PSF National Resources Planning Board 1941

Subject File
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EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL RESOURCES PLANNING BOARD
WASHINGTON, D. C.

MAR 10 1941

MEMORANDUM for THE PRESIDENT:

At one of our recent conferences with you, you mentioned an interest in the way in which Germany has financed her preparations for war and war itself without inflation of prices. You may thus be interested in the discussion of "Financing the War" which is part of a recent staff memorandum entitled "War-Time Planning in Germany, 1939-1940".

This memorandum was prepared by Dr. Lewis L. Lorwin who was formerly a member of the staff of the International Labour Organization under John G. Winant. It is one of the following series:

1. "National Planning in Latin America"
2. "Public Works and Employment Planning in Germany 1933-1939"
3. "Stabilization Planning in Sweden, 1929-1939"
4. "War-Time Planning in Germany, 1939-1940".

Frederic A. Delano
Chairman

Attachment

WAR-TIME PLANNING IN GERMANY

1939 - 1940

by
Lewis L. Lorwin

Section VII. The Financing of the War

(Pages 54 to 67)

~~Confidential~~

~~CONFIDENTIAL~~

WAR-TIME PLANNING IN GERMANY
1939 - 1940

by
Lewis L. Lorwin

Pages 54 to 67 VII. The Financing of the War

Rationing and wage and price stability are important elements in the complex of methods by which the Nazi government planned to facilitate the financial conduct of the war. Their chief importance lay in the manner in which they were expected to prevent inflationary tendencies and to release funds for the fiscal and credit operations of the government.

It has been pointed out by students of German economic life that the Reich's financial position on the eve of the war in September 1939, showed both certain weaknesses and some strong points for the war tasks which lay ahead. During 1933-39, the Nazi government had spent about 90 billion marks on reemployment programs and on rearmament. Towards the end of the period, in August 1939, there were undoubtedly signs of incipient currency and credit inflation. The German capital market had been over-taxed, the banks were having difficulty in placing long term loans (some three billion marks issued in the last quarter of 1938), and bond prices were sagging. The "new financial plan" which had been inaugurated on March 20,1939 and which was to spread the cost of rearmament over a period of years by the issue of tax certificates (Steuergutscheine)1/ anticipating future tax revenue, was not operating well.

1/ See Public Works and Employment Planning in Germany, 1933-39, p. 71.

On the other hand, the Nazi government had acquired a certain experience in handling financial operations and had worked out a fairly clear idea as to the possibilities of mobilizing the financial resources of the country for public purposes. On June 15, 1939, it had also reorganized the Reichsbank to enable it to play the large part in government financing which had fallen to it. According to the new law, the Reichsbank was converted from an independent bank of issue into a government institution directly responsible to the Reich Chancellor who alone was to determine the amount of credit which the bank might extend to the government. All existing restrictions limiting government borrowing were removed. Gold was declared to be subsidiary as a basis and a cover for the currency. The new principle on which the stability of the currency was to be based was that of a "Labor Currency" (Arbeitswährung) which consisted in the maintenance of a "reasonable proportion between currency circulation and the quantity of goods produced by German labor."

The financing of the first year of the war by Germany was thus a problem of overcoming the weaknesses in its financial position and of using its experience in the most effective way possible for the task at hand. How that was done is the subject of this section.

1. - Principles and Program

The basic Nazi idea of war financing is that it is primarily a matter of the allocation of productive resources and of the distribution of the national income between war needs and civilian consumption. This idea was clearly formulated by Dr. Funk, the Reich Minister of National Economy, in a speech delivered February 2, 1940, as follows:

"The financing of the war is not so much a money problem as a problem of the production of goods. This means that the increased expenditures of the state in wartime must be covered by withdrawing a significant portion of the national income from civilian uses and applying it to the production of goods necessary to the conduct of war. This shift in the use of the national income is accomplished by rationing all essential goods and raw materials; by deflecting labor, credit, capital and foreign trade from channels unessential to the conduct of war to those necessary to it; and finally, by prohibiting the production of certain kinds of goods altogether. The purchasing power thus released must be methodically mobilized for the purpose of financing the war.

"The art of war financing consists in the ability to preserve the saving power of the people despite a sharp increase in taxation. One cannot solve these problems by the application of technical financial methods. Therefore we reject as methods of war financing an open money devaluation by raising prices and wages, or a concealed devaluation through credit extension without an insured increase of production and without an increase in the productivity of the economy. In wartime it is more necessary than ever before to increase the will to achievement as well as achievement itself in all realms. Tax policy must be based on considerations such as these.

"A special problem arises through the accelerated depletion of

"stocks without the possibility of restoring them through taxation. If one were to tax away these reserves which appear as profits on the balance-sheets, one would be taxing away actual substance (material). Our industry needs reserves, however, to enable it to continue under difficult war conditions and also to enable it to accomplish the necessary restoration of stocks after the end of the war either from its own means or with the assistance of the banks. Therefore the banks must be kept solvent. For war financing it is necessary to bring to life the so-called 'dead funds' ("toten Kassen") to cover the increased expenditures of the state. Under all circumstances, however, the liquidity of the economy must be considered."1/

The program of German war finance formulated by the decree of September 6, 1939, is in line with these general principles. The program provided for:

(a) Drastic increases of taxes;

(b) Lowering of prices and wages to effect reductions in the cost of war supplies to the State;

(c) Reduction of expenditure through a 50% savings on non-military expenses, such as public construction;

(d) Short- and long-term borrowing.

The wage and price policies outlined in this program had to be modified, as described in Section VI. The changes in the construction

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1/ Deutsche Bank, February 29, 1940, p. 22.

program are considered in Section VIII. In this section, it is thus necessary to survey the methods by which the tax and borrowing programs were carried out.

2. - The Part of Taxation

From the outset, the Nazi government was determined to cover as large a part of war expenditure by tax revenue. Such policy was in line with the general principles outlined above, but specifically two considerations were cited in support of such policy. First, that it was not desirable to defer the payment for the war to the future. Second, that taxation was the most effective way of absorbing the increase in mass purchasing power and thus avoiding inflation.

The War Economy Decree of September 4, 1939, thus provided for drastic increases in taxation. The main increases were as follows:

a. - A 50 percent increase in personal income tax rates on incomes exceeding 2,400 marks a year; this "war surtax" was not to exceed 15% of the income, and the income tax and surtax together were not to exceed 65% of the income.

b. - A "war surtax" amounting to 20 percent of the retail price on tobacco, beer, liquors and champagne (but not wines);

c. - A special levy on states and municipalities equivalent to 15% of their contributions under the income, corporation and turnover taxes collected by the Reich.

During October 1939, three new measures were passed which affected the revenue of the government:

1) A Decree of October 11, 1939 provided that business men must turn over to the Treasury the increased profits which they had derived

from the reduction of wages brought about by the decree of September 4, 1939, with regard to special overtime, Sunday and holiday pay, as well as the general lowering of wages where "possible."[1] The idea was that no private person should benefit from the increased burdens placed on the working population by the war. The actual results of this decree were negligible due to the modification of the September 4th decree, and to the fact that general wage reductions were not carried into effect as local officials were loath to incur the discontent of the workers.[2]

2) A decree of October 19, 1939 on the collection of the one billion RM "contribution" from the Jews which had been imposed in 1938. The four installments towards this sum paid on a basis of an assessment of 20% of the Jews' property had failed to produce the desired amount. The October decree raised this quota from 20 to 25% of the property of the Hebrew community. Persons liable for this "contribution" were to make their last payment by November 15, 1939 which was expected to yield 200,000,000 R.M.

3) A decree of October 22, 1939 repealed the provisions of the "New Financial Plan" of March 20, 1939. This plan was based on the issue of tax certificates by which the Reich and other public authorities hoped to pay 40% of their current "extraordinary" expenditures. The October 22 decree discontinued the issue of tax certificates of Class I and II as of November 1, 1939, but the privileges attached to the uninterrupted holding of these certificates in regard to the assessment of income taxes were not affected.[3]

1/ See Section V.
2/ See Section V.
3/ The total amount of tax certificates of Class I and II issued till the end of July, 1939, had been 2,448,700,000 R.M.

It was semi-officially estimated at the time that the war-time taxes would yield about 5 billion marks additional revenue a year.[1] The experience of the first year of war, on the whole, justified these anticipations. During the fiscal year from April 1, 1939 to March 31, 1940, the receipts from taxes were 23,575,100,000 Reichsmark as compared to 17,712,100,000 marks for the year 1938-39. This was an increase of 5,863,000,000 marks. The increase came largely from the income and property taxes as shown by the following table:

Table IV

Source of Tax	Fiscal Year 1938-39	Fiscal Year 1939-40[a]
Property, income and turnover taxes	13,061,000,000 marks	18,235,500,000 marks[b]
Customs revenue and consumption taxes	4,651,100,000 "	5,339,600,000 "
Totals	17,712,100,000 marks	23,575,100,000 marks

a/ Figures of 1939-40 are for greater Germany (including Austria and Sudetenland).

b/ Includes war surtaxes.

Source: Deutscher Reichsanzeiger, N 151, July 1, 1940.

It would seem from the incomplete data published that the rate of increase in tax revenue is decreasing as a result of a diminution in the rate of increase of the regular pre-war taxes. In the first place, owing to the blockade the revenue from customs duties has diminished. Second, the tax certificates of Class I began falling due and the government had to accept them in payment of taxes. The amount

1/ About 2.5 billion marks from increased income taxes; about 1,250,000,000 marks from the consumption taxes; and about the same from the contribution of the states and municipalities.

turned in from December 1939 to March 1, 1940, averaged about 170,000,000 Reichsmark a month.

The changes in government revenue from taxation may be seen from the following table. While affected by changes in territory and in methods of taxation, the figures given are still suggestive of both the steady increase in tax revenue under the Nazi regime and of the slowing up of the rate of increase after the outbreak of the war.

Table V. - Revenue from Taxes of the Reich Government, 1936-40.

Period	Amount of tax revenue in marks.
1914	4,000,000,000 (approximately)
1932-33	6,600,000,000
1936-37	11,470,000,000
1937-38	13,960,000,000
1938-39	17,690,000,000
1939-40	23,580,000,000
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April-September 1939	11,400,000,000
April-September 1940	13,418,000,000

3. - Cost of War and Public Borrowing

It is estimated that during the first year of the war, the German government covered about half of its expenditures out of taxation. The war expenditures have been at an average rate of 4 to 4.5 billion marks a month, and the revenue from taxation averaged about 2 billion marks

monthly. The government obtained the largest share of the other half through borrowing at the rate of 2 to 2.5 billion marks a month. The amounts borrowed, and the consequent increase in the Reich's public debt, varied considerably from month to month, in accordance with the needs of the military situation. Thus, in May 1940, the Reich's recorded debt increased by over 5 billion marks, while in June 1940, the increase was 1,554,800,000 marks.

The total increase in the public debt during the first year of the war was over 29 billion marks, or about 78 percent. The details of the change in the Reich recorded public debt are shown in Table VI[1].

Table VI. - Total recorded public debt of German Reich 1939-40

Reich Debt	Aug. 31, 1939	June 30, 1940	Aug. 31, 1940
	Marks	Marks	Marks
Old Debt, i.e. revalorized and other debts contracted prior to April 1, 1924.	3,235,800,000	3,076,100,000	3,076,100,000
New Debt			
Foreign	1,253,200,000	1,236,800,000	1,236,800,000
Domestic - Long term and intermediate term	20,555,400,000	29,268,000,000	--
Domestic - Short term	9,086,700,000	22,780,200,000	--
Tax Certificates	3,294,100,000	3,783,700,000	
Total Recorded debt (including tax certificates outstanding)	37,425,200,000	60,144,800,000	66,542,000,000

Source - Commerce Weekly, October, 19, 1940.

1/ The totals given in the table do not include the outstanding "Sonderwechsel" and "Blockwechsel" issued before 1939, nor the Army promissory notes issued since the beginning of the war.

As may be seen from the above table, the German government's war borrowing has been in the main in the form of short-term and intermediate term loans.1/ The short-term borrowing consists chiefly in the sale in the open market and to banks of Treasury bills and notes, tax certificates, and in direct advances from the Reichsbank to the Treasury for current expenses which appear on the Reichsbank's books as "miscallaneous assets".2/ This method of war-financing follows, on the whole, the methods used in financing the prewar public works and rearmament.3/

Despite its large demands for funds, the German government made efforts to reduce the rate of interest in order to reduce the cost of the war. On September 22, 1939, the Reichsbank reduced the official bank rate from 5 to 4 percent. On April 9, 1940, the rediscount rate was further reduced from 4 to 3½%.4/ The government also reduced the interest rate on "Li-Anleihen" or "Liquidity Loans" from 4½ to 4%.

1/ Exceptions to this policy were the October 1939 Reichsbahn loan of 500,000,000 RM., half of which was subscribed in advance by savings banks and other credit institutions; 229,400,000 RM. received during September 1939 from banks and insurance companies for bonds of the 4½% Reich loan 1939; and 400,000,000 RM. granted by the Rentenbank in the form of the newly issued Rentenbank notes in denominations of 5, 2 and 1 marks.

2/ The short term loans include also the so-called "Li-Anleihen" or "liquidity loans". These loans have been issued since 1935, and are sold exclusively to savings banks and other credit and insurance institutions as a means of absorbing their liquid funds.

3/ See Public Works and Employment Planning in Germany. 1933-1939

4/ This was made possible by reduction in private discount rates. Interest rates on savings deposits were lowered from 3 to 2½ percent.

Taking advantage of lower interest rates and of easy conditions in the money market, the Government in the spring and summer of 1940 floated new series of intermediate term "Four Percent Treasury Notes of 1940". The general conditions of these loans were the same as those of previous ones, but the term of the new issues was extended to from 5 to 20 years. The total of such Treasury notes issued between March and the middle of October 1940 was 5,750,000,000 R.M.

The government was able to carry out its financial operations during 1940 owing to the abundance of available funds. Complete data on the subject are not available. The deposits of the Five Big Banks (private) increased in 1939 from 7,626,000,000 Marks to 8,802,000,000 or 15%, and the increase continued in 1940. On August 11, 1940, Dr. Funk, the Minister of National Economy, stated that the savings deposits of German savings banks at the end of June 1940 were 24 billion marks or an increase of 5,140,000,000 marks over June 1939. These figures include deposits of Austria and Sudetenland but still for Germany alone the increase has been estimated at over 3 billion marks during this period.1/

The easy condition of the money market and the availability of funds for government borrowing are explained by the general economic policies of the government, some of which were described above. Specifically, the following factors have been of greatest importance:

1/ Frankfurter Zeitung, August 15, 1940. The New York Times reported that Dr. Kurt Lange, Vice-president of the Reichsbank, estimated the increase in Savings deposits since the beginning of the war at 8,500,000,000 marks. See New York Times January 27, 1941.

(1) the accumulation of excess purchasing power by the public (as a result of strict rationing of food and the shortage of most consumer commodities) has led to the large increase in savings deposits;

(2) the shortage and strict rationing of raw materials and labor, and the reduction of operations by many industrial and commercial firms has resulted in an accumulation of large liquid funds by these concerns[1];

(3) the government control of capital issues by private corporations. The Reich government has practically put an embargo on stock issues, and has allowed plant expansions only through bond issues in cases where expansion is needed for national defense and under the Four Year Plan.[2]

4. - Currency Expansion

With the memory of the post-war inflation of 1921-23 still rankling in the minds of German citizens, it is understandable that the Reich government has tried to hold currency expansion to a minimum. Still the government has had recourse to the printing press, especially during the first months of the war. Between September and the end of December 1939, the total currency circulation in Germany expanded by 3,645,000,000 marks or 33%. From January to March, 1940, the increase in currency was

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1/ The liquidity of industrial and commercial enterprises has been an important influence in the upward movements of the German Stock market, at times approaching speculative boom conditions. This as well as several other phases of the general financial developments of the year is not considered here for lack of space and time.

2/ According to the Deutsche Bank, Wirtschaftliche Mitteilungen, Heft 6, 1940, bonds in the amount of 600,000,000 marks were issued by 27 corporations during the first half of 1940. A large part of these issues was for the construction of new factories under the Four Year Plan for the production of synthetic gasoline. According to the Frankfurter Zeitung, the industrial bond issues in 1940 amounted to 883,000,000 marks as compared with 553,000,000 in 1939. See New York Times, January 27, 1941. It is also reported that lately there has been a shift in industrial financing from bonds to shares.

198,000,000 marks or 1.4%. The increase in currency circulation during these months is shown in Table 7.

Table VII. Currency Circulation in Germany
August 1939-March 1940

Kind of Currence	August 23, 1939	Dec. 30, 1939	March 31, 1940
	Marks	Marks	Marks
Reichsbank Notes	8,710,000,000	11,798,000,000	12,176,000,000
Rentenbank Notes[a]	372,000,000	967,000,000	950,000,000
Coin	1,780,000,000	1,742,000,000	1,579,000,000
Totals	10,863,000,000	14,507,000,000	14,705,000,000

(a).- These notes in denominations of one, two and five marks were issued by the Bank to replace the metal coins withdrawn from circulation in order to create a "metal reserve fund".

The increase in the note circulation of the Reichsbank during 1940 as well as the changes in the other items which reflect the various financial operations of the government are shown in Table VIII.

Nazi officials deny that the increase in note circulation is evidence of currency"inflation" in Germany. They justify the increase on the grounds (1) that German currency is being used in the Polish incorporated provinces, in Alsace and Lorraine, and (2) that the armed forces are keeping large cash reserves to meet current payments.

Whether this is a full explanation or not, technically inflation may be said not to exist since none of its usual manifestations can be observed in Germany. But the essential relationship underlying inflation - an excess of purchasing power as compared with available goods, is there. Its overt manifestations are held in check by the system of rationing, price control, heavy taxation, and corralling of all unused funds in the service of the government. In so far as the living conditions of the people are concerned the results are not very much different.

Table VIII. Financial condition of the Reichsbank by months, 1940

Year 1940	Gold and Foreign Exchange Reserve RM	Bills and Checks Discounted RM	Collateral Loans RM	Eligible Securities RM	Note Circulation RM	Call Deposits RM	Miscellaneous Assets RM	Note Cover %
Jan. 31	77,433,000	11,142,877,000	32,592,000	373,550,000	11,505,192,000	1,627,726,000	1,950,466,000	0.67
Feb. 29	77,336,000	11,824,795,000	37,327,000	172,194,000	11,877,237,000	1,559,289,000	1,779,330,000	0.65
Mar. 30	77,632,000	12,241,518,000	30,693,000	143,604,000	12,175,551,000	1,759,768,000	1,821,856,000	0.64
Apr. 30	77,509,000	12,187,589,000	30,901,000	220,683,000	12,479,837,000	1,714,187,000	1,926,893,000	0.62
May 31	77,329,000	12,568,503,000	30,925,000	141,851,000	12,594,182,000	1,470,017,000	1,434,368,000	0.61
June 29	77,180,000	12,611,194,000	25,064,000	143,008,000	12,785,345,000	1,853,646,000	1,862,584,000	0.60
July 31	77,547,000	12,613,054,000	28,459,000	114,277,000	12,749,607,000	1,620,436,000	1,814,364,000	0.61
Aug. 31	77,202,000	12,890,778,000	30,617,000	55,882,000	13,026,452,000	1,607,597,000	1,851,426,000	0.59
Sept. 30	77,550,000	13,206,452,000	15,765,000	49,833,000	12,846,549,000	1,794,870,000	1,796,875,000	0.60

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THE SECRETARY OF THE TREASURY
WASHINGTON

May 1, 1941

MEMORANDUM FOR GENERAL WATSON.

In accordance with the President's request in his memorandum of March 11th, I am returning the attached correspondence from Mr. Frederic A. Delano.

H.M. Jr.

PSF: NRPB

THE WHITE HOUSE

WASHINGTON

March 11, 1941.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

This will interest you.

Please return.

F. D. R.

Memorandum to the President, dated March 10, 1941, enclosing memorandum entitled "War-Time Planning in Germany, 1939-1940", prepared by Dr. Lewis L. Lorwin. The memorandum of March 10th is sent by Hon. Frederic A. Delano.

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EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL RESOURCES PLANNING BOARD
WASHINGTON, D. C.

CONFERENCE WITH THE PRESIDENT

General memorandum-

1. Progress on Defense and Post-Defense Assignments.

2. Delivery of Quarterly Report - "Trends of Employment and Business" (requesting President later read Board's summary)

3. President's approval of-

   Proposed Publication - "Planning for Action - An Approach to Post-Defense Planning".

   Post-Defense Informal conferences of Federal officials.

   Letter to Senator Wagner on Amendment to Stabilization Act.

4. Discussion of items for Post-Defense Program.

June 6, 1941

EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL RESOURCES PLANNING BOARD
WASHINGTON, D. C.

June 6, 1941.

MEMORANDUM for The President:

In accordance with your instructions, our Board and staff have been at work on plans for the Defense and Post-Defense Periods. We now report progress on our emergency assignments and submit for your consideration and approval four further steps.

I.

On Defense Problems, we are:

Aiding the planning of communities violently disrupted by defense activities, such as Charlestown, Indiana; Newport News; San Diego, Puget Sound, and some thirty other areas near camps and new industries.

Developing the Roster of Scientific and Specialized Personnel for recruitment of specialists and safeguarding of essential research; over 150,000 names are now included.

Advising and investigating problems of Industrial Location, including recommendations to O.P.M. in over a hundred cases in recent months; and

Orienting the work of our staff in other fields to be of maximum service in the emergency.

We transmit herewith our quarterly statement on

"Trends of Employment and Business"

and our current "Status of Defense Construction" for your information.

On Post-Defense Planning, you have instructed us

To build a "shelf" of projects for post-defense action, as outlined

in our report which you recently transmitted to the Congress. The Board is co-sponsor with the Federal Works Agency of a W.P.A. project for programming State and local work.

To explore the quantitative aspects of alternative post-defense fiscal problems and examine "unorthodox" fiscal devices. Substantial progress is being made on the formulation of proposals for your consideration.

To make plans for "underpinning" security - developed out of our Relief Report, now being completed.

To suggest substitutes for "matching" State funds, through agreement on the division of responsibility among levels of government for different activities.

We have explored these and other lines of action through a series of evening conferences with Federal officials and with industrial and labor leaders.

II.

"Next Steps"

For your consideration and approval, we propose:

1. Publication of the attached pamphlet setting forth the bases of American Faith in continued prosperity, presenting a method of approach, and asking for cooperation in Post-Defense Programming.

2. The bringing together of representatives of various Federal departments and agencies (who have already indicated their desire to cooperate) to discuss areas of Post-Defense Planning and to set up liaison with the Board.

3. Amendment of the Stabilization Act of 1931 to provide a Planning Fund for the "shelf" of projects in accordance with your message to Congress of March 17. This proposal would provide for

(1) Tying together surveys and investigations involving future Federal construction.

(2) Advance programming of Federal, State and local projects.

(3) Engineering plans and specifications for at least one year ahead on major projects, and

(4) Cutting legal red tape.

4. A list of planning projects for the Post-Defense Program which the Board will seek to have undertaken by appropriate agencies both inside and outside the Federal Government and which it will collate for your consideration.

Respectfully submitted,

FOR THE NATIONAL RESOURCES PLANNING BOARD:

Frederic A. Delano
Chairman

Atts.

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EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL RESOURCES PLANNING BOARD
WASHINGTON, D. C.

The President

The White House

My dear Mr. President:

In accordance with the Employment Stabilization Act of 1931, we transmit herewith the quarterly report of our staff, dealing with the national economic outlook. If you have no objection, we shall make the document itself available to a number of government administrators on a confidential basis. We submit the following summary for your use:

National income and consumer well-being have both grown rapidly since the opening of the World War II in September 1939. It has taken external war to force us to use our productive power to increase our living standards.

The expansion of defense activities has proceeded rapidly. However, as we look back, werious errors are apparent in our program. It has been "too small and too slow". Now, further expansion is being demanded not only of the defense industries and of those which support them, but also of those industries which supply normal civilian demands. Most of such expansion is possible, since

1. We have a huge block of unused man power;
2. We have a huge productive capacity which can be released by integration and planning.

If we are to achieve an increase of 10 per cent in national production and income during 1941 (from $76 billions to $84 billions)

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Purpose and Nature of Proposed Pamphlet
June 6, 1941

Title: Planning for Action - An Approach to Post-Defense Planning.

Audience: The general public
Leaders of civic groups
Federal, State, and local planning, defense and other bodies

Purpose: To develop confidence in continued prosperity after defense
To strengthen the determination to continue social advances
To point the lesson of defense prosperity for peace-time life
To start others off on Post-Defense planning also, and lay the basis for liaison by the Board

Argument:

We are preparing to defend not only the political rights and freedoms first won for all Americans 150 years ago, but also to make real for all our people a new bill of human and economic rights made possible by technology, man power, and resources.

The problem of our fathers was freedom and the production of wealth; ours is freedom and distribution of abundance.

The defense effort proves that we can have a high national income, full employment, rising standards, and wider distribution of commodities when there are agreed upon objectives and cooperation between industry, labor, and government.

Democratic planning before action and before the shock of emergency is the road to this achievement.

The National Resources Planning Board is gathering and collating all significant plans for public and private action in the Post-Defense period and now calls for assistance and cooperation.

When the manpower of America is released from defense and the manufacture of munitions, then will come our great opportunity to turn these same energies to the up-building of our resources, our people, and our nation.

PLANNING FOR ACTION

An Approach to Post-Defense Problems

National Resources Planning Board

1941

The American People want to see more clearly what opportunities and problems lie ahead. We are disturbed by the world situation and determined to find the way to preserve our freedom and the good things we have, to advance where we can, and to play our part as men. But we are not complaisant with what we have and, in the American tradition, we want something better for ourselves and for our children. We have complete faith in our democratic ideals, in our form of government and in our basic system of responsible free enterprise, and are proud of the progress we have made under them in the past 150 years. We are determined to carry on and by continuous development to come closer, year by year, to achieving for everyone the full promise of American life.

We know what we are defending. We will brook no interference with our liberties by dictators from without or from within. We shall maintain our self-government and our freedom under the "Bill of Rights" and the American Constitution - freedom of speech, freedom of assembly, a free press, freedom of religious belief, free elections, freedom to enjoy private property and life when not infringing the same right of others, and equality of justice under the law. These basic political rights were firmly and finally established for Americans beginning over one hundred and fifty years ago. We will defend and develop them. But that is not all!

There are some among us who fear the aftermath of this world war and of our own defense effort. They fear that we may lose rather than increase our liberties. They fear a depression in the post-war period or the changes which they think will follow so tremendous a crisis as that through which

we are now forcing our way. These fears are holding back our defense effort in many places. Some industrial leaders are reluctant to expand their productive facilities because they are concerned lest they have excess plant capacity on their hands when emergency defense needs end. Proposals to train more skilled labor encounter opposition from those who believe that a few years hence this country will have many more skilled laborers than it can employ. How can we achieve the total defense effort now demanded unless we answer these fears and show how they can be turned to constructive action?

Objectives and Rights

We have far more to hope for than to fear. We are young, free, and rich in resources. We can make the future rather than be molded by it, if only we have the will, the wit, and the gumption. We can make Democracy work even better than in the past, We can provide, under our system of free representative government and responsible free enterprise for a great new birth of freedom. We can hold to our rights won in the past, consolidate our recent gains, and as the next step in the realization of our ideals, add to our Bill of Political Rights a new Declaration of Human and Economic Rights, and proceed to achieve them both in defense and in the days that follow.

There can be no disagreement as to what a bill of economic rights should contain to meet our modern requirements and be consistent with our long established political rights. These are the new elements:

1. The right to work usefully and creatively through the productive years on a voluntary basis;

2. The right to fair pay adequate to meet the necessities and amenities

of life in exchange for work, ideas, thrift, and other socially valuable service; and the right to organize and bargain for wages and working conditions;

3. The right to rest and recreation and the opportunity to enjoy life and join in an advancing civilization;

4. The right to education for work, for citizenship, and for individual growth and happiness;

5. The right to security with freedom from fear of old age, want, dependency, sickness, unemployment, and accident, for all, as members of the national family;

6. The right to adequate food, clothing, shelter and medical care; and

7. The right to live in a system of maximum free enterprise, free from compulsory labor, irresponsible private power, arbitrary public authority, and unregulated monopolies.

These are the economic rights and opportunities we Americans want for ourselves and for our children now and when this war is over. They include and go beyond the political rights and freedoms for which our ancestors fought, and which they handed on to us, because we live in a new world in which the central problems arise from new aspects of economic life, technology, and congestion which our forefathers did not face.

Their problem was freedom and the production of wealth, the building of this Continent with its farms, industries, cities, transportation, and power; ours is freedom and the distribution of abundance, so that there may be no surpluses and unemployment while there are men ready to work and in need of food, clothing, shelter or other commodities or services. It is to meet this new turn of events, that the new declaration of rights is demanded. But in formulating these new rights, we are not blind to the

obligations which go with every right. We are ready to assume these obligations and to take the private and the public action they impose upon us.

Lessons of the Defense Effort

We can make these rights and opportunities more real to all our people in increasing measure because we have the natural resources, the manpower and the ability to plan and organize. With every healthy person at work we can produce enough to give everybody the necessities of a good life, full liberty, and the opportunity for reasonable happiness. The defense effort today proves this, and much more. It shows that we can have full employment, increasing prosperity for everyone, the net increase of national wealth, higher national production and income, and better standards of living, even when the work of five million men is going into war equipment and military training. What could we not do if all this work also were directed to building our national estate and making the things we need for peace-time life!

To make these economic rights come true we must not only put an end to the agressors who now threaten our long established rights but we must find new methods, new tools, new ways to make these rights available to all our citizens, and we must increase the efficiency of our democracy.

In this program, the first requirements are knowledge of basic facts and then clear, practical, coordinated, and far reaching plans. These plans must include alternative measures to meet unforeseen situations with cooperation of agencies at all levels of government, and with the active participation of industry, labor, agriculture, finance, and all citizens.

Appropriate Lines of Action

Our first consideration now must be defense production and training. If this is as rapid and strong and intelligent as we can make it through all-out cooperation at home and abroad we shall not be undermined, isolated, encircled, or attacked by any combination of agressor powers. In this program the only limitation we need to recognize in the long run upon what we can produce for defense and for individual consumption is our total labor supply. Not only is it possible to have both guns and butter; it is indispensable that we have both. We cannot be strong or produce the arms we need at top speed unless our people are satisfactorily fed, housed, and clothed. We must expand plant capacity, we must train our available labor supply for the tasks at hand. Through these efforts we can not only win the battle of production but also advance farther in meeting the basic needs we have long recognized. We cannot delay in devising plans to:

Utilize our entire labor supply in meeting the individual and the defense needs of our population;

Enlarge and modernize our industrial productive plant;

Make use of all we can produce;

Improve the health and vigor of our manpower;

Eliminate malnutrition and use our surplus agricultural products;

Make rural life more worthwhile;

Modernize and rationalize the transportation system of this hemisphere;

Conserve and restore our natural resources;

Expand our system of security against the hazards of joblessness, ill-health, disability, old-age, and dependency;

Broaden our educational opportunities and improve the pre-

paration of youth to meet the demands of American life;

Give every man, woman and youth appropriate responsibilities to perform in the service of human betterment;

Expand our cultural and enrich our spiritual life.

In each of these areas the situation calls for practical plans of action. Appropriate public and private agencies must reach agreement in the American manner and must decide what is to be done, how, by whom, and on what time schedule. The task is immense, but with cooperation we can succeed.

Planning to Meet Our Needs

Planning of this sort for peace is more difficult, but just as necessary, as planning for defense, if peace is to be a continuing triumph for the whole people. It requires the same clarity and unity of purpose - a purpose which must include, on the economic side, for the nation as a whole full employment, and for the individual his bill of economic rights.

The demands of defense production mean that many of our needs can be filled only partially at present. On the other hand, each of these needs is vitally involved in our defense program and we must do all that is possible now to meet them. Certainly we cannot wait to begin to remedy the physical deficiencies of our manpower which have been so glaringly revealed by the draft. Moreover, we must not lose sight of the goal of satisfying human needs in preparing for defense lest we aggrevate the problems of readjustment when the defense period comes to an end. Certainly from the experiences of our present productive activity we can learn much to guide our future efforts in time of peace.

Today Uncle Sam is the Nation's biggest employer and biggest customer. When world peace returns and the time comes to curtail much of the defense

outlay, there will be a drop in defense employment. Then it will take as much foresight, effort, control, and time to swing this nation back to peace-time work as it is now taking to swing it over to all-out defense.

While some of the controls now necessary for the defense program will be dropped when the present emergency ends, others may be useful as our economy returns to peace-time pursuits. Perhaps different devices may be necessary and appropriate at that time. In any event, there must be plans in advance of action, and these plans must be carefully correlated and made consistent with the central purposes of the nation, by the President, the Congress, and the leaders of our civic and social life.

Federal agencies must make plans now for things that can be undertaken as soon as manpower is set free from the defense effort. These projects must be thought through and worked out to the blue-print stage. They will constitute a "shelf" of activity, ready to be undertaken just as soon as a large portion of our national effort is no longer required for defense purposes and can be turned instead to the satisfaction of individual needs and to improving our public estate.

In the development of the necessary improvement plans, the State governments, the cities and other public bodies have their part to perform. Many governors, mayors, planning boards, and state and local defense councils are already giving attention to the problem of physical improvements. They should proceed now to canvass, tabulate and assign priorities to their improvement and other needs so that they too may be ready for action.

But government activity alone is not enough. Private enterprise must also make its plans for the expansion or adaptation of plants to produce peace-time needs once the demand for defense supplies is no longer pressing.

Some wise managers and creative engineers are already at work planning to meet these future demands. They can expect to manufacture and sell their regular products in greater volume once an even larger part of our national income than now can go into consumer purchasing.

Compared with the post-defense plans of industry and of government, the humble plans of individuals and families may seem unimportant. But in reality they are fundamental. More than we realize, the American economy depends upon the buying plans of housewives, farmers, and homeowners. We know from past experience how American consumers spend their money. We know that many have wants which limitations of buying power have prevented them from satisfying. When increased purchasing power is in the hands of the masses of American consumers, we can anticipate their spending.

The impetus of national defense is providing new purchasing power, but the necessity of devoting a considerable part of our production to defense purposes now means that much consumer purchasing must be deferred. When the immediate fear of external aggression is allayed, and we are satisfied with our preparations for defense, this delayed consumer demand will provide new opportunities for American industry. After the war our national economic objective will be to channel our productive capacity to peace-time ends, to maintain full employment, and to prevent inflation. The plans of government, industry, and the individual must be set toward solving these problems.

Collection of Plans and Programs

The National Resources Planning Board, in the Executive Office of the President, has been instructed by the President, to collect, analyze and collate all constructive plans for significant public and private action

in the post-defense period insofar as these have to do with the natural and human resources of the Nation. In the discharge of this responsibility the NRPB will serve as a clearinghouse to gather ideas and plans, to stimulate appropriate independent action by other public and private agencies, to bring together individuals who are interested in harmonizing their views, and to furnish the President such information on these matters as he may desire. The Board will not attempt to make plans for other agencies within their fields of independent responsibility, but it is instructed to gather these programs on behalf of the President. In cooperation with other agencies the Board is engaged in drawing up a "shelf" of public projects which may be undertaken as soon as it is both possible and desirable. The Board is actively pressing the preparation of other plans and policies for the Post-Defense period. It requests the assistance of official and unofficial agencies and bodies in this task.

When the manpower of America is released from defense and the manufacture of munitions, then will come our great opportunity to turn these same energies to the up-building of our resources, our people, and our nation, provided there are agreed upon plans for practical cooperative action.

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EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL RESOURCES PLANNING BOARD
WASHINGTON, D. C.

AUG 29 1941

The President

The White House

Dear Mr. President:

In accordance with your request, we are working with the various defense agencies to secure a more satisfactory distribution of defense plants. We submit herewith maps and tables indicating the "Expansion of Manufacturing Facilities for Defense as of June 30, 1941."

This is the second report submitted to you, the first having been presented on June 26.

Attached is a list of the persons to whom copies of maps and tables have been made available.

Respectfully submitted,

Frederic A. Delano

Frederic A. Delano
Chairman

Encls. 3

EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL RESOURCES PLANNING BOARD
WASHINGTON, D. C.

Copies of EXPANSION OF MANUFACTURING FACILITIES FOR DEFENSE AS OF JUNE 30, 1941 sent to the following:

MAPS	TABLES
The President	The President
The Secretary of the Navy	
The Secretary of War	
The Secretary of Commerce	
Office for Emergency Management	
Mr. Wayne Coy	Mr. Wayne Coy
Office of Production Management	
Mr. William Knudsen	
Mr. Donald Nelson	
Dr. Stacy May	Dr. Stacy May
Reconstruction Finance Corporation	
Mr. C. J. Durr	Mr. C. J. Durr
Navy Department	
Captain A. B. Anderson	
War Department	
Brigadier General H. K. Rutherford	

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Items for Post-Defense Agenda
June 6, 1941

A. Previously assigned to the Board:

1. "Shelf" of Projects for the Post-Defense Period, including urban conservation and development, housing, transportation facilities, soil conservation and reforestation, power inter-connections, etc.
2. Financing Problems, with special reference to the "magnitudes" of the job under various assumptions and the fiscal policies which must be agreed upon.
3. "Matching" State funds and the division of responsibility among Federal, State, and local governments for different activities.
4. Underpinning Security - broadening the base.
5. The role of private industry and types of government aid and participation for development of a "shelf" of private projects.
6. Locational problems of industry and their effect on National Development.

B. Additions or Subdivisions of this list:

1. Conversion of Defense plants to constructive peace-time uses.
2. Correction of deficiencies of rejected draftees with special attention to larger implications of nutrition and health.
3. Estimates of the role of "Services" in the expansion of employment.
4. Action programs for dealing with the Youth Problem.
5. Immigration after the war - extent of the problem and ways of meeting it.
6. Repercussions on the American Economy of external economic policies.

and a similar increase in 1942, we must face at least the following problems:

1. Training the Labor Supply

A limit to our ability to expand production is our man power. There is obviously no immediate general shortage. However, unless the present training program is increased and intensified, there will continue to be specific shortages among certain types of workers, such as machinists, aircraft workers, and skilled men in the shipyards. Furthermore, steps to facilitate the transfer of workers from one area to another and to prevent unnecessary movement should be considered. Present shortages of skilled personnel are accentuated particularly in the Northeast and Middle Atlantic States by the antagonism of certain employers toward groups of skilled workers of German, Italian and Jewish backgrounds.

In addition to those normally regarded as unemployed there are other labor resources not ordinarily used. The rural folk of the southern highlands, inefficiently used farm people of the South and elsewhere, younger persons, older persons, and married women can all be drawn upon in a major defense effort. However, deeply ingrained prejudices must be overcome if some of these resources are to be used.

2. Preventing a Transport Bottleneck

The demand for freight cars to move increased industrial production has been and will be accentuated by the shifts necessitated by shortage of shipping. Lack of reserve capacity cannot be corrected without increasing the demand on the already overburdened steel industry. The immediate need would seem to be coordinated operation of all railway facilities, a government corporation to purchase strategic types of cars, and a better integration of all types of transport.

3. Expanding Capacity in Such Strategic Industries as Steel, Aluminum, Copper, etc.

In some industries plant capacity is the bottleneck. In others the inability to secure raw materials is a hindrance, and in yet others the availability of shipping space to import raw materials causes delay. While stock piles have been and will be of help, continuing emphasis must be placed on the maintenance and increase of supplies and capacity.

4. Increasing Electric Power Capacity

Local shortages are already apparent, and during the year difficulties will increase owing to the inability to supply generator capacity as it is needed. A too limited number of companies produce turbines, and the skilled labor necessary is none too plentiful. Further pooling of various sources of power can ease the situation, and all possible steps to expedite building of generators should be taken.

5. Controlling Prices

The most important way to control prices is by maintaining supplies. Unless production is increased, the large amount of purchasing power now being created will be a strongly inflationary force, in spite of the existence of excess labor. The development of bottlenecks which prevent production from responding immediately to demand will create the necessity for increased activity on the part of the Price Administrator in broad areas.

6. Financing the Program

The major fiscal and financing machinery is functioning in

such a way as to stimulate economic activity. Finance need be no hindrance to expansion. However, fiscal and banking policies alone are insufficient to maintain the necessary controls over prices. Steps taken to "mop up" purchasing power by means of taxation, increases in savings, etc., will be necessary, but administrative price-fixing will also be required.

Respectfully submitted,

Frederic A. Delano

Charles E. Merriam

George E. Yantis.

PSF: Natl Resources Folder 2-41

THE WHITE HOUSE

WASHINGTON

CONFIDENTIAL AND PERSONAL

Hyde Park, N. Y.,
September 1, 1941.

MEMORANDUM FOR

HON. FREDERIC A. DELANO

If the National Resources Planning Board initiates any conference for discussion of broad problems of post defense planning, please talk with Secretary Hull in person about this first. He is much upset because so many government agencies are entering this field. For example, he heard that Bill Donovan's organization is starting something along this line. Everything should be cleared first through Secretary Hull if it is any major study or if it results in publicity.

F. D. R.

No papers accompanied the original of this memorandum to Mr. Delano.

EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL RESOURCES PLANNING BOARD
WASHINGTON, D. C.

AUG 29 1941

MEMORANDUM FOR THE PRESIDENT:

The National Resources Planning Board is considering the advisability of initiating arrangements for a two or three day conference in Washington for the purpose of discussing the broad problems of post-defense planning which you have asked us to explore. To this conference would be invited representatives of organized business, labor and agriculture, as well as representatives from professional, church, women and other organizations.

The specific purpose of this kind of conference would be to afford an opportunity to various groups to express their opinion about the issues raised in our recent statement, AFTER DEFENSE - WHAT? and about the readjustment programs that will be required when the defense effort is over. The conference might also explore the practical steps that need to be started now.

With your approval the Board will continue to explore the desirability of such a conference and report to you at a later date about the arrangements that might be made.

In the meantime the Board is continuing its discussions with other federal agencies and its own staff work on post-defense planning in accordance with your instructions.

Respectfully submitted
for the NATIONAL RESOURCES PLANNING BOARD

Frederic A. Delano

Frederic A. Delano
Chairman

/

file personal

PSF: Natl Resources Board Folder 2-41

September 26, 1941.

MEMORANDUM FOR

F. A. D.

I think you should tell Mr. Key-Smith that, in my judgment, we should let sleeping heroes lie. The District is pock-marked with Generals, statesmen, foreigners, visiting firemen, etc., on horseback, standing and sitting -- all without any particular reference to a plan.

Personally I want to see old man Jackson and the horse which is balanced on its tail, in front of the White House as long as I am here. How the General is able to wave without holding on to his pummel, I have never known. I am still fascinated -- and I think almost everyone else is too.

From the practical point of view, we should spend no money these days in re-distributing heros round the parks and squares of Washington.

F. D. R.

also copy to Felix Frankfurter

FREDERIC A. DELANO
220 STATE DEP'T BUILDING
WASHINGTON, D. C.

570 LEXINGTON AVENUE
NEW YORK CITY

September 22, 1941

MEMORANDUM for Mr. Rudolph Forster
The White House

This is not a subject to bother The President about in critical times, and I only raise it because I think it may be a diversion from more weighty matters.

Frederic A. Delano

Frederic A. Delano

Atts.

FREDERIC A. DELANO
220 STATE DEP'T BUILDING
WASHINGTON, D. C.
—
570 LEXINGTON AVENUE
NEW YORK CITY

Washington, D. C.

September 22, 1941

His Excellency,

The President of the United States.

My dear Mr. President:

Here is a letter from a man who is urging that a statue of George Washington should be in Lafayette Square along with other Revolutionary War statues, and that Jackson should be moved say to what is now known as Washington Circle on Pennsylvania Avenue at 23rd Street.

This subject comes up quite often, and there is a great deal to be said to sustain the argument. I am afraid I am too old to tackle it unless you believe that it has merit. I know also that you have a very warm spot in your heart for Andrew Jackson. The Jackson statue is in some ways grotesque, and there is a replica of it in New Orleans. The George Washington statue in Washington Circle is a poor one and always looks to me as though it was a big man riding on a pony.

Respectfully,

Frederic A. Delano

Enclosure

FRANCIS S. KEY-SMITH

THE HIGHLANDS,
Washington, D. C.
September 17, 1941.

Colonel Frederick A. Delano,
2400 Sixteenth Street, N. W.,
Washington, D. C.

My dear Colonel Delano:-

Perhaps you may recall me as I am a member of Augustus P. Gardner Post, American Legion and have met you upon several occasions at the Post luncheons at the Army and Navy Club.

Under date of July 9th I wrote the Editor of The Evening Star a brief letter as follows;

"The statue of General Jackson in Lafayette Square opposite the White House was placed there long before any of the statues of the revolutionary officers now at each of the four corners of the square, viz; Lafayette, Kosciuszko, Rochambeau and von Steuben, who never were associated with General Jackson in any way. I suggest, therefore, that the statue of General Jackson be removed and placed in Washington Circle at Twenty-third street and Pennsylvania Avenue and the circle be named Jackson circle. Also, that the statue of General Washington now located there be placed in Lafayette Square so as to be surrounded with his Generals. Further, as there is neither a street nor avenue in Washington named in honor of General Washington, that when this exchange of these statues is made the name of Sixteenth street be changed to Washington Boulevard."

The Star promptly published my letter and has manifested considerable interest in my suggestion and has published quite a number of other letters favoring the proposal and may continue to do so.

To continue General Jackson's statue in the center of a Square named in honor of one of Washington's Generals of the Revolution and the center figure of statues of four of such generals is an inaccurate protrayal of American history misleading, ofcourse, to school children and the youth of our country and untutored visitors in our history who visit the National Capital from at home and abroad. It can not in cosequence reflect credit upon General Jackson since it places him in a false light and I feel sure were he living he would so agree and say that such a place was not the proper one for his statue and that the site properly belonged to a statue of General Washington.

For these reasons, as for many others which these suggest, I am writing this to you to elicit your interest in the logical and thoroughly American proposal for the interchange of these statues of American patriots and heroes and to also solicit your support thereof and I hope I may do so with every expectation of a favorable reply and action upon your part.

With every good wish I beg to remain, my dear sir,

Cordially yours,

K/S/S.

FRANCIS S. KEY-SMITH

THE HIGHLANDS,
Washington, D. C.
September 17, 1941.

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2400 Sixteenth Street N.W.
Washington,,D. C.

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With every good wish I beg to remain, my dear sir,
Cordially yours,
(signed) T. S. KEY-SMITH

K/S/S