

is to advise the Government. The Board should inform the President, Congress, and the various departments from time to time, of the probable effect on economic welfare, in view of existing conditions, of taxes, tax rebates, refunding operations, payment of public debts, increase of wages and salaries, and other fiscal matters.'

'And in performing those two functions,' the Congressman added, 'it performs a third: it affords leadership to business.'

'That is the crux of the matter,' said the Business Man earnestly. 'Imagine what would happen if the United States Government announced its determination to use all its fiscal operations, as far as feasible, during the next twelve months, in order to achieve the purposes of our Plan. Just think of it! At once, business men everywhere would expect that business would be good—little danger of inflation or deflation; just an orderly market, keeping up with production. The result would be the most marked forging ahead of business that any country has ever known. I am willing to stake whatever reputation I may have as a business man on that statement.'

The Lawyer remarked that he knew several large concerns which would welcome such guidance. 'Often it is a toss-up,' he declared, 'in the minds of business executives, whether to build a new factory at once or wait a while; whether to order supplies for one month or for several months; whether to increase wage payments or continue on existing schedules; whether to produce for stock or only for current requirements; whether to declare extra dividends or accumulate larger surpluses.

When such options exist, it would be a real help to executives, if they could know which course the general situation calls for.'

'If they did know,' said the Business Man, 'they might act as wisely as the American Radiator Company has acted for many years. Basing its policy on the information which it has gathered for its own guidance, that Company has regularly bought large supplies of pig-iron when there were few buyers in the market. Thus it has helped producers to keep their furnaces in blast and their wage payments up at times when reduction of wages would have made a bad situation worse.'

The Congressman seemed to think that the action of a few such corporations, if taken before the sagging of prices had gone far, might well be enough to check the movement. In any event, he felt sure that where millions of dollars are involved, as in the case of the Steel Corporation and the Telephone Company, right decisions would be strong influences in the right direction.

'But it seems hardly enough,' said the Lawyer, doubtfully, 'for the Board merely to advise various departments of the probable effects of their acts.'

'Only experience can tell,' answered the Business Man. 'Possibly, at times it might not be enough. Consequently, some of the appropriations which Congress makes for public works should be expended over a series of years, the amounts expended in any given year to be determined by the Board, in accordance with the needs of the country as shown by current indexes. Under this arrangement, such amounts as were authorized by the Board would be expended by the proper departments.'

The Congressman was prompt and emphatic in his approval of this proposal. 'Under that Plan,' he explained, 'money could be put into circulation without any new machinery. The necessary amounts could be appropriated and expended, exactly as money is now appropriated and expended. That money could be — naturally would be — widely distributed, so that buying would be increased, when necessary, throughout the country.'

'Or the expenditures could be apportioned,' said the Professor, 'on the basis of known changes in the incomes of the States, so as partly to offset local business depressions due to crop failures or other temporary causes.'

'Such as the Mississippi flood,' suggested the Gray Man.

Then, in order to make sure how far they had gone, the Lawyer summed up what they had agreed upon. 'As I understand it,' he said, 'our Plan calls for a separate Federal Board, which shall itself gather and measure the data best adapted to show the adequacy of the flow of consumer income, using, however, for its own purposes, the wealth of data gathered by other agencies. Having thus collected the needed information, the Board shall advise the Government how to use it as a guide in all fiscal matters. The Board itself, guided in the same way, shall determine when certain expenditures are to be made which already have been provided for by Congress, under a policy of long-range planning of public works. Thus the Board, both through its own acts and its published reasons for its acts, will provide private business with the needed leadership. Does that cover the main points?'

'That sums it up, so far,' said the Congressman, now following every word with keen interest.

No need for the Little Gray Man to say how he felt: his face was radiant.

The Business Man proceeded with the Programme: 'The next point concerns the volume of money in circulation. If the indexes ever show the need of a reënforced consumer demand, which cannot be met without additional Government expenditures, the Board must have the power to bring about such expenditures out of funds previously accumulated for the purpose, or out of loans which involve an expansion of bank credit. This feature of the Plan is essential; because Government expenditures can do little to meet the needs, if all the money which the Government spends in a given period is collected as taxes in the same period.'

'It follows,' said the Lawyer, 'that the Government should borrow money to enable the Board to carry out its purpose whenever, in the judgment of the Board, the needed flow of money to consumers will not come from other sources. At most times, perhaps at all times, the needed expansion of money actually will come from other sources, because private industry will be stimulated, under our Policy, to make capital expenditures. And that is the chief way, as we agreed this afternoon, that consumers do obtain the needed flow of money when times are good. Still, we can never be sure whether the flow of income from this source will be too large or too small. The whole project is so very important that the Government should stand ready to borrow money if needed for the purpose.'