us in our daily lives will have to make sacrifices and endure hardships which make us all partners in this all-out effort.

For it has now again become apparent to the American people that a new responsibility has to be faced -- the responsibility of keeping the national economy at home on a sound basis. That will require drastic action which affects the daily living of all of us. We must take action to control prices -- to control wages -- to control profits -- so that the huge machine that we are building will not run away with us. And I know that the American people are ready to take it all, and take it in their stride. This too will be done!

I need hardly tell you that to build the factories, and buy the materials, and pay the labor, and provide the transportation, and

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equip and feed and house the soldiers, sailors and marines, and to do all the thousands of things necessary in a war -- all cost money, more money than has ever been spent by any nation at any one time in the history of the world.

We are now spending, solely for war purposes, the sum of about one hundred million dollars every day in the week. But, before this year is over, that almost unbelievable rate of expenditure will be very nearly doubled.

To give some idea of the size of these expenditures, we ought to compare them with the amount of our entire national income. By national income, I mean all of the money which all of the corporations, partnerships and individuals in all the United States receive in the form of profits, wages, rents, dividends, or any other kind of income. Right now, the war is taking about one-third of that entire national income. Next year it will increase to more than one-half of the entire national income. In other words, out of every dollar that is made by any business or any individual in the United States, fifty-five cents (?) are going to be spent in the war effort.

All of this money has to be spent -- and spent quickly -- if we are to produce within the time now available the enormous quantities

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of weapons of war which we need. With that object in mind, I am sure that no American will want us to reduce that sum of money by one red cent.

But the spending of these tremendous sums also presents grave danger of disaster to our national economy at home. Unless steps are taken boldly and quickly to counteract the overwhelming effect of these vast expenditures, the dislocation of the economic structure of the country may well be serious enough to undermine our entire war effort. To that extent, threat is presented as serious in many respects as any physical attack from the enemy.

That is the chief matter which I wish to discuss with you tonight.

When your Government spends these unprecedented sums of money for war materials, and continues to do so month by month, and year by year, it means that more and more money will be finding its way into the pocketbooks and bank accounts of nearly every civilian in the United States. At the same time that this is going on, we all know that the supply of goods in the United States, both luxuries and necessities, which you and I might ordinarily buy, is being constantly reduced. It is being reduced because raw materials must be taken away

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from civilian use and put into war use; because machinery and factories must be converted to war production by the Government; because our normal sources of supply from countries abroad are cut down by enemy action.

In other words, the supply of money available for spending by the people of the United States is going up at a tremendous pace, while the supply of goods is constantly going down. In certain so-called durable consumer's goods, such as automobiles, household appliances and many others, there will be none at all for sale.

You don't have to be a Professor of Economics to see that when the amount of available money increases, and the supply of available goods decreases, ^{at the same time,} the demand will be greater than the supply. And when that happens, prices go up. As soon as the prices go up, the cost of living goes up and there will naturally be a demand for higher wages and perhaps higher profits. All costs will increase. This, in turn, will cause a further rise in the prices of these limited supplies. And so the endless circle becomes an ascending spiral of inflation. It will go up and up, and, unless it is checked, it will end in the stratosphere of economic chaos.

The important thing to remember is that when prices increase, a

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proportionate increase in wages does not do any good. In the first place, the increased wage does not buy any more merchandise than it did before the rise in prices, and, in the second place, the increased wages themselves inevitably bring about a further increase in prices. Those of us who lived through the last War remember very well what happened then. We know all too well what the consequences were then. And so we know just what we must guard against now.

Today our price position is somewhat similar to our position in the summer of 1916. In the first two years after the outbreak of the first World War there was only a moderate increase in prices. The reason for that was that no appreciable scarcities had developed. But by 1916 the supply of civilian goods could no longer be kept up; and there came a scarcity which brought about an explosive rise in prices. In fact, in just ten months following July, 1916, wholesale prices rose as much as 45 per cent.

Things have happened ⁱⁿ ~~greatly~~ ¹⁹⁴² much the same up to now in this war. Today in April, 1942, just as in July, 1916, the point has been reached where a lack of balance between the amount of goods and the amount of money available to buy goods is set to start the same vicious spiral.

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As we look back to the summer of 1916 we all realize that a great rise in prices could have been stopped then. But the necessary drastic action to stop it was not taken. You and I must make up our minds to do now what our country failed to do back in 1916. To do that successfully will require foresight, courage and the willingness to forego many things to which we have become accustomed. Indeed, it will involve a willingness to accept a general economy of sacrifice. For an economy of sacrifice must now be considered to be the policy of our Government for the duration of the war.

This economy of sacrifice must be based on equality of sacrifice. The hardships involved must be distributed with justice among all classes of Americans. The burden must be borne as ^{equitably} ~~equally~~ as it is humanly possible to arrange in our enormous, complicated economic structure.

An economy of sacrifice involves several considerations. It means that the ultimate cost of the war will, in the long run, be much less for the American people if we stabilize things now instead of letting them run on in their normal course. It will mean a much lighter burden for future generations of Americans to bear after the war. It will prevent the complete upset of our price system which is, of course, responsible for the cost of living.

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Past experience in the post-war economy of the twenties has shown what happens when the cost of living succeeds in doubling itself, and how difficult it is and how many heartaches are required to bring it down to a normal level again. We certainly are determined to avoid a repetition of those days when so many American people lost their property, their savings, their homes, and their farms by that kind of process, which was in effect a hopeless attempt to lift themselves up by their own boot-straps. 7

An economy of sacrifice means foresight. It means prudence. It means that by stabilizing things now there will be less interest in getting rich quickly and more interest in avoiding far greater hardships later on.

Such an economy means foregoing large profits as a result of the war; it means that the prices of all kinds of materials must be stabilized; that the cost of hiring labor must be stabilized. In this way business and agriculture and labor alike -- all will have the privilege of contributing their share of sacrifice to the winning of the war, and to the winning and securing of the peace which will follow. Unless each group is willing to share in the sacrifice, the problem cannot be adequately met. No piecemeal approach will suffice. No 1

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single action alone on prices or on wages or on fiscal policy will, by itself, do the job.

For example, a rise in prices now, in April 1942, cannot possibly be prevented as long as wage rates are permitted to increase. Yet if prices do rise, it would be an injustice to ask labor to forego higher wages with which to meet that rise. Even drastic taxation, which would have as its purpose draining off the extra supply of money and purchasing power, would be completely ineffective by itself, just as long as such taxes could be offset by higher prices, higher wages, higher profits, or the ability to buy more things on credit.

There are those who say that the only thing necessary is to freeze all prices. There are others who say that the only trouble is the increasing scale of wages, and that if only labor could be curbed everything else would cure itself. There are others who would rely on increased income taxes and on other taxes of all kinds. But none of these alone would be enough. For action on one would be offset by inaction on all the others. I am confident that the only effective course of action is a simultaneous attack on all of these problems in one comprehensive, all-embracing program -- aimed at wages, prices, profits, hours of labor, farm commodities, taxes, and control of credit buying. We must act at

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once if we would avoid having to issue a future communique from the home front reading "too little and too late".

And there are those who, from selfish or political motives, or from downright lack of patriotism seek to confuse the whole economic issue -- just as they have sought to slow our war effort in other ways. These are the same faithless few -- the "sand throwers" -- of whom I have already spoken. They have tried to upset the objective of parity for our farmers by promising greatly higher prices for his crops, thus forcing up the cost of living for everybody else. Pretending to be horrified at the excesses of a few labor leaders, they have tried to make people believe that strikes throughout the country have been very seriously impairing our munitions output. May I remind you again that the total war production has been slowed down less than half of one per cent by strikes since January, and that during the same period it has been slowed down eight times as much by colds and illness and industrial accidents. There are other kinds of "sand throwers" -- a small minority among labor leaders themselves who seek to gain advantage through war, by charging exorbitant initiation fees and seeking to slow down output. And, there are those in business who are trying to make outrageously high profits out of the contracts let by the Government.

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We all appreciate the fact that in any group or occupation there exists a small percentage of chisellers and black sheep. You and I know the type among any group of workers or professional men. That small percentage is a headache in any community -- it is a headache in county government, or municipal government, or state government, or the federal government itself. But, on the other side of the picture, the overwhelming majority of workers on the farms or workers in industry, and business men and professional men are public spirited and patriotic, and they reject the opportunity to line their pockets or gain advantage over their fellow men or their Government in war time.

Therefore, the American people will not be fooled into believing that the wrong-doer, whom we are catching and exposing as fast as we can, is by any means typical of the overwhelming majority who are keeping the wheels turning.

Those among us who are fortunate financially must bear their burdens proportionately to the need of sacrifices. Profits must be taxed to the limit consistent with continued production. This means business profits, not only on the making of munitions but on the making or selling of anything else. Under the proposed new tax law, we seek to take by

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taxation undue or excess profits. If a man or a corporation makes more than a reasonable profit, the excess should go automatically to the Government.

This is not only a matter of pure justice; it is an effective means of taking out of the purchasing power of the nation, that is out of the supply of money available for spending, a vast amount which would otherwise be a great impetus to inflation.

Our difficulty is to write a law in which some clever people will not find loopholes, and I have suggested to the Chairman of the Committee in the House of Representatives, which is drawing up the bill, that there be a blanket clause so that in case any corporation finds a way of making an excess profit that is not taken by taxation, a special tax will be levied to take care of that kind of case.

And the same thing goes, in my judgment, for that small number of personal individual incomes which are based on unreasonable salaries or in an unreasonable boosting of previous salaries. For example, I do not think that in a time of crisis like this any American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000.

In addition, the tax bill would plug up certain other loopholes through which a great deal of income, especially income in the

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higher brackets, has escaped its fair share of the tax burden.

I hope that the Congress will pass this tax bill as soon as possible. It is the minimum of what is required in a comprehensive all-out attack on the present threat of inflation.

As a further method of requiring participation by the great industrial units of the country in this economy of sacrifice, the agencies of the government should be authorized to renegotiate any war contract which has allowed unexpected and unconscionable profits. There have been several examples of this (Give Example). For the same reason, governmental agencies should be empowered to disallow excessive salaries, bonuses or reserves in making their cost estimates.

Of course, it is not enough to use the tax method alone to stabilize the cost of living; nor is it enough to prevent all undue or excess profits in business.

We must also stabilize the price of all materials, including food crops, textile crops, including dairy products and livestock. The purpose of such stabilization is to make sure that the amount of money in your pay envelope and in mine will mean the same tomorrow that it did yesterday. It is merely carrying out the idea of parity toward which we have been working for many years. "Parity" is merely another

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way of saying that the farmer shall be assured of an equality of individual purchasing power with his fellow Americans who work in industry. I feel certain that most farmers -- nearly all of them -- do not want to blow up the whole cost of living of the country by asking for a greater share than the well considered parity system provides. If the farmer gets more than parity, the cost of the things he buys will go up and he himself will seek higher prices with which to meet it -- the old vicious spiral again. Remember, that if the cost of living goes up, the farmer's income and the worker's pay are always racing to catch up with the procession of rising prices. I know that the farmers will remember what happened to them in 1920. They were the first to suffer when, in seeking to return to recover from grossly excessive prices, our foot slipped and we slid down hill and landed with a thud. And very much the same thing happened when the bottom dropped out of the abnormal prices in the Fall of 1929. The farmer was very close to the bottom of the heap. That was a mistake which must not be repeated. Since the start of the war, retail prices have risen _____ per cent, and if nothing is done about them now, will probably continue to rise _____ per cent during the next year.

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contribution by the farmers of the Nation to our economy of sacrifice. I am sure, however, that they must realize that their duty to contribute to the welfare of the country is as great as the man who works in the shops, or the man who owns a business -- to say nothing of the man who is fighting in distant lands. But apart from any consideration of service and patriotism, the farmer knows what it would mean to his farm income if the prices of the things he buys begin to skyrocket. The farmer has been through too many years of disaster not to know that for him to survive and prosper there must be a balanced economy in the Nation in which he plays his own interdependent part but in which he cannot play a lone hand.

Of course, one of the great items which go into the cost of living is the amount paid by you and your family for rent. Under existing law the Price Administrator has enough authority to control rents in substantially every urban area in the United States. I have today instructed him to enter upon a program to stabilize rents wherever he is authorized to do so. Under this authority, practically every city and suburban dweller will be protected against artificial rent advances.

I am sure you will all realize the numerous and difficult

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problems involved in fixing these prices for sellers and buyers and farmers and rent-payers. It will take time to set up general machinery. It will take more time to work out individual difficulties and to make individual adjustments. Here, we must ask you for good will and patience. These are part of the game. I am sure that every business man, large and small, will gladly accept the inconveniences which the next few months may bring him, for he knows that the alternative is a rising spiral which will invite disaster.

Unless these various prices which go into the cost of living are stabilized the contents of the worker's pay envelope will mean practically nothing because the value of those contents, measured in terms of what they can buy, will become less and less. But the reverse is equally true. It is impossible to expect a business man to continue in business if the price of his commodity is fixed but the cost of labor, which is a substantial part of his cost of doing business, is not fixed. In other words, in order successfully to stabilize the cost of living at existing levels, it is absolutely necessary to stabilize wages as well as the prices of other commodities.

As long as prices are fixed, it is fair to expect labor to stabilize wages, whereas it would not have been fair to expect labor to do so unless prices had been fixed.

Organized labor has given up the right to strike during the continuation of the war — and this is a fine action on its part. There has been provided a War Labor Board to which all questions shall be taken if not settled satisfactorily by other means. The fact that the present machinery is working is evidenced by the production results during the past four months. Out of approximately

forty million workers in industry, strikes have effected far less than a half of one per cent of production during this period. As in England, where strikes were voluntarily outlawed by labor early in the war, we have a very occasional and generally very short strike of a very few people in an occasional individual plant. When that occurs, there is a certain type of newspaper in the United States which puts the fact that fifty men have struck in a small town on the front page as a "scare" story. That kind of misinformation applies, I am sorry to say, to some news radio commentators as well as to some newspapers.

I have this day directed the War Labor Board to approve no further increases in basic wages or salaries except in cases where compensation is now below 40 cents per hour. I am also instructing other governmental agencies dealing with wages, production and government contracts that increases in wages granted in violation of this policy should not be considered in estimating costs for price-fixing or for any other purpose.

Where wage rates are now below 40 cents an hour they should be free to rise. This is only a matter of justice for the smallest wage earners, and it also carries out the national policy

of the Fair Labor Standards Act, under which pay has been raised to the minimum of 40 cents per hour in many industries. Even above the 40 cents per hour level, exceptions should be made and increases allowed in those rare instances where no increases at all have been received for several years, creating an unjust situation. Exception should also be allowed where readjustments are necessary to obtain or retain an adequate supply of labor in war industries. Adequate machinery to provide for these exceptional cases will have to be set up.

It is necessary for employers to cooperate with their Government by refraining from the practice of "raiding" plants for their labor supply. In other words, the practice of offering increased pay in order to induce workers to leave one plant for another should be discouraged as unpatriotic in order to carry out our common effort in a cooperative manner.

The fixing of wage rates for the duration of the war applies to jobs rather than to individuals. That means, for example, that if a man holding a certain job now is promoted to a higher position, his rate of pay can be increased for the new position to which he has been promoted. Otherwise, individual workers would be

discouraged from seeking promotion to new positions or transfers to different and higher-paid jobs.

You cannot consider the question of wages without also considering the matter of hours of labor. In spite of the clear language of the statute, many of our citizens are still being deceived by some of our newspapers, radio commentators and anti-labor agitators into believing that workers are now prohibited by law from working 40 hours per week. I repeat what I have said many times before — there is no such law, and there is no such policy. In fact, in some war industries they are working as high as 56 hours per week; and more than half of the workers in the leading war industries are now working more than 40 hours per week.

However, under the present law, time-and-a-half must be paid for work above 40 hours. Within recent weeks there has been a suggestion that this premium for overtime work should be repealed. I am opposed to this action. To do that would be to force a substantial reduction in pay for millions of workers. It would mean that the value of the contents of the pay envelope would be materially cut. It would mean taking away a powerful incentive to production. Time and a half for overtime above 40 hours should be continued.

The question of double time for Sunday, however, is a very different one. It is true that one day of rest in seven should be given to every worker. But, if we are going to keep our plants going seven days a week, that seventh day of rest will have to be staggered, and it will therefore not fall on a Sunday for every worker. Under such circumstances, there is no reason why working on Sunday should be paid for by double overtime. However, when extraordinary circumstances in any plant make it necessary for a laborer to work on his day of rest -- whether it be Sunday or not -- he should be paid double wages for that seventh day.

Our economy of sacrifice also requires us all to do without many of the things to which we have become accustomed in happier times. Many things will have to be rationed, if not entirely denied to civilian use. I know that the American people will not only bear these inconveniences, they will welcome them, as further opportunities to serve the cause to which we are all dedicated.

Our economy of sacrifice also requires us all to do without many of the things that we used to buy on the installment plan. In fact, it requires that a great deal of purchase-by-credit should be

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cut down. Unless this is done it is possible that much of our effort to reduce purchasing power will fail if people can go on buying on liberal credit instead of for cash.

I am, therefore, calling upon the various agencies of Government to tighten control over credit of all kind now being extended to consumers. I also am urging them to encourage rapid payment of present debts -- mortgage debts, installment debts, charge-account debts, and debts due to the banks. Now, when there is a more liberal supply of money, is the time for all of us to pay off what we owe. In this way we not only protect ourselves against days when money will not be so plentiful; but we actually help in the concerted attack on this whole problem of inflation.

There is one large remaining area in which all of us must contribute our share in this economy of sacrifice. The vast increase of wages and farm income requires us to do something over and above all that I have mentioned, if we would prevent the purchasing power of the country from getting out of balance with the supply of goods and from bringing about a disastrous inflation.

Defense Savings Bonds have now become War Savings Bonds; and the savings campaign has become an indispensable part of the nation's war effort.

Time is short. The demands of war, we cannot escape or evade. To raise the billions which we now need to pay for the war, and at the same time to prevent a disastrous rise in the cost of living, we must double and more than double the scale of our savings.

To the production goals of last January, I am now adding a new goal -- a war savings goal. That goal is twelve billion dollars a year for the people of the United States. There will be monthly quotas set for the nation as a whole, and for every State and every county.

The goals I have set are large. To reach them we shall have to set aside one-tenth of our entire national income and, on the average, one-tenth of our individual earnings.

To reach them, every man and woman who earns regular income will have to dig deep into those earnings, every pay day.

To reach them, it will not be enough to invest our spare change. Every dime and dollar not vitally needed for absolute necessities must go into War Savings Bonds and Stamps, to become an ally of our heroic men in uniform.

I have been urged by many persons and groups to recommend the adoption of a compulsory plan of savings by deducting a certain percentage of everyone's income. I prefer however to keep the

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voluntary plan in effect as long as possible and as long as it works.

All of us must cut down our spending. We must learn the habit of saving. By saving, we serve our country today, and postpone our own comfort until tomorrow. By saving, we can keep planes up and prices down. By saving, we can enlist our dollars, as our soldiers and sailors have enlisted their lives.

To sum up the points that I have covered relating to prices, profits, wages and taxes:

1. The policy of the Government is to put a ceiling on the price of what people buy and to prevent the manufacture of certain articles where this interferes with production of munitions of war.

2. It is the policy of the Government to seek legislation preventing undue or excess profits altogether and to limit excess salaries or individual incomes from investment.

3. It is the policy of the Government to retain parity prices for all farm products and to apply the same general rule for all other raw materials.

4. It is the policy of the Government, with the assistance of the machinery now in existence, to establish a similar parity for industrial wages, using the machinery, however, to do justice and equity

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in those wage cases which are unjust or inequitable.

I have used all of the executive power that I have to carry out a policy which will bring the results and objectives which I have outlined. To attain them fully it is necessary for Congress to act, and I have asked Congress to adopt a statement of policy in conformity with our objective. The urgency of the program is apparent. With the additional legislation necessary, it can be completely and quickly carried out.

I know the American farmer, the American workman, the American business man. I know that for freedom's sake they will stop at nothing. I know that this economy of sacrifice they will gladly embrace -- satisfied that it is necessary for the most vital and compelling motive in their lives -- winning through to victory.

Never in the memory of man has there been a war in which the courage, the endurance and the loyalty of civilians played so vital a part.

Many thousands of civilians in Britain, China, Russia, Holland and Poland have been killed or maimed by enemy action. Today, in France, Belgium, Norway, Czechoslovakia, Yugoslavia and Greece, civilians are gallantly giving their lives in their continued fight for freedom.

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Our own American civilian population is now relatively safe from enemy attack. And, to an ever increasing extent, our soldiers, sailors and marines are fighting with great bravery and great skill on far distant fronts to make sure that we shall remain safe.

We cannot let them down. We will not let them down.

When, with victory, our men come home, we will be able to look them in the eye and say, "To the very best of our various abilities, and to the very limit of our opportunities, we too have served."

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SPEECH OF THE PRESIDENT

APRIL 27, 1942.

Everybody who has lived through these last three years knows that the American people have progressively accepted one responsibility after another, *As* they realized the full magnitude of this war and of the tasks this war imposed, ~~it became clear to them that they were facing unprecedented tasks.~~

The war began on September 1, 1939. Immediately it became apparent that we must amend the Neutrality laws before we could even sell arms and equipment to our friends who were fighting against Nazi Germany. And that was done.

In the Spring of 1940, from our position of seeming security across the Atlantic Ocean, we witnessed a series of wanton attacks on ^{*neutral*} countries, in violation of all treaties. These attacks culminated in the fall of France and the threatened invasion of Great Britain.

The swift tempo of the new method of warfare brought home to us the fact that our own country and our own hemisphere were in danger. Three necessities became clear to the American people: First, it was obvious that we must make vast appropriations for national defense; second, we must break with our peacetime tradition by the enactment of a selective service law to muster our manpower; and third, we must give

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all possible aid to embattled Britain. And all this was done.

The next phase of the world conflict might be called the phase of extension. Japan, in September 1940, joined in the Tripartite Pact, and thus finally and openly acknowledged its membership in the Axis. The war was carried into Greece and southeastern Europe. It was carried into Africa. And through it all the Nazis continued their relentless bombing of British cities and their attacks on British life-lines at sea.

The American people then recognized that if Hitler was to be stopped in his march to world domination, our country must become the arsenal of democracy. To achieve that end, courageous and realistic legislative measures had to be taken. Nothing short of the Lend-Lease Law could meet the serious situation. And that was done.

The program we had undertaken was so large in comparison to pre-war days that it required the shifting of the major part of American industry from the products of peace to the weapons of war. It required building new factories. It required tremendous expansion of our shipbuilding. Our production facilities had to be increased to an extent most people had considered impossible of achievement. Countless new

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problems confronted the Government and the people -- problems of finance and agriculture and labor and business, and the readjustment of individual lives.

During all this time, certain groups in the United States opposed the whole program -- they scoffed at the very purpose behind the program -- on the ground that the United States was comfortably isolated and secure -- that we could not be attacked -- that we could live complacently unto ourselves while the rest of the world crashed in ruins.

But then, one quiet, peaceful Sunday morning -- Dec. 7, 1941 -- the war came home to us.

The American people will never forget that the attack on Pearl Harbor and the killing of several thousand Americans took place one hour before the Japanese Ambassador and his colleague went to our State Department to present a polite note saying that the Japanese Government could not accede to the suggestions which had been sent to Japan by our own Secretary of State nearly two weeks before.

Although the sudden, treacherous attack on Pearl Harbor caught us off guard, it was not long before we were able to begin to strike back at the enemy. In fact, it can be said that we were actually better

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prepared than we had been at the outbreak of any previous war. We had eighteen months of industrial preparation behind us, and a year of intensive training of a greatly increased Army and Navy. We had substantial physical strength. But this physical strength was only one part of our preparedness. Of far greater importance was the fact that we were spiritually prepared. We went into this war fighting. We knew what we were fighting against -- and, more important, we knew what we were fighting for.

Great as had been our program of preparedness up to then, it now became apparent to the American people that it had to be immeasurably increased. The war which had begun in Poland had encircled the world. It had become what Hitler had originally proclaimed it to be -- a Total War.

Therefore, in January, I proposed a new program, superimposed on all the previous programs. Our enemies called it "fantastic". They called it mere words, impossible of accomplishment. They are saying today that the program has collapsed -- that it has failed to receive the support of the American people. And they attempt to prove this point by quoting those dubious Americans -- the faithless few -- who

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have been sabotaging national unity and tossing sand into the gear box of our war effort. I need not give you the names of those sand-tossers, those politicians and publishers who are today the only American citizens enjoying popularity in Berlin and Tokyo.

But disregarding the sneers of our enemies and the doubts of *-and our own native termites-* our own native weasels, the American people squared their shoulders and gave their traditional answer to a major challenge: "It can be done, it must be done, it will be done". And it is being done.

However, we all know that statistics of production are not enough to win the war. Even the heroic exploits of our fighting men are not enough. Victory can be won only by the application of every ounce of energy of every man, woman, and child in the United States, and indeed throughout the United Nations.

Every loyal American is aware of his individual responsibility. Whenever I hear anyone saying, "The American people are complacent -- they need to be aroused", I feel like asking him to come to Washington and read the mail that floods into the White House and into all departments of this government. The one question that recurs through all these thousands of letters and messages is "what more can I do to help my country in winning this war?"

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I am certain that never has any people been so eager to serve, so insistent on joining in the privilege of sacrifice for so great a cause.

We cannot all participate personally in the victories that must be won on the battlefields or in the factories of this war. But all of us can and must participate in the national effort which alone can make these victories possible. And as America shifts into this high gear of production, every one of us in our daily lives will have to make sacrifices and endure hardships which make us all partners in this all-out effort.

For it has now again become apparent to the American people that a new responsibility has to be faced -- the responsibility of keeping the national economy at home on a sound basis. That will require drastic action which affects the daily living of all of us. We must take action to control prices -- to control wages -- to control profits -- so that the huge machine that we are building will not run away with us. And I know that the American people are ready to take it all, and take it in their stride. This too will be done!

I need hardly tell you that to build the factories, and buy the materials, and pay the labor, and provide the transportation, and

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equip and feed and house the soldiers, sailors and marines, and to do all the thousands of things necessary in a war — all cost money, more money than has ever been spent by any nation at any one time in the history of the world.

We are now spending, solely for war purposes, the sum of about one hundred million dollars every day in the week. But, before this year is over, that almost unbelievable rate of expenditure will be very nearly doubled.

To give some idea of the size of these expenditures, we ought to compare them with the amount of our entire national income. By national income, I mean all of the money which all of the corporations, partnerships and individuals in all the United States receive in the form of profits, wages, rents, dividends, or any other kind of income. Right now, the war is taking about one-third of that entire national income. Next year it will increase to more than one-half of the entire national income. In other words, out of every dollar that is made by any business or any individual in the United States, fifty-five cents (?) are going to be spent in the war effort.

All of this money has to be spent — and spent quickly — if we are to produce within the time now available the enormous quantities

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of weapons of war which we need. With that object in mind, I am sure that no American will want us to reduce that sum of money by one red cent.

But the spending of these tremendous sums also presents grave danger of disaster to our national economy at home. Unless steps are taken boldly and quickly to counteract the overwhelming effect of these vast expenditures, the dislocation of the economic structure of the country may well be serious enough to undermine our entire war effort. To that extent, threat is presented as serious in many respects as any physical attack from the enemy.

That is the chief matter which I wish to discuss with you tonight.

When your Government spends these unprecedented sums of money for war materials, and continues to do so month by month, and year by year, it means that more and more money will be finding its way into the pocketbooks and bank accounts of nearly every civilian in the United States. At the same time that this is going on, we all know that the supply of goods in the United States, both luxuries and necessities, which you and I might ordinarily buy, is being constantly reduced. It is being reduced because raw materials must be taken away

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from civilian use and put into war use; because machinery and factories must be converted to war production by the Government; because our normal sources of supply from countries abroad are cut down by enemy action.

In other words, the supply of money available for spending by the people of the United States is going up at a tremendous pace, while the supply of goods is constantly going down. In certain so-called durable consumer's goods, such as automobiles, household appliances and many others, there will be none at all for sale.

You don't have to be a Professor of Economics to see that when the amount of available money increases, and the supply of available goods decreases ^{at the same time,} the demand will be greater than the supply. And when that happens, prices go up. As soon as the prices go up, the cost of living goes up and there will naturally be a demand for higher wages and perhaps higher profits. All costs will increase. This, in turn, will cause a further rise in the prices of these limited supplies. And so the endless circle becomes an ascending spiral of inflation. It will go up and up, and, unless it is checked, it will end in the stratosphere of economic chaos.

The important thing to remember is that when prices increase, a

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proportionate increase in wages does not do any good. In the first place, the increased wage does not buy any more merchandise than it did before the rise in prices, and, in the second place, the increased wages themselves inevitably bring about a further increase in prices. Those of us who lived through the last War remember very well what happened then. We know all too well what the consequences were then. And so we know just what we must guard against now.

Today our price position is somewhat similar to our position in the summer of 1916. In the first two years after the outbreak of the first World War there was only a moderate increase in prices. The reason for that was that no appreciable scarcities had developed. But by 1916 the supply of civilian goods could no longer be kept up; and there came a scarcity which brought about an explosive rise in prices. In fact, in just ten months following July, 1916, wholesale prices rose as much as 45 per cent.

Things have happened ⁱⁿ ~~pretty~~ much the same ^{way} up to now in this war. Today in April, 1942, just as in July, 1916, the point has been reached where a lack of balance between the amount of goods and the amount of money available to buy goods is set to start the same vicious spiral.

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As we look back to the summer of 1916 we all realize that a great rise in prices could have been stopped then. But the necessary drastic action to stop it was not taken. You and I must make up our minds to do now what our country failed to do back in 1916. To do that successfully will require foresight, courage and the willingness to forego many things to which we have become accustomed. Indeed, it will involve a willingness to accept a general economy of sacrifice. For an economy of sacrifice must now be considered to be the policy of our Government for the duration of the War.

This economy of sacrifice must be based on equality of sacrifice. The hardships involved must be distributed with justice among all classes of Americans. The burden must be borne as ^{equitably} ~~equally~~ as it is humanly possible to arrange in our enormous, complicated economic structure.

An economy of sacrifice involves several considerations. It means that the ultimate cost of the war will, in the long run, be much less for the American people if we stabilize things now instead of letting them run on in their normal course. It will mean a much lighter burden for future generations of Americans to bear after the war. It will prevent the complete upset of our price system which is, of course, responsible for the cost of living.

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Past experience in the post-war economy of the twenties has shown what happens when the cost of living succeeds in doubling itself, and how difficult it is and how many heartaches are required to bring it down to a normal level again. We certainly are determined to avoid a repetition of those days when so many American people lost their property, their savings, their homes, and their farms by that kind of process, which was in effect a hopeless attempt to lift themselves up by their own boot-straps. 7

An economy of sacrifice means foresight. It means prudence. It means that by stabilizing things now there will be less interest in getting rich quickly and more interest in avoiding far greater hardships later on.

Such an economy means foregoing large profits as a result of the war; it means that the prices of all kinds of materials must be stabilized; that the cost of hiring labor must be stabilized. In this way business and agriculture and labor alike -- all will have the privilege of contributing their share of sacrifice to the winning of the war, and to the winning and securing of the peace which will follow. Unless each group is willing to share in the sacrifice, the problem cannot be adequately met. No piecemeal approach will suffice. No 1

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single action alone on prices or on wages or on fiscal policy will, by itself, do the job.

For example, a rise in prices now, in April 1942, cannot possibly be prevented as long as wage rates are permitted to increase. Yet if prices do rise, it would be an injustice to ask labor to forego higher wages with which to meet that rise. Even drastic taxation, which would have as its purpose draining off the extra supply of money and purchasing power, would be completely ineffective by itself, just as long as such taxes could be offset by higher prices, higher wages, higher profits, or the ability to buy more things on credit.

There are those who say that the only thing necessary is to freeze all prices. There are others who say that the only trouble is the increasing scale of wages, and that if only labor could be curbed everything else would cure itself. There are others who would rely on increased income taxes and on other taxes of all kinds. But none of these alone would be enough. For action on one would be offset by inaction on all the others. I am confident that the only effective course of action is a simultaneous attack on all of these problems in one comprehensive, all-embracing program -- aimed at wages, prices, profits, hours of labor, farm commodities, taxes, and control of credit buying. We must act at

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once if we would avoid having to issue a future communique from the home front reading "too little and too late".

And there are those who, from selfish or political motives, or from downright lack of patriotism seek to confuse the whole economic issue -- just as they have sought to slow our war effort in other ways. These are the same faithless few -- the "sand throwers" -- of whom I have already spoken. They have tried to upset the objective of parity for our farmers by promising greatly higher prices for his crops, thus forcing up the cost of living for everybody else. Pretending to be horrified at the excesses of a few labor leaders, they have tried to make people believe that strikes throughout the country have been very seriously impairing our munitions output. May I remind you again that the total war production has been slowed down less than half of one per cent by strikes since January, and that during the same period it has been slowed down eight times as much by colds and illness and industrial accidents. There are other kinds of "sand throwers" -- a small minority among labor leaders themselves who seek to gain advantage through war, by charging exorbitant initiation fees and seeking to slow down output. And, there are those in business who are trying to make outrageously high profits out of the contracts let by the Government.

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We all appreciate the fact that in any group or occupation there exists a small percentage of chiselers and black sheep. You and I know the type among any group of workers or professional men. That small percentage is a headache in any community -- it is a headache in county government, or municipal government, or state government, or the federal government itself. But, on the other side of the picture, the overwhelming majority of workers on the farms or workers in industry, and business men and professional men are public spirited and patriotic, and they reject the opportunity to line their pockets or gain advantage over their fellow men or their Government in war time.

Therefore, the American people will not be fooled into believing that the wrong-doer, whom we are catching and exposing as fast as we can, is by any means typical of the overwhelming majority who are keeping the wheels turning.

Those among us who are fortunate financially must bear their burdens proportionately to the need of sacrifices. Profits must be taxed to the limit consistent with continued production. This means business profits, not only on the making of munitions but on the making or selling of anything else. Under the proposed new tax law, we seek to take by

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taxation undue or excess profits. If a man or a corporation makes more than a reasonable profit, the excess should go automatically to the Government.

This is not only a matter of pure justice; it is an effective means of taking out of the purchasing power of the nation, that is out of the supply of money available for spending, a vast amount which would otherwise be a great impetus to inflation.

Our difficulty is to write a law in which some clever people will not find loopholes, and I have suggested to the Chairman of the Committee in the House of Representatives, which is drawing up the bill, that there be a blanket clause so that in case any corporation finds a way of making an excess profit that is not taken by taxation, a special tax will be levied to take care of that kind of case.

And the same thing goes, in my judgment, for that small number of personal individual incomes which are based on unreasonable salaries or in an unreasonable boosting of previous salaries. For example, I do not think that in a time of crisis like this any American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000.

In addition, the tax bill would plug up certain other loopholes through which a great deal of income, especially income in the

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higher brackets, has escaped its fair share of the tax burden.

I hope that the Congress will pass this tax bill as soon as possible. It is the minimum of what is required in a comprehensive all-out attack on the present threat of inflation.

As a further method of requiring participation by the great industrial units of the country in this economy of sacrifice, the agencies of the government should be authorized to renegotiate any war contract which has allowed unexpected and unconscionable profits. There have been several examples of this (Give Example). For the same reason, governmental agencies should be empowered to disallow excessive salaries, bonuses or reserves in making their cost estimates.

Of course, it is not enough to use the tax method alone to stabilize the cost of living; nor is it enough to prevent all undue or excess profits in business.

We must also stabilize the price of all materials, including food crops, textile crops, ... including dairy products and livestock. The purpose of such stabilization is to make sure that the amount of money in your pay envelope and in mine will mean the same tomorrow that it did yesterday. It is merely carrying out the idea of parity toward which we have been working for many years. "Parity" is merely another

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way of saying that the farmer shall be assured of an equality of individual purchasing power with his fellow Americans who work in industry. I feel certain that most farmers -- nearly all of them -- do not want to blow up the whole cost of living of the country by asking for a greater share than the well considered parity system provides. If the farmer gets more than parity, the cost of the things he buys will go up and he himself will seek higher prices with which to meet it -- the old vicious spiral again. Remember, that if the cost of living goes up, the farmer's income and the worker's pay are always racing to catch up with the procession of rising prices. I know that the farmers will remember what happened to them in 1920. They were the first to suffer when, in seeking to return to recover from grossly excessive prices, our foot slipped and we slid down hill and landed with a thud. And very much the same thing happened when the bottom dropped out of the abnormal prices in the Fall of 1929. The farmer was very close to the bottom of the heap. That was a mistake which must not be repeated. Since the start of the war, retail prices have risen _____ per cent, and if nothing is done about them now, will probably continue to rise _____ per cent during the next year.

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contribution by the farmers of the Nation to our economy of sacrifice. I am sure, however, that they must realize that their duty to contribute to the welfare of the country is as great as the man who works in the shops, or the man who owns a business -- to say nothing of the man who is fighting in distant lands. But apart from any consideration of service and patriotism, the farmer knows what it would mean to his farm income if the prices of the things he buys begin to skyrocket. The farmer has been through too many years of disaster not to know that for him to survive and prosper there must be a balanced economy in the Nation in which he plays his own interdependent part but in which he cannot play a lone hand.

Of course, one of the great items which go into the cost of living is the amount paid by you and your family for rent. Under existing law the Price Administrator has enough authority to control rents in substantially every urban area in the United States. I have today instructed him to enter upon a program to stabilize rents wherever he is authorized to do so. Under this authority, practically every city and suburban dweller will be protected against artificial rent advances.

I am sure you will all realize the numerous and difficult

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problems involved in fixing these prices for sellers and buyers and farmers and rent-payers. It will take time to set up general machinery. It will take more time to work out individual difficulties and to make individual adjustments. Here, we must ask you for good will and patience. These are part of the game. I am sure that every business man, large and small, will gladly accept the inconveniences which the next few months may bring him, for he knows that the alternative is a rising spiral which will invite disaster.

Unless these various prices which go into the cost of living are stabilized the contents of the worker's pay envelope will mean practically nothing because the value of those contents, measured in terms of what they can buy, will become less and less. But the reverse is equally true. It is impossible to expect a business man to continue in business if the price of his commodity is fixed but the cost of labor, which is a substantial part of his cost of doing business, is not fixed. In other words, in order successfully to stabilize the cost of living at existing levels, it is absolutely necessary to stabilize wages as well as the prices of other commodities.

As long as prices are fixed, it is fair to expect labor to stabilize wages, whereas it would not have been fair to expect labor to do so unless prices had been fixed.

Organized labor has given up the right to strike during the continuation of the war -- and this is a fine action on its part. There has been provided a War Labor Board to which all questions shall be taken if not settled satisfactorily by other means. The fact that the present machinery is working is evidenced by the production results during the past four months. Out of approximately

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forty million workers in industry, strikes have effected far less than a half of one per cent of production during this period. As in England, where strikes were voluntarily outlawed by Labor early in the war, we have a very occasional and generally very short strike of a very few people in an occasional individual plant. When that occurs, there is a certain type of newspaper in the United States which puts the fact that fifty men have struck in a small town on the front page as a "scare" story. That kind of misinformation applies, I am sorry to say, to some news radio commentators as well as to some newspapers.

I have this day directed the War Labor Board to approve no further increases in basic wages or salaries except in cases where compensation is now below 40 cents per hour. I am also instructing other governmental agencies dealing with wages, production and government contracts that increases in wages granted in violation of this policy should not be considered in estimating costs for price-fixing or for any other purpose.

Where wage rates are now below 40 cents an hour they should be free to rise. This is only a matter of justice for the smallest wage earners, and it also carries out the national policy

of the Fair Labor Standards Act, under which pay has been raised to the minimum of 40 cents per hour in many industries. Even above the 40 cents per hour level, exceptions should be made and increases allowed in those rare instances where no increases at all have been received for several years, creating an unjust situation. Exception should also be allowed where readjustments are necessary to obtain or retain an adequate supply of labor in war industries. Adequate machinery to provide for these exceptional cases will have to be set up.

It is necessary for employers to cooperate with their Government by refraining from the practice of "raiding" plants for their labor supply. In other words, the practice of offering increased pay in order to induce workers to leave one plant for another should be discouraged as unpatriotic in order to carry out our common effort in a cooperative manner.

The fixing of wage rates for the duration of the war applies to jobs rather than to individuals. That means, for example, that if a man holding a certain job now is promoted to a higher position, his rate of pay can be increased for the new position to which he has been promoted. Otherwise, individual workers would be

discouraged from seeking promotion to new positions or transfers to different and higher-paid jobs.

You cannot consider the question of wages without also considering the matter of hours of labor. In spite of the clear language of the statute, many of our citizens are still being deceived by some of our newspapers, radio commentators and anti-labor agitators into believing that workers are now prohibited by law from working 40 hours per week. I repeat what I have said many times before -- there is no such law, and there is no such policy. In fact, in some war industries they are working as high as 56 hours per week; and more than half of the workers in the leading war industries are now working more than 40 hours per week.

However, under the present law, time-and-a-half must be paid for work above 40 hours. Within recent weeks there has been a suggestion that this premium for overtime work should be repealed. I am opposed to this action. To do that would be to force a substantial reduction in pay for millions of workers. It would mean that the value of the contents of the pay envelope would be materially cut. It would mean taking away a powerful incentive to production. Time and a half for overtime above 40 hours should be continued.

The question of double time for Sunday, however, is a very different one. It is true that one day of rest in seven should be given to every worker. But, if we are going to keep our plants going seven days a week, that seventh day of rest will have to be staggered, and it will therefore not fall on a Sunday for every worker. Under such circumstances, there is no reason why working on Sunday should be paid for by double overtime. However, when extraordinary circumstances in any plant make it necessary for a laborer to work on his day of rest -- whether it be Sunday or not -- he should be paid double wages for that seventh day.

Our economy of sacrifice also requires us all to do without many of the things to which we have become accustomed in happier times. Many things will have to be rationed, if not entirely denied to civilian use. I know that the American people will not only bear these inconveniences, they will welcome them, as further opportunities to serve the cause to which we are all dedicated.

Our economy of sacrifice also requires us all to do without many of the things that we used to buy on the installment plan. In fact, it requires that a great deal of purchase-by-credit should be

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cut down. Unless this is done it is possible that much of our effort to reduce purchasing power will fail if people can go on buying on liberal credit instead of for cash.

I am, therefore, calling upon the various agencies of Government to tighten control over credit of all kind now being extended to consumers. I also am urging them to encourage rapid payment of present debts -- mortgage debts, installment debts, charge-account debts, and debts due to the banks. Now, when there is a more liberal supply of money, is the time for all of us to pay off what we owe. In this way we not only protect ourselves against days when money will not be so plentiful; but we actually help in the concerted attack on this whole problem of inflation.

There is one large remaining area in which all of us must contribute our share in this economy of sacrifice. The vast increase of wages and farm income requires us to do something over and above all that I have mentioned, if we would prevent the purchasing power of the country from getting out of balance with the supply of goods and from bringing about a disastrous inflation.

Defense Savings Bonds have now become War Savings Bonds; and the savings campaign has become an indispensable part of the nation's war effort.

Time is short. The demands of war, we cannot escape or evade. To raise the billions which we now need to pay for the war, and at the same time to prevent a disastrous rise in the cost of living, we must double and more than double the scale of our savings.

To the production goals of last January, I am now adding a new goal — a war savings goal. That goal is twelve billion dollars a year for the people of the United States. There will be monthly quotas set for the nation as a whole, and for every State and every county.

The goals I have set are large. To reach them we shall have to set aside one-tenth of our entire national income and, on the average, one-tenth of our individual earnings.

To reach them, every man and woman who earns regular income will have to dig deep into those earnings, every pay day.

To reach them, it will not be enough to invest our spare change. Every dime and dollar not vitally needed for absolute necessities must go into War Savings Bonds and Stamps, to become an ally of our heroic men in uniform.

I have been urged by many persons and groups to recommend the adoption of a compulsory plan of savings by deducting a certain percentage of everyone's income. I prefer however to keep the

SECOND DRAFT

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voluntary plan in effect as long as possible and as long as it works.

All of us must cut down our spending. We must learn the habit of saving. By saving, we serve our country today, and postpone our own comfort until tomorrow. By saving, we can keep planes up and prices down. By saving, we can enlist our dollars, as our soldiers and sailors have enlisted their lives.

To sum up the points that I have covered relating to prices, profits, wages and taxes:

1. The policy of the Government is to put a ceiling on the price of what people buy and to prevent the manufacture of certain articles where this interferes with production of munitions of war.
2. It is the policy of the Government to seek legislation preventing undue or excess profits altogether and to limit excess salaries or individual incomes from investment.
3. It is the policy of the Government to retain parity prices for all farm products and to apply the same general rule for all other raw materials.
4. It is the policy of the Government, with the assistance of the machinery now in existence, to establish a similar parity for industrial wages, using the machinery, however, to do justice and equity

SECOND DRAFT

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in those wage cases which are unjust or inequitable.

I have used all of the executive power that I have to carry out a policy which will bring the results and objectives which I have outlined. To attain them fully it is necessary for Congress to act, and I have asked Congress to adopt a statement of policy in conformity with our objective. The urgency of the program is apparent. With the additional legislation necessary, it can be completely and quickly carried out.

I know the American farmer, the American workman, the American business man. I know that for freedom's sake they will stop at nothing. I know that this economy of sacrifice they will gladly embrace -- satisfied that it is necessary for the most vital and compelling motive in their lives -- winning through to victory.

Never in the memory of man has there been a war in which the courage, the endurance and the loyalty of civilians played so vital a part.

Many thousands of civilians in Britain, China, Russia, Holland and Poland have been killed or maimed by enemy action. Today, in France, Belgium, Norway, Czechoslovakia, Jugoslavia and Greece, civilians are gallantly giving their lives in their continued fight for freedom.

SECOND DRAFT

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Our own American civilian population is now relatively safe from enemy attack. And, to an ever increasing extent, our soldiers, sailors and marines are fighting with great bravery and great skill on far distant fronts to make sure that we shall remain safe.

We cannot let them down. We will not let them down.

When, with victory, our men come home, we will be able to look them in the eye and say, "To the very best of our various abilities, and to the very limit of our opportunities, we too have served."

THE WHITE HOUSE
WASHINGTON

(A)

In certain ways the present world
encircling war presents problems
which were unthinkable during
the first world war. But - in other
ways - the circumstances of today
paralleled those of 1917-1918.

The theatres of combat today cover
vastly greater areas, ~~and~~ ^{millions of} many
more human beings are involved.
~~and~~ The new factors of mechanical
power, in the air and on the land,
have produced radical changes in
basic strategy and tactics.
he may ~~be~~ etc.

5/1/41

(A)

TO THE CONGRESS:

In certain ways the present world encircled ^{ing} war presents a [strange] parallel of the first World War. While the theatres of combat cover vastly greater areas now than then, while ^{many} [infinitely] more human beings are involved now than then, ^{we can} take comfort from the fact that in the earlier ^{war, for} ~~days~~ nearly four years, [elapsed during which] the forces of aggression and barbarism were in the ascendancy; and

[and that] in this new war the nations resisting the Axis Powers may have to [wait a similar length of] ^{fight for a long} time before they have won [the right to survive] on the fields of battle. ^P Now, as then, the common enemy ^{has} had all the advantage at the outset; now, as then, it ^{has} cost ^{those who are defending} our type of civilization ~~not~~ ^{not} ^{can} ^{which will turn} defeats and losses before they [could] establish the vital superiority in men and munitions [before] the tide [turned].

Hitler

of preparation

Today we are in ^{critical} this period -- all the United Nations -- are -- ^{of} producing those twin necessities [to] ^{for} victory, trained men and adequate tools.

The United States was far better prepared for actual war on December 7, 1941 than it was on April 6, 1917. For over two years ^{by} a succession of Congressional Acts had [increased] ^{and carried out} [initiated] safety measures ^{for our own defense} in growing volume and importance.

and the instruments of war which they needed

There were ^{revisions of} the ~~Neutrality~~ Laws, the ^{drastic increases} [earlier days] of our Army and Navy, the Selective Service Act, the Lend-Lease law, ^{P F} and, finally, after Pearl Harbor, the ^{and} adoption of a national program which would have been called fantastic by most of our population two years before.

This program has called for the shifting of the major part of American industry from the products of peace to the weapons of war.

Inevitably, ^{but} and with the full approval of the nation, it ^{is} dislocated ^{the} industry, labor, agriculture and finance. It ^{is} ~~dislocates~~ and will continue to ^{disrupt,} dislocate the normal manner of life of ^{every} ~~most~~ Americans and their families. ^{and every American family.}

^{In this, we follow} ~~so far as we are~~ the pattern of the first World War, although on a vastly greater scale. ^{however,} ^{economic} In that earlier war, there were certain factors which ^{and these hardships continued long after the} produced ~~unnecessary~~ hardships both ~~then~~ and ~~at the end~~ of the war. I use the word "unnecessary" because it is my

belief that ^{a very great deal of the suffering which was said} [certain things which obtained] then can be avoided now.

^{It is about the economic} ^{in war that} ^{the principal} ^{factor} ^{which} ^{affects} ^{the} ^{lives} ^{of} ^{all} ^{of} ^{us} ^{and} ^{primarily} ^{they} ^{related} ^{to} ^{an} ^{extremely} ^{easily} ^{understood} ^{phrase} -- the cost of living.

In ^{and 1919,} [1917 and 1918], because rises in the cost of living ^{which came with the war} were not checked, ^{at the beginning,} people in this country paid nearly twice as much for the same things at the end of the war ^{as} ~~then~~ they did at the ^{start of it.}

● The rise in the cost of living during this war has begun to parallel the last. The time has definitely come when it must be stopped. -3-

[It is my belief that] While the cost of living, since the Autumn of 1939, has gone up about 20% so far, ^{based} on the basis of the average prices [of things which were put into the class] of necessities, [it is time today to make a serious effort to] ^{we must now make a determined} keep [the cost] ^{it} from rising another 60% or 80% during the next year or two -- an effort, indeed, to hold it to somewhere near the present level.

There are three obvious reasons for ^{taking every step necessary to prevent this rise.} making this effort.

First, [is that] ^{when} the cost of living spirals ~~xxxxxx~~ upward

week after week and month after month, people as a whole [are] ^{are bound to become poorer,} no richer] because the pay envelope and the profit envelope ^(generally)

[always] lag behind retail prices. The second [reason is that]

the cost of ^{carrying on} the war [on the part of] ^{by} the Government and, therefore, [on the part of] the people, ^{will increase by many billions} becomes much more ^{and if}

~~we do not pay to the limit of our ability now, we and our children will be burdened with unbearable debts in years to come.~~

~~the war to end,~~ [and the] third [is based on the] old ^{and true} saying

that that which goes up ^{always} must come down -- and you and I know

the hardships ^{and heartaches} we all went through in the bad years after the last war when ^{Americans} [we] were losing homes and farms and [were lacking] ^{this} jobs. ^{this} their savings and ~~hard~~ ^{was looking} in vain for jobs.

we do not intend to present the same disastrous situation after the war to those men who today are fighting our battles in all parts of the world.

We must therefore adopt as one of our
[if, therefore, we bear in mind that the] principal
domestic objective [is to seek to stabilize] ^{the stabilization of} the cost of

living. [we have a right to a program of] The Government of
the United States ^{should provide a definite program} to attain the end.

^{Relinquish}
[Based] on past and present experience, and leaving
out dozens of details which relate far more ^{questions of} to methods than
to the objective itself, I [list for] ^{Recommend to} the Congress the follow-
ing points:

1. To keep the cost of living from spiraling
upward, we must keep personal and corporate profits ^{down to}
~~a~~ a reasonable rate, the word "reasonable" being
defined at a low level.

2. ^{To} ~~We must~~ keep the cost of living from spiraling
^{we must fix} upward, [by fixing] ceilings on the prices ^{which consumers}
^{wholesalers and} and manufacturers pay for the things they buy.

3. ^{To} ~~We must~~ keep the cost of living from spiraling
^{we must stabilize} upward, [by stabilizing] the remuneration received by
individuals for their work.

4. ^{To} ~~We must~~ keep the cost of living from spiraling
^{we must stabilize the} upward, [by stabilizing] prices received by growers for
the products of their lands.

To keep the cost of living from spiraling upward,
5. We must encourage all citizens to contribute to

the cost of winning this war by purchasing Government War Bonds with their earnings instead of ^{using} [putting] these earnings ^{to buy} into a competition to acquire articles for their own use which of necessity are scarce.

6. ~~In order~~ To keep the cost of living from

spiraling upward, we must ration ^{all commodities} [those scarce ~~articles~~ ^{articles of which} ^{there is a scarcity so} that they may be distributed fairly ^{among consumers} and not merely in

accordance with financial ability to pay ^{high prices for them.}

7. ~~We must~~ ^{To} keep the cost of living from spiraling

upward ^{we must discourage credit and installment buying and} ^{by encouraging} [the paying off of debts, mortgages, ^{and other} ^{and encourage} borrowings and installment] obligations; for this encourages

savings and adds to the ability of creditors ^{to paid} ~~pay~~ off to buy more War Bonds.

I know that you will appreciate that these seven

principal points, [are,] each and ~~expressly~~ every one of them, ^{will}

[based on our ability to make good] ^{contribute} in substantial fashion to

[in] the main objective -- ^{ing} keep the cost of living down.

[To this I would add] ^{give} the solemn assurance to the Congress

that if the objective is not attained, and if the cost

of living ^{continue to} does rise substantially, I will so advise the

Congress and ask for ^{any additional} legislation ^{which may be necessary.}

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On the seven points which I have enumerated, it is
only one of them requires legislation
my best judgment that [^]legislation regarding six of them is,
at the present time, [^]inadvisable and unnecessary, for the
very good reason that the Congress has already passed laws *with*
respect to the others
which seem adequate to meet the national policy enunciated.

[^]In [^]only one item [^]where [^]legislation [^]is necessary, [^]and the
subject [^]of this legislation is now under consideration in
the House of Representatives. I refer to the first item.--
the purpose of which is to
[^]keep excess profits down and, at the same time, raise
further large sums for the financing of the war, ~~through~~
~~the Executive Branch of the Government.~~

On this subject I believe that the objective can
be attained through tax processes. We are now spending,
solely for war purposes, the sum of about one hundred
million dollars every day of the week. But before this *year*
~~year~~ is over that rate of expenditure will be doubled.

This means that a sum equal to
[^]~~roughly equal to~~ more than half of the entire national
income ~~of the United States~~ -- more than 55¢ out of every
\$1.00 made by any business or by any individual in the
United States [^]will be spent in the war effort.

B

THE WHITE HOUSE
WASHINGTON

INSERT B - PAGE #6

~~is~~ Almost the whole of these
billions is being and will be spent
within the United States itself.

- 2

Profits must be taxed to the limit consistent with continued production. This means business profits -- not only in making munitions, ^{but} in making or selling anything else. ^A Under the proposed new tax law we seek to take by taxation ^{A//} undue or excess profits. It is incumbent upon the Congress to define undue or excess profits; ^{and} anything in excess of that specific figure should go automatically to the Government.

One of our difficulties is to write a law in which some clever people will not find loopholes, or in which some businesses will not be equitably included. I have suggested to the Chairman of the Committee on Ways and Means in the House of Representatives that some blanket clause could well cover, by a special tax, all profits of any kind of business which exceed the expressed definition of ~~the~~ ^{The legal} profit figure. [^]

At the same time, while the number of individual Americans affected is small, discrepancies between low personal incomes and very high personal incomes should be lessened, and I ~~sometimes wonder~~ ^{am inclined to believe that} whether in time of grave national danger such as this ⁷¹⁰ ~~any~~ American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year. And any top limit objective should

seek to cover those net incomes which are made up in ^{whole or in} large part by returns from non-taxable securities. It is my belief that ~~the earlier methods~~ taxing such hitherto exempt incomes, by the method of surtaxes, would be wholly constitutional.

I earnestly hope that the Congress will pass a new tax bill at the earliest moment possible. Such action is *imperative* [called for] in the comprehensive all-out effort to keep the cost of living down.

I do not believe that it is necessary for me to go into great detail in relation to the other six items which I have summarized.

The second item, relating to price control on articles which consumers and manufacturers buy, is, I think, definitely covered by existing law and is being put into effect as rapidly as possible. It is our effort to be fair, but if ^{our future experience reveals} inequality or unfairness ~~arising in the course of application~~, corrections will, of course, be made.

The third item, seeking to stabilize remuneration for work, is also definitely covered at the present time by existing laws and Executive Orders. If the cost of living remains relatively stable, no one is going to be hurt. Strikes are at a minimum. Most workers in munition industries

A The question of double time for Sunday, however, is a very different one. It is true that one day of rest in seven should be given to every worker. But, if we are going to keep our plants going seven days a week, that seventh day of rest will have to be staggered, and it will therefore not fall on a Sunday for every worker. [Under such circumstances, there is no reason why working on Sunday should be paid for by double overtime.] However, when extraordinary circumstances in any plant make it necessary for a laborer to work on his day of rest -- whether it be Sunday or not -- he should be paid double wages for that seventh day.

A

Page
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and should continue to be paid at time and a half for overtime.

A

are working far more than forty hours a week. ~~Double-time pay~~
~~is not a problem because it is the policy of the Government to~~

~~insist on one day of rest in seven~~ 97 The War Labor Board machinery has been generally accepted by labor and industry for the settlement of all disputes and ~~and~~ organized labor has given up its right to strike during the war. Existing contracts between employers and employees must, in all fairness, be carried out to the expiration of those contracts. The War Labor Board will, of course, seek to remove inequalities and to give due consideration to the elimination of sub-standards of living. I repeat that all of these processes, now in existence, will work equitably for the overwhelming proportion of our workers if we can keep the cost of living down, and this policy will guide all Government agencies.

In regard to item four -- prices of farm products -- the same general thesis holds true. For nearly nine years it has been the policy of the government to seek an objective known as "parity" -- or, in other words, farm prices that give

the farmer an assurance of equality in individual purchasing power with his fellow Americans who work in industry. Some of the products of the farms have not yet reached the stage of parity. Others have exceeded parity. Under existing legislation a ceiling cannot be placed on certain products until they reach a level somewhat above parity. I am confident however that with price ceilings imposed in accordance with law, the average of all farm products can be kept at a parity ceiling.

With respect to item five, the American people know that if we would raise the billions which we now need to pay for the war and at the same time prevent a disastrous rise in the cost of living, we shall have to double and more than double the scale of our

Savings. Every dime and dollar not vitally needed for absolute necessities should go into War Savings Bonds and Stamps to add to the striking power of our armed forces. ~~uniform. (Copy from post)~~

I have been urged by many persons and groups to recommend the adoption of a compulsory plan of savings by deducting a certain percentage of unjoint income. I prefer however to keep the voluntary plan in effect as long as possible and as long as it is effective to meet the needs!

With respect to Stamp tax, it is obviously fair that where there is not enough of any commodity ^{to meet all civilian} ~~to~~ demands, ~~around~~ those who can afford to pay more for it should not be preferred over those who cannot. I am confident that as to ^{many} basic necessities of life rationing will not be necessary because we shall strive to the utmost to have an

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adequate supply. But where any article becomes scarce rationing is the democratic, equitable solution.

Item ~~plans~~ should be made effective as soon as possible now that money is becoming plentiful. Those who comply with it will be grateful that they have done so when money becomes tighter after the war.

As to all of those items which do not require legislation, the executive departments and agencies ~~involved~~ whose functions and duties are involved, will begin as quickly and expeditiously as possible to ~~carry~~ ^{carry} them out. ^PThe result will be to ~~the~~ ~~will~~ ~~not~~ require of every one of us ~~some~~ some share of sacrifice. Americans all will welcome this opportunity to share in ~~our~~ the common effort of ~~the~~ civilized mankind to ~~perpetuate~~ ~~decent~~ ~~living~~ ~~present~~ decency and dignity in modern life.

Draft #2

TO THE CONGRESS:

In certain ways the present world encircling war presents problems which were unthinkable during the First World War. But -- in other ways -- the circumstances of today parallel those of 1917-1918.

The theatres of combat today cover vastly greater areas. Many more millions of human beings are involved. The new factors of mechanical power, in the air and on the land, have produced radical changes in basic strategy and tactics.

We may take comfort from the fact that in the earlier war, for nearly four years, the forces of aggression and barbarism were in the ascendancy; and in this new war the nations resisting the Axis Powers may have to fight for a long time before they have won on the fields of battle.

Now, as then, the common enemy has all the advantage at the outset; now, as then, it has cost ^{to} those who are defending our type of civilization bitter defeats and vast losses before they can establish the vital superiority in men and munitions which will turn the tide.

Today we -- all the United Nations -- are still in this period of preparation -- producing those twin necessities for victory, trained men and adequate tools.

The United States was far better prepared for actual war on December 7, 1941 than it was on April 6, 1917. For over two years by a succession of Congressional Acts we had ~~initiated~~ ^{initiated} and carried out safety measures for our own defense in growing volume and importance. There were the revisions of the Neutrality laws, the drastic increases of our Army and Navy, and the instruments of war which they needed, the Selective Service Act, and the Lend-Lease law.

Finally, after Pearl Harbor, the American people adopted a national program which would have been called fantastic by most of our population two years before. This program has called for the shifting of the major part of American industry from the products of peace to the weapons of war.

Inevitably -- but with the full approval of the nation -- it is dislocating industry, labor, agriculture and finance. It is disrupting, and will continue to disrupt, the normal manner of life of every American and every American family. In this, we

follow the pattern of the first World War, although on a vastly greater scale.

In that earlier war, however, there were certain economic factors which produced unnecessary hardships, and these hardships continued long after the signing of the Armistice. I use the word "unnecessary" because it is my belief that a very great deal of the suffering which was caused then can be avoided now.

It is about the economic factors in war that I address you today. They relate primarily to an easily understood phrase which affects the lives of all of us -- the cost of living. In 1918 and 1919, because rises in the cost of living which came with the war were not checked in the beginning, people in this country paid nearly twice as much for the same things at the end of the war as they did at the start of it.

The rise in the cost of living during this war has begun to parallel the last. The time has definitely come ^{to stop the spiral} ~~when it must~~
~~be stopped~~

While the cost of living, since the Autumn of 1939, has gone up about 20% so far, based on the average prices of necessities,

we must now make a determined effort to keep it from rising another 60% or 80% during the next year or two -- an effort, indeed, to hold it to somewhere near the present level.

There are three obvious reasons for taking every step necessary to prevent this rise. (A)

First, when the cost of living spirals upward week after week and month after month, people as a whole are bound to become poorer, because the pay envelope and the profit envelope lag behind ^{rising} retail prices. Second, the cost of carrying on the _A war by the Government and, therefore, by the people, will increase by many billions and if we do not pay to the limit of our ability now, we and our children will be burdened with unbearable debts in years to come. Third, there is an old and true saying that that which goes up must always come down -- and you and I know the hardships and heartaches we all went through in the bad years after the last war when Americans were losing their homes and their farms and their savings ^{were looking} and/in vain for jobs.

We do not intend to present the same disastrous situation after the war to those men who today are fighting our battles in all parts of the world.

THE WHITE HOUSE
WASHINGTON

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I emphasize the words "every step" because no single step would be adequate alone. Action in one direction would be offset by inaction in other directions. Only an all-embracing program will suffice.

We must therefore adopt as one of our principal domestic objectives the stabilization of the cost of living. The Government of the United States should provide a definite program to attain ~~the~~ ^{that} end.

Relying on past and present experience, and leaving out dozens of details which relate far more, to questions of method than to the objective itself, I ~~recommend to~~ ^{but for} the Congress the following points, *which taken together may well be called our present national economic policy.*

1. To keep the cost of living from spiraling upward, we must ~~keep~~ ^{hold tax heavily and we must keep} personal and corporate profits ^{at} ~~down to~~ a reasonable rate, the word "reasonable" being defined at a low level.
2. To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers and wholesalers and manufacturers pay for the things they buy.
3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.
4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.

5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing Government War Bonds with their earnings instead of using those earnings to buy articles ~~for their own use~~ which of necessity are scarce.

6. To keep the cost of living from spiraling upward, we must ration all commodities ^{of} which there is a scarcity so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.

7. To keep the cost of living from spiraling upward we must discourage credit and installment buying and encourage the paying off of debts, mortgages, and other obligations; for this encourages savings and adds to the ability of creditors so paid off to buy more War Bonds.

I know that you will appreciate that these seven principal points, each and every one of them, will contribute in substantial fashion to the main objective -- keeping the cost of living down. I give the solemn assurance to the Congress that if the objective is not attained, and if the cost of living does continue to rise substantially, I will so advise the Congress and ask for any additional legislation which may be necessary.

Of the seven points which I have enumerated, it is my best judgment that only one of them requires legislation at the present time, for the very good reason that the Congress has already passed laws with respect to the others which seem adequate to meet the national policy enunciated.

In the one item where legislation is necessary, the subject is now under consideration in the House of Representatives. I refer to the first item -- the purpose of which is to keep excess profits down and, at the same time, raise further large sums for the financing of the war.

On this subject, I believe that the objective can be attained through tax processes. We are now spending, solely for war purposes, the sum of about one hundred million dollars every day of the week. But before this year is over that rate of expenditure will be doubled. This means that a sum equal to more than half of the entire national income -- more than 55¢ out of every \$1.00 made by any business or by any individual in the United States -- will be spent in the war effort.

Almost the whole of these billions is being and will be spent within the United States itself.

Profits must be taxed to the limit consistent with continued production. This means business profits -- not only in making munitions, but in making or selling anything else. Under the proposed new tax law we seek to take by taxation all undue or excess profits. It is incumbent upon the Congress to define undue or excess profits, and anything in excess of that specific figure should go automatically to the Government.

One of our difficulties is to write a law in which some clever people will not find loopholes, or in which some businesses will not be equitably included. I have suggested to the Chairman of the Committee on Ways and Means in the House of Representatives that some blanket clause could well cover, by a special tax, all profits of any kind of business which exceed the expressed definition of the legal profit figure.

At the same time, while the number of individual Americans affected is small, discrepancies between low personal incomes and very high personal incomes should be lessened, and I am inclined to believe that in time of grave national danger such as this no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year. And any top limit objective

should seek to cover those net incomes which are made up in whole or in large part by returns from non-taxable securities. It is my belief that taxing such hitherto exempt incomes, by the method of surtaxes, would be wholly constitutional.

I earnestly hope that the Congress will pass a new tax bill at the earliest moment possible. Such action is imperative in the comprehensive all-out effort to keep the cost of living down.

I do not believe that it is necessary for me to go into great detail in relation to the other six items which I have summarized.

The second item, relating to price control on articles which consumers and manufacturers buy is, I think, definitely covered by existing law and is being put into effect as rapidly as possible. It is our effort to be fair, ~~and~~ but if our future experience reveals inequality or unfairness, corrections will, of course, be made.

The third item, seeking to stabilize remuneration for work, is also definitely covered at the present time by existing laws and Executive Orders. If the cost of living remains relatively

stable, no one is going to be hurt. Strikes are at a minimum. Most workers in munition industries are working far more than forty hours a week and should continue to be paid at time and a half for overtime. *Otherwise, their weekly pay envelopes would be reduced.*

The question of double time for Sunday, however, is a very different one. It is true that one day of rest in seven should be given to every worker. But, if we are going to keep our plants going seven days a week, that seventh day of rest will have to be staggered, and it will therefore not fall on a Sunday for every worker. However, when ~~unusual~~ *only rare emergency* circumstances in ~~the~~ ^a plant make it necessary for a laborer to work on his day of rest -- whether it be Sunday or not -- he should be paid double wages for that seventh day. *It is contrary to sound policy to make people work more than six days a week.*

The War Labor Board machinery has generally accepted by labor and industry for the settlement of all disputes and organized labor has given up its right to strike during the war. Existing contracts between employers and employees must, in all fairness, be carried out to the expiration of those contracts. *existing machinery, ending if necessary in the* The War Labor Board will, ~~as a last resort, seek to remove~~ *and to give due consideration to the elimination* ~~of sub-standards of living.~~ *of sub-standards of living.* I repeat that all of these processes, now in existence, will work equitably for the overwhelming

proportion of our workers if we can keep the cost of living down, and this policy will guide all Government agencies.

In regard to item four -- prices of farm products -- the same general thesis holds true. For nearly nine years it has been the policy of the Government to seek an objective known as "parity" -- or, in other words, farm prices that give the farmer an assurance of equality in individual purchasing power with his fellow Americans who work in industry. Some of the products of the farms have not yet reached the stage of parity. Others have exceeded parity. Under existing legislation a ceiling cannot be placed on certain products until they reach a level somewhat above parity. I am confident however that with price ceilings imposed in accordance with law, the average of all farm products can be kept at a parity ceiling. ^{substantially}

With respect to item five, the American people know that if we would raise the billions which we now need to pay for the war and at the same time prevent a disastrous rise in the cost of living, we shall have to double and more than double the scale of our savings. Every dime and dollar not vitally needed for absolute necessities should go into War Savings Bonds and Stamps

to add to the striking power of our armed forces.

I have been urged by many persons and groups to recommend the adoption of a compulsory plan of savings by deducting a certain percentage of everyone's income. I prefer, however, to keep the voluntary plan in effect as long as possible, ~~and as long as it is effective to meet the needs.~~ *That will depend on the immediate response of the American people.*

With respect to item six, it is obviously fair that where there is not enough of any commodity to meet all civilian demands, those who can afford to pay more for ^{*the commodity*} ~~it~~ should not be preferred over ^{*others*} ~~those~~ who cannot. I am confident that as to many basic necessities of life rationing will not be necessary because we shall strive to the utmost to have an adequate supply. But where any article becomes scarce rationing is the democratic, equitable solution.

-paying off debts -
 Item seven should be made effective as soon as possible now that money is becoming plentiful. Those who comply with it will be grateful that they have done so when ^{*this war is over.*} ~~money becomes tighter~~
~~after the war~~

As to all of ^{*Three*} ~~those~~ items which do not require legislation, the executive departments and agencies whose functions and duties

are involved, ~~as quickly as~~ ^{meatwork} expeditiously as possible
in ~~carry~~ ^{ing} out ~~this~~ ^{the} whole ~~Grand~~ ^{Grand} policy.

The result will be to require of every one of us some share of sacrifice. Americans all will welcome this opportunity to share in the common effort of civilized mankind to preserve decency and dignity in modern life.

> A

THE WHITE HOUSE
WASHINGTON

INSERT A

The broad road which I am asking the American people to travel is in many ways a road of sacrifice, for we shall have to live our lives with less in the way of creature comforts than we have in time of peace. Some have called it an economy of sacrifice, ~~but it is a concept~~ and we must interpret it in terms of the nobler concept — ~~born on condition that we tie~~ it together with the nobler ~~term~~ "equality of sacrifice".

For this is fundamentally a people's war — and it must be followed by a people's peace. The achievement of victory in war and security in peace requires the participation of all the people in our common effort for our common cause.

THIRD DRAFT

TO THE CONGRESS

of the United States

In certain ways the present world encircling war presents problems which were ^{unimaginable} ~~unthinkable~~ during the First World War. But ^{the} in other ways ^{the} the circumstances of today parallel those of 1917-1918.

The theatres of combat today cover vastly greater areas. Many more millions of human beings are involved. The new factors of mechanical power, in the air and on the land, ^{and on the sea} have produced radical changes in basic strategy and tactics.

We may take comfort from the fact that in the earlier war, for nearly four years, the forces of aggression and barbarism were in the ascendant and in this new war the nations resisting the Axis Powers ^{face an even greater challenge} have to fight for a long ^{very serious} time before they have won on the fields of battle.

at least their understanding of the magnitude of the task and the very firmness of their determination make it very likely that they will fight more

Now, as ^{on the last war} the common enemy has all the advantage at the outset; now, as then, it has cost to those who are defending our type of civilization before they ^{will} establish the vital superiority in men and munitions which will turn the tide.

will be able to

Today we -- all the United Nations -- are ~~still in~~
~~this period of preparation~~ -- producing those twin necessities
 for victory, trained men and adequate tools.

The United States was far better prepared for actual
 war on December 7, 1941 than it was on April 6, 1917. For over
 two years by a succession of Congressional Acts we had carried
 out or initiated safety measures for our own defense in growing
 volume and importance. There were the revisions of the Neutrality
 laws, the ^{great} ~~large~~ increases of our Army and Navy, ~~and~~ the instru-
 ments of war which they needed, the Selective Service ^{Law} ~~Act~~ and
 the Lend-Lease ^{Law} ~~Act~~, and ^{adaptation of the}

Finally, after Pearl Harbor, the American people adopted
 a national program ^{of war production} which would have been called fantastic by
 most ^{people} ~~of our population~~ two years before. [This program has called
 for] ^{It has required} the shifting of the major part of American industry from the
 products of peace to the weapons of war.

Inevitably -- but with the full approval of the nation -- ^{enormous program} ~~this~~
^{is} is dislocating industry, labor, agriculture and finance. It
 is disrupting, and will continue to disrupt, the normal manner
 of life of every American and every American family. In this,

we follow the pattern of the first World War, although on a vastly greater scale.

^{Having}
~~So~~ that earlier war [however], there were certain economic factors which produced unnecessary hardships; and these hardships continued long after the signing of the Armistice. I use the word "unnecessary" because it is my belief that a very great deal of the suffering which was caused then can be avoided now.

[It is about ^{the} ~~the~~ economic factors ^{of these} in war that I address you today. They] relate primarily to an easily understood phrase which affects the lives of all of us -- the cost of living.

In 1918 and 1919, ^{last} Because rises in the cost of living which came with the war were not checked in the beginning, people in this country, paid nearly twice as much for the same things at the end of the war as they did at the start of it.

The rise in the cost of living during this war has begun to parallel the last. The time has definitely come to stop the spiral.

While the cost of living, since the Autumn of 1939, has gone up about 20% so far, based on the average prices of necessities, we must now ~~make a determined effort~~ ^{act} to keep it from rising another 60% or 80% during the next year or two -- [an effort, indeed,] to hold it to somewhere near the present level.

There are [three] obvious reasons for taking every step necessary to prevent this rise. I emphasize the words "every step" because no single step would be adequate ^{by itself.} ~~alone.~~ Action in one direction ^{alone} would be offset by inaction in other directions. Only an all-embracing program will suffice.

[First,] When the cost of living spirals upward week after week and month after month, people as a whole are bound to become poorer, because the pay envelope ~~and the profit envelope~~ lag behind rising retail prices. [Second,] The ~~cost-price~~ ^{paid for} carrying on the war by the Government and, therefore, by the people, will increase by many billions ^{if prices go up and if} ~~and it must not pay~~ ^{that happens} to the limit of our ~~ability~~ ^{power}, we and our children will be ^{with much higher} ~~burdened with unbearable~~ debts in years to come. ^{Furthermore,} ~~Third,~~ there is an old and true saying that that which goes up must always

come down -- and you and I know the hardships and heartaches we all went through in the bad years after the last war, when Americans were losing their homes and their farms and their savings and were looking in vain for jobs.

We do not intend to present the same disastrous situation after ~~the~~ ^{two} war to those ^{brave} men who today are fighting our battles in all parts of the world. (A)

We must therefore adopt as one of our principal domestic objectives the stabilization of the cost of living, ^{for this is essential to the fortification of our whole economic structure.} The Government of the United States should provide a definite program to attain that end.

Relying on past and present experience, and leaving out ^{masses of} [dozens of] details which relate [far] more to questions of method than to the objective itself, I list for the Congress the following points, which, taken together, may well be called our present national economic policy.

1. To keep the cost of living from spiraling upward, we must tax heavily and [we must] keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.

THE WHITE HOUSE
WASHINGTON

(A)

That is the least that
our soldiers, sailors and
marines have a right to
expect of us ~~at~~
citizens ~~at~~ in government,
in industry, ~~and~~ on the
farm and in all ^{other} walks of
life

2. To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers and wholesalers and manufacturers pay for the things they buy.
3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.
4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.
5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing Government War Bonds with their earnings instead of using those earnings to buy articles which ~~are necessary for success.~~ *are not essential.*
6. To keep the cost of living from spiraling upward, we must ration ~~all commodities~~ all commodities of which there is a scarcity, so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.
7. To keep the cost of living from spiraling upward we must discourage credit and instalment buying, and encourage

the paying off of debts, mortgages, and other obligations;
 for this [encourages] ^{promotes} savings and adds to the [ability] ^{retards excessive buying} of
 creditors so paid off to buy more ^{amount available for the purchase} War Bonds.

I know that you will appreciate that these seven principal points, each and every one of them, will contribute in substantial fashion to the ^{great} main objective ^{of} keeping the cost of living down. ^{I assure} ~~to the~~ ~~Congress~~ assurance to the Congress

that if the ^{required} objectives ^{are} not attained, and if the cost of living does continue to rise substantially, I ^{shall} will so advise the Congress and ask ^{shall} for any additional legislation which may be necessary.

[Of the seven points which I have enumerated,] ^{It is} my best judgment that only one of ^{these points} [them] requires legislation at the present time, for the very good reason that the Congress has already passed laws with respect to the others which seem adequate to meet the national policy enunciated. ↑

In the one item where ^{now} legislation is necessary, the subject is ^(now) under consideration in the House of Representatives. I refer to the first item -- the purpose of which is to keep excess profits down and, at the same time, raise further large sums for the financing of the war.

On this subject, I believe that the objective can be attained through tax processes. We are now spending, solely for war purposes, the sum of about one hundred million dollars every day of the week. But before this year is over that rate of expenditure will be doubled. This means that a sum equal to more than half of the entire national income ~~more than 55¢ out of every \$1.00 made by any business or by any individual in the United States~~ will be spent in the war effort.

Almost the whole of these billions is being and will be spent within the United States itself.

Profits must be taxed to the ^{utmost} limit consistent with continued production. This means ^{all} business profits -- not only in making munitions, but in making or selling anything else. Under the proposed new tax law we seek to take by taxation all undue or excess profits. It is incumbent upon the Congress to define undue or excess profits; and anything in excess of that specific figure should go automatically to the Government.

One of our difficulties is to write a law in which some clever people will not find loopholes, or in which some businesses will not be equitably included. I have suggested to the Chairman of the Committee on Ways and Means in the House

of Representatives that some blanket clause could well cover, by a special tax, all profits of any kind of business which exceed the expressed definition of the legal profit figure.

At the same time, while the number of individual Americans affected is small, discrepancies between low personal incomes and very high personal incomes should be lessened; and

I ~~understand~~ ^{therefore} believe that in time of ^{this} grave national danger ~~when all excess income should go to win the war~~ ~~such as this~~ no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year. (A)

~~any top limit objective should seek to cover those net incomes which are made up in whole or in large part by returns from non-taxable securities. It is my belief that taxing such hitherto exempt incomes, by the method of surtaxes, would be wholly constitutional.~~

I earnestly hope that the Congress will pass a new tax bill at the earliest moment possible. Such action is imperative in the comprehensive all-out effort to keep the cost of living down.

I do not believe that it is necessary for me to go into great detail in relation to the other six items which I have summarized.

THE WHITE HOUSE
WASHINGTON

(A)

It is indefensible that those who enjoy large incomes from State and local securities should be immune from taxation while we are at war. Interest on such securities should be subject at least to surtaxes.

The second item, relating to price control ~~on~~
~~articles which consumers and manufacturers buy to, I think,~~
 is ^{adequately} ~~sufficiently~~ covered by existing law, and is being put into
 effect as rapidly as possible. It is our effort to be fair ^{in all phases of price}
 and ^{controls,}
~~but~~ if our future experience reveals inequality or unfairness,
 corrections will, of course, be made.

The third item, seeking to stabilize remuneration for
 work, is also [definitely] covered at the present time by exist-
 ing laws and Executive orders. If the cost of living remains
 relatively stable, no one is going to be hurt. [Strikes are
 at a minimum.] Most workers in munition industries are work-
 ing far more than forty hours a week, and should continue to
 be paid at time and a half for overtime. Otherwise, their
 weekly pay envelopes would be reduced.

^{Concerning}
 The question of double time for Sunday, [however, is a
 very different one. It is true that one day of rest in seven
 should be given to every worker.] It is contrary to sound
 policy to make people work more than six consecutive days.
 But, if we are going to keep our plants going seven days a week,
 that seventh day of rest will have to be staggered, and it will

*different days for
different workers.*

therefore [not] fall on [a Sunday for every worker]. However, when very rare emergency circumstances in a plant make it necessary for a laborer to work on his day of rest -- whether it be Sunday or not -- he should be paid double wages for that seventh day.

The War Labor Board machinery has been generally accepted by labor and industry for the settlement of all disputes; and organized labor has given up its right to strike during the war. *All strikes are at a minimum.* Existing contracts between employers and employees must, in all fairness, be carried out to the expiration of those *date* contracts. The existing machinery *for labor disputes* ending if necessary in the War Labor Board] will, of course, continue to give due consideration to inequalities and the elimination of sub-standards of living. I repeat that all of these processes, now in existence, will work equitably for the overwhelming proportion of our workers if we can keep the cost of living down, ~~and~~ This policy will guide all Government agencies.

In regard to item four, ~~the~~ prices of farm products, ~~the~~ the same general thesis holds true. ~~For~~ For nearly nine years it

has been the policy of the Government to seek an objective known as "parity" -- or, in other words, farm prices that give the farmer an assurance of equality in individual purchasing power with his fellow Americans who work in industry. Some of the products of the farms have not yet reached the stage of parity. Others have exceeded parity. Under existing legislation a ceiling cannot be placed on certain products until they reach a level somewhat above parity. I am confident, however, that with price ceilings imposed in accordance with law, the average of all farm products can be substantially kept at a parity ~~setting level~~.

With respect to item five, the American people know that if we would raise the billions which we now need to pay for the war and at the same time prevent a disastrous rise in the cost of living, we shall have to double and more than double the scale of our savings. Every dime and dollar not vitally needed for absolute necessities should go into War Savings Bonds and Stamps to add to the striking power of our armed forces.

(A)
I have been urged by many persons and groups to recommend the adoption of a compulsory plan of savings by deducting a

End of Page (1)

Treasury Work on
Page 12

Legislative and administrative action to control the cost of living must be supplemented by the voluntary action of the American people.

I refer now particularly to Item No. 5 in the program I am here suggesting, which calls for a very substantial increase in the buying of War Savings Bonds and Stamps. If these purchases are to have a material effect in restraining price increases they must be made out of current income. In almost every individual case they should be big enough to mean rigid self-denial, a substantial reduction for most of us in the scale of expenditure that is comfortable and easy for us. We ^{cannot} ~~can't~~ fight this war, we ^{cannot} ~~can't~~ exert our maximum effort, on a spend-as-usual basis. We cannot have all we want if our soldiers and sailors are to have all they need.

The buying of War Bonds thus has a double value. If we set for ourselves high quotas, quotas that mean giving up many things we want, and if we stick to them, we can help substantially to prevent disastrous increases in the cost of living. At the same time, the money we use to buy the bonds will buy the materials we need to fight the war.

certain percentage of everyone's income. I prefer, however, to keep the voluntary plan in effect as long as possible, *and I hope for a magnificent response.*
~~That will depend on the immediate response of the American~~

~~scarcity~~

- Rationing -

With respect to item six, ¹ it is obviously fair that where there is not enough of any commodity to meet all civilian demands, those who can afford to pay more for the commodity should not be ~~preferred~~ ^{privileged} over others who cannot. I am confident that as to many basic necessities of life rationing will not be necessary, because we shall strive to the utmost to have an adequate supply. But where any article becomes scarce, rationing is the democratic, equitable solution.

Item seven -- paying off debts, ¹ -- *and curtailing installment buying* should be made effective as soon as possible now that money is becoming ^{more} plentiful. Those who comply with it will be grateful that they have done so, when this war is over. *(A)*

As to all of these items which do not require legislation, the executive departments and agencies whose functions and duties are involved, ^{are at} ~~work~~ work as expeditiously as possible in carrying out this whole broad policy.

THE WHITE HOUSE
WASHINGTON

(A) p13

Elimination of
private debts and an
accumulation of
savings will provide
a form of insurance
against a post-war
depression.

The result will be to require of every one of us some share of sacrifice. Americans all will welcome this opportunity to share in the common effort of civilized mankind to preserve decency and dignity in modern life.

The broad road which I am asking the American people to travel is in many ways a road of sacrifice, for we shall have to live our lives with less in the way of creature comforts than we have in time of peace. Some have called it an "economy of sacrifice", ^{but} ~~and~~ we must interpret it in terms of the nobler concepts -- the ~~equality of sacrifice~~. For this is fundamentally a people's war -- and it must be followed by a people's peace. The achievement of victory in war and security in peace requires the participation of all the people in [our common effort] ^{the fight} for our common cause.

and the ^{privilege} of sacrifice.

FOURTH DRAFT

TO THE CONGRESS OF THE UNITED STATES:

In certain ways the present world encircling war presents problems which were unimaginable during the First World War.

The theatres of combat today cover vastly greater areas. Many more millions of human beings are involved. The new factors of mechanical power, in the air and on the land and on the sea have produced radical changes in basic strategy and tactics.

In this new war the nations resisting the Axis Powers face an even greater challenge to their very existence. They fight ^{powerful, more} ~~more~~ sinister foes; but their understanding of the magnitude of the task and the very firmness of their determination make victory certain in the long days to come.

But, ^{in some} ~~in~~ other ways, ^{however,} ~~the~~ circumstances of today parallel those of 1917-1918. Now, as in the last war, ~~the~~ common enemy ^{had} has all the advantage at the outset. Now, as then, ^{it} has and will cost ^{must be endured by} bitter defeats and heavy losses ~~to~~ those who are defending our type of civilization, before ^{we} ~~they~~ will be able to establish the vital superiority in men and munitions which will turn the tide.

The United States was far better prepared for actual war on December 7, 1941 than it was on April 6, 1917. For over two years, by a succession of Congressional Acts we had carried out or initiated safety measures for our own defense in growing volume and importance. There were the revisions of the Neutrality laws, the adoption of the Selective Service law and the Lend-Lease Law, and the great increases of our Army and Navy and the instruments of war which they needed.

[Finally,] After Pearl Harbor, the American people adopted a national program of war production which would have been called fantastic by most people two years before. It has required the shifting of the major part of American industry from the products of peace to the weapons of war.

Inevitably -- but with the full approval of the nation -- this enormous program is dislocating industry, labor, agriculture and finance. It is disrupting, and will continue to disrupt, the normal manner of life of every American and every American family. In this, we ~~follow~~ ^{repeat} the pattern of the first World War, although on a vastly greater scale.

During that earlier war there were certain economic factors which produced unnecessary hardships; and these hardships continued long after the signing of the Armistice. I use the word "unnecessary" because it is my belief that a very great deal of the suffering which was caused then can be avoided now.

These economic factors relate primarily to an easily understood phrase which affects the lives of all of us -- the cost of living. Because rises in the cost of living which came with the last war were not checked in the beginning, people in this country ^{in 1918 and 1919} paid ~~more~~ ^{more than} twice as much for the same things ^{in 1920} [at the end of the war] as they did ^{in 1914.} ~~at the start of~~

The rise in the cost of living during this war has begun to parallel the last. The time has definitely come to stop the spiral. ^{And we can} ~~The time has definitely come~~

~~face~~ The fact that ^a drastic reduction ~~must be made~~ in our standard of living must come.

1919
New York
9/21/19

FOURTH DRAFT

-4-

While the cost of living, based on the average prices of necessities, has gone up about ^{15%} ~~20%~~ so far, since the Autumn of 1939, we must now act to keep it from ^{soaring} rising another ^{75%} ~~60%~~ or 80% during the next year or two -- to hold it to somewhere near the present level.

There are obvious reasons for taking every step necessary to prevent this rise. I emphasize the words "every step" because no single step would be adequate by itself. Action in one direction alone would be offset by inaction in other directions. Only an all-embracing program will suffice.

When the cost of living spirals upward week after week and month after month, people as a whole are bound to become poorer, because the pay envelope ^{will then} ~~lags~~ behind rising retail prices. The price paid for carrying on the war by the Government and, therefore, by the people, will increase by many billions if prices go up ~~and if that happens we and our children will be burdened with much higher debts in years to come.~~ Furthermore, there is an old and ^{Twain} ~~wise~~ saying that that which goes up must always come down -- and you and I know the hardships and heartaches we all went through in the bad years after the last war, when Americans were losing

their homes and their farms and their savings and were looking in vain for jobs.

We do not intend after this war to present the same disastrous situation to those brave men who today are fighting our battles in all parts of the world. *Safeguarding our economy at home* [That] is the *very* least that our soldiers, sailors and marines have a right to expect of us civilians in government, in industry, on the farm and in all other walks of life.

We must therefore adopt as one of our principal domestic objectives the stabilization of the cost of living, for this is essential to the fortification of our whole economic structure.

Relying on past and present experience, and leaving out masses of details which relate more to questions of method than to the objective itself, I list for the Congress the following points, which, taken together, may well be called our present national economic policy.

1. To keep the cost of living from spiraling upward, we must tax heavily *in that process* and keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.

2. To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers, ^{retailer} and wholesalers and manufacturers pay for the things they buy; and ceilings on rents for dwellings in all areas affected by war industries.
3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.
4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.
5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing [Government] War Bonds with their earnings instead of using those earnings to buy articles which are not essential.
6. To keep the cost of living from spiraling upward, we must ration all ^{essential} commodities of which there is a scarcity, so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.

7. To keep the cost of living from spiraling upward we must discourage credit and instalment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying and adds to the amount available ^{to the creditor} for the purchase of War Bonds.

I know that you will appreciate that these seven principal points, each and every one of them, will contribute in substantial fashion to the great objective of keeping the cost of living down.

It is my best judgment that only ^{two} ~~one~~ of these points require legislation at the present time, for the very good reason that the Congress has already passed laws with respect to the others which seem adequate to meet the national policy enunciated. ^P I assure the Congress that if the required objectives are not attained, and if the cost of living ^{does} ~~does~~ ^{continue} to rise substantially, I shall so advise the Congress, and shall ask for any additional legislation which may be necessary.

In ~~the~~ ^{the first} ~~one~~ item, ~~where~~ legislation is [now] necessary, ~~and~~
the subject is ^{now} under consideration in the House of Representatives. [I refer to the first item -- the ^{its} purpose [or which] is to keep excess profits down and, at the same time, raise further large sums for the financing of the war.

On this subject, I believe that the objective can be attained through tax processes. We are now spending, solely for war purposes, the sum of about one hundred million dollars every day of the week. But before this year is over that rate of expenditure will be doubled. This means that a sum equal to more than half of the entire national income will be spent in the war effort. Almost the whole of these billions is being and will be spent within the United States itself.

Profits must be taxed to the utmost limit consistent with continued production. This means all business profits -- not only in making munitions, but in making or selling anything else. Under the proposed new tax law we seek to take by taxation all undue or excess profits. It is incumbent upon the Congress to define undue or excess profits; and anything in excess of that specific figure should go [automatically] to the Government.

One of our difficulties is to write a law in which some clever people will not find loopholes, or in which some businesses will not be equitably included. I have suggested to the Chairman of the Committee on Ways and Means in the House of Representatives that some blanket clause could well cover, by a special tax, all profits of any kind of business which exceed the expressed definition of the legal profit figure.

At the same time, while the number of individual Americans affected is small, discrepancies between low personal incomes and very high personal incomes should be lessened; and I therefore believe that in time of this grave national danger, when all excess income should go to win the war, no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year. It is indefensible that those who enjoy large incomes from State and local securities should be immune from taxation while we are at war. Interest on such securities should be subject at least to surtaxes.

I earnestly hope that the Congress will pass a new tax bill at the earliest moment possible. Such action is imperative in the comprehensive all-out effort to keep the cost of living down — *and time is of the essence.*

The second item, relating to price control is adequately covered by existing law, and ^{with the exception of farm prices,} ~~is being~~ ^{I have issued instructions into} effect ^{immediately,} ~~as rapidly as possible~~. It is our effort to be fair ^{to} in all phases of price control; and if our future experience reveals inequality or unfairness, corrections will, of course, be made.

^{In respect to} The third item, seeking to stabilize remuneration for work, ^{legislation is not required under existing} ~~is also covered at the present time by existing laws and executive orders.~~ ^{circumstances, I believe that if} ~~the most of these workers are~~ ^{the wages were paid for days worked.} ~~tively stable, as one is not to be hurt,~~ ^{most workers in} munition industries are working far more than forty hours a week, and should continue to be paid at time and a half for overtime. Otherwise, their weekly pay envelopes would be reduced.

Concerning the question of double time for Sunday: it is contrary to sound policy to make people work more than six consecutive days. But, if we are going to keep our plants going seven days a week, that seventh day of rest will have to be "staggered", and it will therefore fall on different days for different workers. However, when very rare emergency

THE WHITE HOUSE
WASHINGTON

INSERT

(A)

no P

I believe that ~~the~~ ^{stabilizing} cost of
living ~~remains stable no~~ ^{will mean that wages in}
~~general can and should be kept at~~
~~going to be hurt unless~~ existing
~~—~~ scales.

THE WHITE HOUSE
WASHINGTON

A

Organized labor has voluntarily given up its right to strike during the war. Therefore all stabilization or adjustment of wages will be settled by the War Labor Board machinery which has been generally accepted by industry and labor for the settlement of all disputes.

circumstances in a plant make it necessary for a laborer to work on his day of rest -- whether it be Sunday or not -- he should be paid double wages for that seventh day, *thus providing a deterrent for this kind of work.*

These policies will guide all government agencies
 The War-Labor-Board machinery has been generally accepted by labor and industry for the settlement of all disputes, and organized labor has given up its right to strike during the war.

All strikes are at a minimum. Existing contracts between employers and employees must, in all fairness, be carried out to the expiration date of those contracts. The existing machinery for labor disputes will, of course, continue to give due consideration to inequalities and the elimination of sub-standards of living.

I repeat that all of these processes, now in existence, will work equitably for the overwhelming proportion of *all* our workers *and stabilize their remuneration.* if we can keep the cost of living down ~~and they will guide~~ all government agencies.

In regard to item four, prices of farm products: for nearly nine years it has been the policy of the Government to seek an objective known as "parity" -- or, in other words, farm prices that give the farmer an assurance of equality in individual purchasing power with his fellow Americans who work in industry. Some of the products of the farms have not yet

reached the stage of parity. Others have exceeded parity.

Under existing legislation a ceiling cannot be placed on certain products until they reach a level somewhat above parity. ~~The ceiling for the second leg of the~~ (c)

~~imposed in accordance with law, the average of all farm products can be substantially kept at a parity level.~~

With respect to item five, the American people know that if we would raise the billions which we now need to pay for the war and at the same time prevent a disastrous rise in the cost of living, we shall have to double and more than double the scale of our savings. Every dime and dollar not vitally needed for absolute necessities should go into War Savings Bonds and Stamps to add to the striking power of our armed forces.

If these purchases are to have a material effect in restraining price increases they must be made out of current income. In almost every individual case they should be big enough to mean rigid self-denial, a substantial reduction for most of us in the scale of expenditure that is comfortable and easy for us. We cannot fight this war, we cannot exert our maximum effort, on a spend-as-usual basis. We cannot have

THE WHITE HOUSE
WASHINGTON

April 26, 1942.

INSERT C

PP This calls for the second legislative action which I have mentioned. Under a complicated formula in the existing law, prices for farm products — *(and, therefore,)* prices which housewives have to pay for many articles of food, — *or even higher.* may rise to 110% of parity *in the* case of many articles this *can* ~~would~~ mean a *dangerous* [definite] increase in the cost of living *for* the average family over present prices.

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WASHINGTON

INSERT C

-2-

In fairness to the American people
as a whole, and to the ^{adhering} ~~objective~~ ^{purpose} of keep-
ing the cost of living from going up, I
ask that this legislation be repealed,
and that the original and excellent
~~purpose~~ ^{objective} of obtaining parity for the
farmers of the United States be restored.
PP It would be equally ^{harmful} ~~inert~~ to the ~~objective~~
^{process} of keeping the cost of living down if any
law were passed preventing the Government
from selling any of its own surplus ^{farm}
commodities at the market price. As

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INSERT C -3-

a national policy, the ceiling on farm
products -- in other words, the ^{maximum} prices

file received by the producers of these
products -- should be ^{set} at the long
established figure of] parity.

all we want, if our soldiers and sailors are to have all they need.

I have been urged by many persons and groups to recommend the adoption of a compulsory plan of savings by deducting a certain percentage of everyone's income. I prefer, however, to keep the voluntary plan in effect as long as possible, and I hope for a magnificent response.

With respect to item six -- rationing -- it is obviously fair that where there is not enough of any ^{essential} commodity to meet all civilian demands, those who can afford to pay more for the commodity should not be privileged over others who cannot. I am confident that as to many basic necessities of life rationing will not be necessary, because we shall strive to the utmost to have an adequate supply. But where any ^{important} article becomes scarce, rationing is the democratic, equitable solution.

Item seven -- paying off debts and curtailing instalment buying -- should be made effective as soon as possible now that money is becoming more plentiful. Those who comply with it will be grateful that they have done so, when this war is over. Elimination of private debts and an accumulation of savings will provide a form of insurance against post-war depression.

(25)

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INSERT D

W P The Federal agency responsible
for the control of credit for in-
stallment buying is taking appro-
priate action.

Indeed,
 as to all of these items which do not require legis-
 lation, the executive departments and agencies whose functions
 and duties are involved, are at work as expeditiously as
 possible in carrying out this whole broad policy.

E ~~The result will be to require of every one of us some~~
~~share of sacrifice.~~ *A. I firmly believe that*
 Americans all will welcome this opportunity
 to share in the ~~common effort~~ *fight* of civilized mankind to preserve
 decency and dignity in modern life.

The broad road which I am asking the American people to
 travel is in many ways a road of ~~sacrifice~~, *abstinence* for we shall have
 to live our lives with less in the way of creature comforts
 than we have in time of peace. *Our standard of living will have to come down* *(F)*
 Some have called it an "economy
 of sacrifice", but we must interpret it in terms of the nobler
 concepts -- the equality of sacrifice and the privilege of
 sacrifice. ~~For this is fundamentally a people's war -- and~~
 it must be followed by a people's peace. The achievement of
 victory in war and security in peace requires the participation
 of all the people in the ~~fight~~ *common effort* for our common cause.

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WASHINGTON

INSERT E

The result will mean that each
and every one of us will have to give
up many things to which we are
accustomed.

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WASHINGTON

INSERT F

P Some have called ^{the} ~~it~~ an "economy
of sacrifice". Some interpret it in
terms that are more accurate -- the
"equality of sacrifice". [As I have
before suggested,] I ^{have never been able to} ~~bring myself,~~
however, ^{to} full acceptance of the word "sacrifice",
because [in a nation of] free men and
women, ^{bred} ~~in~~ the concepts of
democracy and wedded to the principles
of democracy, [they] deem it a privilege
rather than a sacrifice to ^{work} ~~and~~
to ^{fight} ~~for~~ the perpetuation of the

THE WHITE HOUSE
WASHINGTON

INSERT F

-2-

democratic ideal.

^

~~It is, therefore, more~~
true to call this total effort of the
American people an "equality of
privilege".

FIFTH DRAFT

TO THE CONGRESS OF THE UNITED STATES:

In certain ways the present world encircling war presents problems which were unimaginable during the First World War.

The theatres of combat today cover vastly greater areas. Many more millions of human beings are involved. The new factors of mechanical power, in the air and on the land and on the sea, have produced radical changes in basic strategy and tactics.

In this new war the nations resisting the Axis Powers face an even greater challenge to their very existence. They fight more powerful, more sinister foes; but their understanding of the magnitude of the task and the very firmness of their determination make victory certain in the long days to come.

In some other ways, however, the circumstances of today parallel those of 1917-1918. Now, as in the last war, the common enemy has had all the advantage at the outset. Now, as then, bitter defeats and heavy losses must be endured by those who are defending ~~the~~ civilization, before we will be able to establish the vital superiority in men and munitions which will turn the tide.

The United States was far better prepared for actual war on December 7, 1941, than it was on April 6, 1917. For

over two years, by a succession of Congressional Acts, we had carried out or initiated safety measures for our own defense in growing volume and importance. There were the revisions of the Neutrality laws, the adoption of the Selective Service law and the Lend-Lease law, and the great increases of our Army and Navy and the instruments of war which they needed.

After Pearl Harbor, the American people adopted a national program of war production which would have been called fantastic by most people two years before. It has required the shifting of the major part of American industry from the products of peace to the weapons of war.

Inevitably -- but with the full approval of the nation -- this enormous program is dislocating industry, labor, agriculture and finance. It is disrupting, and will continue to disrupt, the normal manner of life of every American and every American family. In this, we repeat the pattern of the first World War, although on a vastly greater scale.

During that earlier war there were certain economic factors which produced unnecessary hardships; and these hardships continued long after the signing of the Armistice.

I use the word "unnecessary" because it is my belief that a very great deal of the suffering which was caused then can be avoided now.

These economic factors relate primarily to an easily understood phrase which affects the lives of all of us -- the cost of living. Because rises in the cost of living which came with the last war were not checked in the beginning, people in this country paid more than twice as much for the same things in 1920 as they did in 1914.

The rise in the cost of living during this war has begun to parallel the last. The time has definitely come to stop the spiral. And we can face the fact that ^{there must be} a drastic reduction in our standard of living.

While the cost of living, based on the average prices of necessaries, has gone up about 15% so far since the Autumn of 1939, we must now act to keep it from soaring another ^{50% or 90%} during the next year or two -- to hold it to somewhere near the present level.

There are obvious reasons for taking every step necessary to prevent this rise. I emphasize the words "every step" because no single step would be adequate by itself. Action in one direction alone would be offset

by inaction in other directions. Only an all-embracing program will suffice.

When the cost of living spirals upward week after week and month after month, people as a whole are bound to become poorer, because the pay envelope will then lag behind rising retail prices. The price paid for carrying on the war by the Government and, therefore, by the people, will increase by many billions if prices go up. Furthermore, there is an old and true saying that that which goes up must always come down -- and you and I know the hardships and heartaches we all went through in the bad years after the last war, when Americans were losing their homes and their farms and their savings and were looking in vain for jobs.

We do not intend after this war to present the same disastrous situation to those brave men who today are fighting our battles in all parts of the world. Safeguarding our economy at home is the very least that our soldiers, sailors and marines have a right to expect of us civilians in government, in industry, on the farm, and in all other walks of life.

We must therefore adopt as one of our principal domestic objectives the stabilization of the cost of living, for this is essential to the fortification of our whole

economic structure.

Relying on past and present experience, and leaving out masses of details which relate more to questions of method than to the objective itself, I list for the Congress the following points, which, taken together, may well be called our present national economic policy:

1. To keep the cost of living from spiraling upward, we must tax heavily, and in that process keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.
2. To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers, retailers, wholesalers and manufacturers pay for the things they buy; and ceilings on rents for dwellings in all areas affected by war industries.
3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.

4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.
5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing War Bonds with their earnings, instead of using those earnings to buy articles which are not essential.
6. To keep the cost of living from spiraling upward, we must ration all essential commodities of which there is a scarcity, so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.
7. To keep the cost of living from spiraling upward, we must discourage credit and instalment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive

buying and adds to the amount available to the creditor^s_A for the purchase of War Bonds.

I know that you will appreciate that these seven principal points, each and every one of them, will contribute in substantial fashion to the great objective of keeping the cost of living down.

It is my best judgment that only two of these points require legislation at the present ~~time~~^{time}, for the very good reason that the Congress has already passed laws with respect to the others which seem adequate to meet the national policy enunciated.

I assure the Congress that if the required objectives are not attained, and if the cost of living should continue to rise substantially, I shall so advise the Congress, and shall ask for any additional legislation which may be necessary.

In the first item, legislation is necessary, and the subject is now under consideration in the House of Representatives. Its purpose is to keep excess profits down and, at the same time, raise further large sums for the financing of the war.

On this subject, I believe that the objective can be attained through tax processes. We are now spending, solely for war purposes, the sum of about one hundred million dollars every day of the week. But before this year is over that rate of expenditure will be doubled. This means that a sum equal to more than half of the entire national income will be spent in the war effort. Almost the whole of these billions is being and will be spent within the United States itself.

Profits must be taxed to the utmost limit consistent with continued production. This means all business profits -- not only in making munitions, but in making or selling anything else. Under the proposed new tax law we seek to take by taxation all undue or excess profits. It is incumbent upon the Congress to define undue or excess profits; and anything in excess of that specific figure should go to the Government.

One of our difficulties is to write a law in which some clever people will not find loopholes, or in which some businesses will not be equitably included. I have suggested to the Chairman of the Committee on Ways and Means in the House of Representatives that some blanket clause could well cover, by a special tax, all profits of any kind of

business which exceed the expressed definition of the legal profit figure.

At the same time, while the number of individual Americans affected is small, discrepancies between low personal incomes and very high personal incomes should be lessened; and I therefore believe that in time of this grave national danger, when all excess income should go to win the war, no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year. It is indefensible that those who enjoy large incomes from State and local securities should be immune from taxation while we are at war. Interest on such securities should be subject at least to surtaxes.

I earnestly hope that the Congress will pass a new tax bill at the earliest moment possible. Such action is imperative in the comprehensive all-out effort to keep the cost of living down -- and time is of the essence.

The second item, relating to price control is, with the exception of farm prices, adequately covered by existing law, and I have issued instructions to put this into effect immediately.

It is our effort to be fair in all phases of price control; and if our future experience reveals inequality or unfairness, corrections will, of course, be made.

In respect to the third item, seeking to stabilize remuneration for work, legislation is not required under ^{present} [existing] _A circumstances. I believe that stabilizing the cost of living will mean that wages in general can and should be kept at existing scales.

Organized labor has voluntarily given up its right to strike during the war. Therefore all stabilization or adjustment of wages will be settled by the War Labor Board machinery which has been generally accepted by industry and labor for the settlement of all disputes.

All strikes are at a minimum. Existing contracts between employers and employees must, in all fairness, be carried out to the expiration date of those contracts. The existing machinery for labor disputes will, of course, continue to give due consideration to inequalities and the elimination of sub-standards of living. I repeat that all of these processes, now in existence, will work equitably for the overwhelming proportion

of all our workers if we can keep the cost of living down and stabilize their remuneration.

Most workers in munition industries are working far more than forty hours a week, and should continue to be paid at time and a half for overtime. Otherwise, their weekly pay envelopes would be reduced.

Concerning the question of double time for Sunday, it is contrary to sound policy to make people work more than six consecutive days. But, if we are going to keep our plants going seven days a week, that seventh day of rest will have to be "staggered", and it will therefore fall on different days for different workers. However, when very rare emergency circumstances in a plant make it necessary for a laborer to work on his day of rest -- whether it be Sunday or not -- he should be paid double wages for that seventh day, thus providing a deterrent for this kind of work.

all these policies will guide all government agencies.

In regard to item four, prices of farm products: for nearly nine years it has been the policy of the Government to seek an objective known as "parity" -- or, in other words, farm

prices that give the farmer an assurance of equality in individual purchasing power with his fellow Americans who work in industry. Some of the products of the farms have not yet reached the stage of parity. Others have exceeded parity. Under existing legislation a ceiling cannot be placed on certain products until they reach a level somewhat above parity.

This calls for the second legislative action which I have mentioned. Under a complicated formula in the existing law, prices for farm products -- prices which housewives have to pay for many articles of food -- may rise to 110% of parity or even higher. *It is the fault of the formula.* In the case of many articles this can mean a dangerous increase in the cost of living for the average family over present prices.

In fairness to the American people as a whole, and adhering to the purpose of keeping the cost of living from going up, I ask that this ~~legislation be repealed~~ *formula be corrected;* and that the original and excellent objective of obtaining parity for the farmers of the United States be restored.

It would be equally harmful to the process of keeping down the cost of living if any law were passed preventing the Government from selling any of its own surplus farm commodities at

the market price. As a national policy, the ceiling on farm products -- in other words, the maximum prices to be received by the producers of these products -- should be set at parity.

With respect to item five, ^{- the purchase of War Bonds -} the American people know that if we would raise the billions which we now need to pay for the war and at the same time prevent a disastrous rise in the cost of living, we shall have to double and more than double the scale of our savings. Every dime and dollar not vitally needed for absolute necessities should go into War ~~Savings~~ Bonds and Stamps to add to the striking power of our armed forces.

If these purchases are to have a material effect in restraining price increases they must be made out of current income. In almost every individual case they should be big enough to mean rigid self-denial, a substantial reduction for most of us in the scale of expenditure that is comfortable and easy for us. We cannot fight this war, we cannot exert our maximum effort, on a spend-as-usual basis. We cannot have all we want, if our soldiers and sailors are to have all they need.

I have been urged by many persons and groups to recommend the adoption of a compulsory plan of savings by deducting a certain percentage of everyone's income. I prefer, however, to keep the voluntary plan in effect as long as possible, and I hope for a magnificent response.

With respect to item six -- rationing -- it is obviously fair that where there is not enough of any essential commodity to meet all civilian demands, those who can afford to pay more for the commodity should not be privileged over others who cannot. I am confident that as to many basic necessities of life rationing will not be necessary, because we shall strive to the utmost to have an adequate supply. But where any important article becomes scarce, rationing is the democratic, equitable solution.

Item seven -- paying off debts and curtailing instalment buying -- should be made effective as soon as possible now that money is becoming more plentiful. Those who comply with it will be grateful that they have done so, when this war is over. Elimination of private debts and an accumulation of savings will provide a form of insurance against post-war depression. The Federal agency responsible for the control of credit for instalment buying is taking appropriate action.

Indeed, as to all the items which do not require legislation, the executive departments and agencies whose functions and duties are involved, are at work as expeditiously as possible in carrying out this whole broad policy.

The result will mean that each and every one of us will have to give up many things to which we are accustomed,

(We shall have to live our lives with less in the way of creature comforts than we have in time of peace. Our standard of living will have to come down.

Some have called this an "economy of sacrifice". Some interpret it in terms that are more accurate -- the "equality of sacrifice". I have never been able to bring myself, however, to full acceptance of the word "sacrifice", because free men and women, bred in the concepts of democracy and wedded to the principles of democracy, deem it a privilege rather than a sacrifice to work and to fight for the perpetuation of the democratic ideal. It is, therefore, more true to call this total effort of the American people an "equality of privilege".

I firmly believe that Americans all will welcome this opportunity to share in the fight of civilized mankind to preserve decency and dignity in modern life. For this is fundamentally a people's war -- and it must be followed by a people's peace. The achievement of victory in war and security in peace requires the participation of all the people in the common effort for our common cause.

*File
with speech*

While America is engaged in this great war for survival, the American people are determined that the men who risk their lives on our battle lines shall be abundantly supplied with the best weapons and equipment that can be made. However, the American people are also determined that while our sons are fighting for \$21 a month, none of us who remain at home shall profit from this war. For over 20 years America has asked that the profits be taken out of war. Today America demands it.

We all know that the great majority of American business men and corporations are fair and honest, and that most of them are doing a grand job. Readily and willingly they have adapted themselves to the needs and the rigors of war-time production. Tokyo, Berlin and Rome will soon know what they have accomplished. I am confident that we will all be proud of their achievements.

However, in our rush to accelerate war-time production we have not been able to make exact estimates of cost and profit margins. Consequently there have been some unintended large profits. Then too, unfortunately, in a country as large as America there are bound to be some business men and a few corporations who have not been able to resist the temptation to "capitalize" this emergency. To correct honest mistakes, and to curb the chiselers without punishing fair men and honest business is a difficult task, but I am sure we can accomplish it.

A wide variety of proposals have been advanced to achieve this objective. Each plan advanced has its own peculiar advantages and

likewise its own disadvantages. We know that we will not accomplish our objective by any profit limitation which will hinder the war effort or increase the cost of war. We know that we must adopt that plan which, while recapturing excess profits and unreasonable increases in private income, will not in any way impede the productive effort of the nation, either by discouraging participation by some or by lessening the efforts of those already engaged in production.

After studying this whole problem and examining all the plans submitted, I am convinced that our objective of taking the profit out of war can best be accomplished by means of the proposals submitted by the Treasury to the House Ways and Means Committee.

Corporate Profits: The Treasury schedule for corporate income taxes reaches a combined normal and war surtax rate of 55 percent, and an excess profits tax rate of 75 percent. When these rates are combined — as they will be in the case of most corporations furnishing war material — there is a tax of \$88.75 on each \$100.00 in the highest bracket of tax, and most of these corporate profits will be subjected to that rate of tax. Of this \$88.75, \$8.75 will be deposited to the credit of the corporation as a post-war rebate, to be returned to the corporation after the war, when corporations will need funds for the reemployment of labor and the re-conversion of facilities from war-time to civilian production. Such corporate tax rates will do all that is possible to keep the profit out of war without completely eliminating incentive, economy, and efficiency, and thus interfering with war production.