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## FULL EMPLOYMENT AFTER THE WAR

### American Plans to Avert Depression

The National Resources Planning Board (a United States Federal Government agency) has issued a report, “ After the War—Full Employment,\*’ by Professor Alvin Hansen, of Harvard, special economic adviser to the Board of Governors of the Federal Reserve System. It is a vigorous and challenging outline of an expansionist policy for adoption in order to prevent a great post-war depression.

The war, Professor Hansen says, will be followed, not improbable, by a boom during which the accumulated shortages are made up. “Sooner or later such a boom will end in a depression unless we are prepared. If appropriate action is taken there is no necessity for a postwar collapse.’\* He contests the view that when the war is over all countries will be impoverished.

No country need be impoverished if its productive resources (both capital and human) are intact. The productive resources of this country will be on a considerably higher plane when this war is over than ever before. A larger proportion of our population will be trained to perform skilled and semi-skilled jobs. We shall have enormous productive capacities in all the machine industries. And in special consumers’ durable industries, where plant and equipment may have become deficient by reason of the war, we shall be able very quickly, with our large basic machine-producing industries, to expand to meet the peacetime requirements. We shall have, when the war is over, the technical equipment, the trained and efficient labour, and the natural resources required to produce a substantially higher real income for civilian needs than any ever achieved before in our history. Whether or not we shall, in fact, achieve that level of income will depend upon our intelligence and capacity for co-operative action.

### PRIVATE ENTERPRISE

The war will carry the national income to around 100 billion dollars in terms of 1940 dollars. “ If we let the income slide from 100 to 90, 80, 70 billion dollars we will have to make the old uphill fight all over again. We must deliberately set to hold the new income level and to push it higher as rapidly as increasing productivity will admit”.

The expansionist programme does not, however, mean that the Government should “run the

whole show." 'Private business can and will do the job of production. It is the responsibility of Government to do its part to ensure a sustained demand. Private industry and Government together must act to maintain and increase output and income sufficiently to provide substantially full employment."

The means are taxation and the expansion and contraction of the Governmental debt.

The public expenditures required to rebuild America, to provide needed social services, and to maintain full employment can be provided for out of the enormous income which the full utilisation of our rich productive resources (material and human) makes possible. The costs of producing this income are merely payments to ourselves for the work done.

There is not—there cannot be—any financing problem which is not manageable under a full employment income. From a \$100 billion income we can raise large tax revenues—large enough to service any level of debt likely to be reached and to cover all other Government outlays— and still retain for private expenditures more than we have left in former years under a \$70 billion income with lower taxes.'

Everywhere it is said and constantly reiterated that we must tighten our belts and pay off our Government debt when peace returns. When is it desirable to pay off part of a debt? Certainly not when there is danger of an impending depression. Under certain conditions it would be desirable to do so. Under other conditions it would be quite unsound policy to retire the debt. A public debt internally held has none of the essential earmarks of the private debt of an individual. A public debt is an instrument of public policy. It is a means to control the magnitude of the national income, and in conjunction with the tax structure to affect income distribution.

## WAR AND POST-WAR POLICY

Professor Hansen concludes that during the war policy should include—

1. High corporate income and excess profits taxes.
2. Sharply progressive estate taxes.
3. Broadening of individual income-tax base, together with steeply graduated surtax rates.
4. Sharp increase of excise taxes on commodities competing with the war programme.
5. Part payment of wages salaries in defence bonds (or the Keynes plan).
6. Qualitative shift in the components of consumption—for example, such changes as the use of wood and concrete in place of steel and copper, and cotton in place of wool.

Consumption having been held down during the war, the post-war release of funds diverted by heavy income and consumption taxes, deferred savings, and war-bond investment will fill part of

the gap arising from the curtailment of war expenditures. Consumption will be lifted by tax reductions, an enlarged programme of Federal expenditures on social welfare, including family allowances, good subsidies, and revised social services. The policies suggested for the post-war period are:

1. Retention of progressive (graduated) tax structure and broadened tax base, with major emphasis on the individual income tax and less reliance on the corporate income tax.
2. Sharp reduction in defence consumption taxes.
3. Adequate plans by private enterprise for private investment projects in manufacturing plant and equipment, in railroads, public utilities, and housing
4. Adequate programme of public improvement projects, including a nationwide development of national resources, express highways, urban redevelopment, and a reorganised public housing programme.
5. Expansion of public welfare expenditures—Federal aid to education, public health, old-age pensions, and family allowances.
6. International collaboration to pursue internal policies designed to promote active employment; to explore developmental projects in backward countries; and to Implement ways and means to open outlets for foreign Investment, promote world trade, and the effective world-wide use of productive resources.