

FISCAL POLICY
AND
BUSINESS CYCLES

FISCAL POLICY
and
BUSINESS CYCLES

By Alvin H. Hansen

HARVARD UNIVERSITY



Publishers

W · W · NORTON & COMPANY · INC ·

New York

Copyright, 1941, by
W. W. NORTON & COMPANY, INC.
New York, N. Y.

PRINTED IN THE UNITED STATES OF AMERICA
FOR THE PUBLISHERS BY THE VAIL-BALLOU PRESS

CONTENTS

INTRODUCTION

vii

PART ONE. TOWARD AN UNDERSTANDING OF THE THIRTIES

- | | |
|--|-----------|
| I. THE THIRTIES VIEWED AGAINST THE BACK-
GROUND OF EARLIER CYCLES | <i>13</i> |
| II. INVESTMENT AND CONSUMPTION, 1920-1939 | <i>48</i> |
| III. MONETARY POLICY IN THE DEPRESSION | <i>66</i> |
| IV. FISCAL POLICY IN THE RECOVERY | <i>83</i> |
| V. RECOVERY IN GREAT BRITAIN | <i>96</i> |

PART TWO. THE CHANGING ROLE OF FISCAL POLICY

- | | |
|---|------------|
| VI. FISCAL POLICY, NEW AND OLD | <i>109</i> |
| VII. THE CHANGING CHARACTER OF GOVERNMENTAL
EXPENDITURES | <i>118</i> |
| VIII. THE TAX STRUCTURE | <i>125</i> |
| IX. THE GROWTH AND ROLE OF PUBLIC DEBT | <i>135</i> |
| X. BUDGETARY THEORY AND PRACTICE | <i>186</i> |

PART THREE. FISCAL POLICY AND FULL USE OF RESOURCES

XI.	THE CYCLICAL CONSUMPTION-INCOME PATTERN	225
	APPENDIX: A STATISTICAL ANALYSIS OF THE CONSUMPTION FUNCTION	250
XII.	PUMP-PRIMING AND COMPENSATORY FISCAL POLICY	261
XIII.	COMPENSATORY TAX POLICY	289
XIV.	THE DYNAMIC VERSUS THE CIRCULAR FLOW ECONOMY	301
XV.	PRICE FLEXIBILITY AND FULL EMPLOYMENT OF RESOURCES	313

PART FOUR. INVESTMENT INCENTIVES PAST AND PRESENT

XVI.	THE ROLE OF INVESTMENT IN THE MODERN ECONOMY	341
XVII.	EXTENSIVE AND INTENSIVE EXPANSION	349
XVIII.	EARLY FINANCING METHODS	366
XIX.	THE EFFECT OF THE TAX STRUCTURE ON INVESTMENT	383
XX.	THE DUAL ECONOMY	400

PART FIVE. DEFENSE AND ITS AFTERMATH

XXI.	MONETARY AND FISCAL CONTROLS IN WAR- TIME	413
XXII.	DEFENSE FINANCING	424
XXIII.	THE POSTDEFENSE SLUMP	439
XXIV.	FISCAL POLICY AND INTERNATIONAL STABILITY	449
INDEX		457

INTRODUCTION

THE twin scourges that afflict the modern world—Depression and War—are not altogether unrelated. Bad as the Treaty of Versailles was, a steady improvement in international political relations could have been expected had we had the vision and courage to stop the Great Depression dead in its tracks and to move forward to higher levels of real income and employment.

The war now afflicting, directly and indirectly, the entire world cannot be explained by overly simplified dogmas running in terms of competitive capitalism and imperialistic rivalries. But it has, nonetheless, an economic basis—the inability of the great industrial nations to provide full employment at rising standards of real income. The disastrous economic breakdown of the thirties let loose forces which have set the world in flames. The ultimate causes of the failure to achieve a world order in the political sphere must be sought in the facts of economic frustration.

It is against the background of the past decade of economic and political futility that this book is written. It deals with the changing role of government, and particularly with fiscal policy as an instrument for regulating the national income and its distribution.

In June, 1939, it was my privilege to present a preliminary report on *Fiscal Policy and Business Cycles* to a conference of specialists in the fields indicated, called together under the

auspices of the Social Science Research Council at Rye, New York. This conference proved to be extraordinarily stimulating and helpful, and I am deeply in debt to all those who participated. They included Roy Blough, J. M. Clark, Gerhard Colm, Lauchlin Currie, Gottfried Haberler, C. O. Hardy, Simeon E. Leland, Abba P. Lerner, Arthur W. Marget, Lawrence H. Seltzer, Carl Shoup, and John H. Williams.

Especially am I under obligation to Dean Williams and members of the Seminar on Fiscal Policy at the Graduate School of Public Administration, Harvard University, for a thoroughgoing, critical analysis of the report referred to above and of oral presentations of my views. These, together with the discussion at the conference referred to above, have frequently forced me to clarify my thinking and to alter or restate my position. I have, moreover, learned much from conversation with, and from the writings of, my colleagues—Professors Schumpeter, Haberler, and Harris—and from prolonged discussions on many points with graduate fellows and younger faculty members, especially J. Keith Butters, Emile Despres, John T. Dunlop, J. K. Galbraith, R. V. Gilbert, Benjamin H. Higgins, G. G. Johnson, Martin Krost, Richard A. Musgrave, Kenyon E. Poole, Walter Salant, Paul A. Samuelson and Paul M. Sweezy.

In view of the controversial character of many of the issues discussed, it is especially important to say that none of the persons named above are responsible for the arguments presented or the conclusions reached in this book. With respect to the basic underlying philosophy, some are, as I understand them, in substantial agreement, while others are highly skeptical though splendidly sympathetic and open minded to ideas differing from their own.

I wish also to express my deep obligation to the Graduate School of Public Administration, Harvard University, for the seminar and research facilities which it has provided. In the preparation of certain chapters I have had the assistance of Willard D. Arant, Virginia Coughlan, Benjamin H. Higgins, and Mortimer Kaplan. In addition, David W. Lusher and Saul

R. Srole aided in assembling basic data. In a part of Chapter V, I have relied heavily upon the work of George Jászi, published in *Public Policy*, 1940 yearbook of the Graduate School of Public Administration. I am particularly happy to include the Appendix to Chapter XI, on "A Statistical Analysis of the Consumption Function," written by Assistant Professor Paul A. Samuelson, Massachusetts Institute of Technology.

Permission has kindly been granted to use parts or all of articles or addresses published elsewhere. These include the following: "Economic Progress and Declining Population Growth," *American Economic Review*, Supplement, March, 1939; "Extensive Expansion and Population Growth," *Journal of Political Economy*, August, 1940; "The Dynamic versus the Circular Flow Economy," an address delivered September 17, 1940, at the Bicentennial Celebration of the Founding of the University of Pennsylvania; "Price Flexibility and the Full Employment of Resources," *The Structure of the American Economy*, Part II: Toward Full Use of Resources, National Resources Planning Board, 1940; "Monetary and Fiscal Controls in War Time," *Yale Review*, Winter, 1940; "Defense Financing and Inflation Potentialities," *The Review of Economic Statistics*, February, 1941; "Some Aspects, Near-term and Long-term of the International Position of the United States" (joint author with A. R. Upgren), *American Economic Review*, Papers and Proceedings, February, 1941.

Finally, my sincere thanks and appreciation are due Miss Virginia Coughlan for her highly efficient secretarial work in the preparation of the manuscript and in seeing it through the press.

INDEX

- Acceleration, Principle of, 40, 261-265, 271, 274-288, 296, 298, 328, 359, 362, 364
- Ackerman, C. W., 366
- Adams, H. C., 203
- Agricultural Adjustment program, 85, 123, 124, 214, 216, 217
- Agriculture, in the twenties, 31; investment in, 57; historical role of, 146-152; prices in, 314, 316, 319, 320, 322; stamp plans, 442, 443
- Allen, R. G. D., 250
- Andrews, P. W. S., 332
- Appel, J. H., 366
- Aquinas, Thomas, 109
- "Aufschwungsspanne"; *see* Long waves
- Automobile industry, as investment outlet, 34, 35, 38, 39, 41, 45, 62, 326, 356, 362; in England, 100; and highway construction, 120; financing of, 368-370
- Benton, Thomas, 165
- Berle, A. A., 176
- Bidwell, P. W., 453
- Bodin, Jean, 109
- Bottlenecks, 418-420
- Bowley, A. L., 104, 250
- Bowman, Isaiah, 43, 360
- Buck, A. E., 207
- Budget, federal, 88, 117; in Great Britain, 96-99, 101-105; private vs. public, 186-189; in Sweden, 195, 196, 198; in Denmark, 196-199; in Canada, 199; in France, 199; postdefense, 443; *see also* Capital budget, Debt, Documents, fiscal, Expenditures, Fiscal policy, Taxes
- Buehler, A. G., 203
- Building cycles, 19-27, 29, 57, 58; *see also* Housing
- Business cycles, history of, 13-47; major and minor, 16-19, 29; length of, 18-19; movement of factors in, 49-65; monetary control of, 66-83; and the double budget, 193-195; and the consumption function, 223-230, 234-238, 249, 250; and savings, 242-243; pump-priming in, 261-288; compensatory tax policy in, 289-300; and price flexibility, 315-326; and investment, 316-322; postdefense slump, 439-448; *see also* Building cycles, Corn-hog cycle, Gold production cycle
- Butters, J. Keith, 395
- Capital budget, 189-207; *see also* Budget
- Capital goods; *see* Investment
- Carnegie, Andrew, 366, 372, 379
- Cassel, Gustav, 32, 35, 303, 352, 355
- Central bank policy; *see* Federal Reserve System, Monetary policy
- Chalmers, George, 177
- Chemical industry, as investment outlet, 34; in Great Britain, 100
- Circular flow economy, 284-285, 301-312
- Ciriacy Wantrup, S. von, 27, 30, 32, 34
- Civilian Conservation Corps, 89, 133, 206, 207, 212, 216, 217
- Clark, Colin, 97, 102, 104, 105, 242, 250
- Clark, G. T., 366
- Clark, J. M., 251, 268, 270, 282
- Clark, Maurice B., 372
- Colm, Gerhard, 134, 206, 207, 393
- Colwyn Committee, 102, 104, 136, 153, 154, 155, 157, 172, 395
- Commerce, Department of, 235, 241
- Commercial credit theory, 75
- Committee on National Debt and Taxation; *see* Colwyn Committee
- Committee on National Expenditure; *see* May Committee
- Commodity Credit Corporation, 200, 213, 214, 215, 216, 218
- Commons, John R., 29
- Compensatory spending; *see* Expenditures

- Construction; *see* Housing, Producers' plant, Public construction
- Consumption, definition of, 15; and investment, 48-83, 302, 304-312; deficiency in, 87; and government expenditures, 90, 91, 92, 93; in Great Britain, 101-103; statistical studies of, 230-234; methods of increasing, 298-300, 308; income elasticity of demand for consumption goods, 327-338; *see also* Durable consumers' goods, Consumption
- Consumption function, 102-103, 223-238, 279, 284-286, 289-292, 298-300; stability of, 238-242; and unsatisfied consumer wants, 247-249; statistical analysis of, 250-260; *see also* Consumption
- Corn-hog cycle, 21
- Cost-price structure, 316-323; *see also* Prices
- Crane, Richard T., 377
- Crawford, J. W., 250
- Crocker, Charles, 366, 373, 374
- Crum, W. L., 396
- Dalton, Hugh, 143
- Debt, falling prices and, 29; growth of, 70, 117, 135-185; in England, 98, 105, 112, 135-137, 143, 153, 155-157; early attitude toward, 109-110, 135; in France, 136-137, 145; public vs. private, 139-144; dead-weight, 144-145, 153-154; passive, 144-146; active, 144-146; in Germany, 145; in Sweden, 145; in the United States, 145, 161-168, 363, 446; economic effects of, 152-161; as an outlet for savings, 157, 161; limits to, 168-175; and the distribution of income, 179-185; *see also* Fiscal policy
- Deepening of capital, 354-365
- Deere, John, 376
- Defense financing, 84, 307, 424-438; *see also* Wars
- Deficit, governmental; *see* Budget, Debt, Fiscal policy
- Derksen, J. B. D., 22
- Documents, fiscal, 208-222
- Double budget; *see* Budget
- Douglas, Paul H., 355, 356
- Dual economy, 160, 400-410
- Dunbar, C. F., 164
- Du Pont, 366
- Durable consumers' goods, 15, 50, 51, 62, 64, 320; *see also* Consumption
- Dynamic economy, 301-312
- Eastman, George, 366, 376
- Ebersole, J. F., 332
- Eddy, George, 385, 386, 391
- Education, expenditures for, 119-122, 124, 161, 442
- Edwards, G. W., 112
- Eldridge, M. O., 121
- Electrical industry, as investment outlet, 27, 34, 35, 38, 40, 41, 45; in England, 100
- Employment, fluctuations of, 14; effect of loan expenditures on, 182
- Engel, C. L. E., 250
- Equity capital, 388-394; rate of return on, 396
- Expansion, extensive and intensive, 42-46, 306, 308, 349-365, 380, 381
- Expenditures, governmental, 34, 35, 38, 161-162, 169-171, 307, 312; changing character of, 118-124; productivity of, 146-152; methods of financing, 174-185; cyclical, 362; postdefense, 439-445; *see also* Budget, Defense financing, Fiscal policy, Net income-creating expenditures
- Fabricant, Solomon, 241, 385
- Fairchild, F. R., 204, 206
- Farm Credit Administration, 87; *see also* Federal Farm Mortgage Corporation
- Federal Farm Mortgage Corporation, 81, 215, 216, 240
- Federal Housing Administration, 82, 240
- Federal Land Banks, 81, 211, 212, 214, 215, 216, 240
- Federal Loan Agency, 81; *see also* Federal Farm Mortgage Corporation, Federal Housing Administration, Federal Land Banks, Home Owners' Loan Corporation, Reconstruction Finance Corporation
- Federal Reserve Bank of New York, building cycle study, 20
- Federal Reserve System, 68, 69, 74-79, 176, 420, 424, 425, 437
- Financing, history of, 366-382
- Fiscal policy, 38, 322, 326, 336, 365, 401; in the recovery, 83-95; in Eng-

- land, 96-101; historical development of, 109-117; compensatory, 261-288; in wartime, 413-423; in the postwar period, 445-448; and international stability, 449-456; *see also* Debt, Expenditures, Public policy, Taxes
- Fisher, Irving, 69
 Fisk, H. E., 137
 Flynn, J. T., 366
 Franklin, Benjamin, 177
 Frick, Henry Clay, 366, 375, 379
- Gallatin, Albert, 167, 168
 Gardner, Gilson, 366
 Gilboy, E. W., 250
 Glass-Steagall Act, 78
 Gold production cycle, 36, 37
 Gold standard, 38, 78, 94, 99
 Gold supply, and long waves, 32, 35-37; and the United States, 69
 Goldenweiser, E. A., 80
 Great Depression, 13, 18, 19, 24, 25, 32, 43, 70, 71, 73, 77, 113, 114, 116, 122, 124, 194, 324, 389, 395, 450, 452; recovery in the United States, 84-95; recovery in Great Britain, 96-105
 Guggenheim, Meyer, 366, 375
- Haig, R. M., 199
 Hamilton, Alexander, 162-168
 Hansen, Alvin H., 30, 70, 83, 337, 453
 Hardy, C. O., 74
 Harriman, E. H., 366, 374, 379
 Harris, S. E., 74
 Harvey, George, 366
 Hayek, F. von, 70, 75
 Hendrick, B. J., 366
 Hersey, Arthur, 74
 Hicks, J. R., 322, 331
 Hicks, U. K., 105, 144
 Higgins, B. H., 168
 High-consumption economy, 308, 310-311; cyclical behavior of, 289-292
 High-savings economy, cyclical behavior of, 289-291
 Highways, 39, 41, 120, 121, 124, 161, 308
 Hill, James J., 366, 372, 374
 Hobbes, Thomas, 109
 Hobson, J. A., 303
 Home Owners' Loan Corporation, 81, 84, 215, 216, 240, 401
 Hopkins, Mark, 366, 374
 Hormel, George A., 377
- Housing, 15, 17, 26, 27, 57, 80, 87, 92, 308, 319, 342, 343, 344, 345, 357, 358, 409; in England, 108; *see also* Building cycles
 Hume, David, 110
 Huntington, C. P., 366, 373, 374
- Income, fluctuations of, 14, 28, 33, 37, 46, 72, 73, 309, 317, 321, 342, 343, 344, 346, 359, 360; definition of, 48; distribution of, 175, 179-181, 244-247, 308-309, 332; percentage saved, 327-328; of corporations, 396-397; *see also* Consumption function, National income
 Industrial Revolution, 349, 354; and long waves, 34, 35
 Inflation, 38, 70-72, 111, 156, 171-175, 178, 180, 295, 419, 434, 435, 448
 Innovations; *see* Technological innovations
 Interest rate, fluctuations of, 28, 79-82, 184, 329, 330, 331, 332, 336; *see also* Monetary policy
 International trade; *see* Trade, international
 Inventories, 15, 17, 54-55, 60, 64, 76, 322, 343, 394, 416, 419
 Investment, real vs. financial, 14; real vs. consumption, 15; fluctuations in, 16, 17, 18, 23, 26, 33, 37, 40, 93, 296, 317-322, 326, 328-333; and consumption, 48-82; deficiency in, 87; in England, 99-100, 102, 355, 360-361; public vs. private, 150-152; and savings, 328-329; and wages, 335-336; role of in modern economy, 341-348; in the United States, 355, 356, 358, 360; in Australia, 356; in western Europe, 358, 359; in France, 360; sources of funds for, 384-388; *see also* Acceleration, Principle of, Multiplier Principle, Producers' equipment, Producers' plant
 Investment budget; *see* Capital budget
 Investment outlets; *see* Automobile industry, Electrical industry, New resources, Population growth, Railroad, Street railways, Telephone, Territorial expansion, etc.
- Jászi, George, 97, 99, 102
 Jefferson, Thomas, 164, 165, 167
 Jensen, Jens P., 203

- Kahn, R. F., 251
 Kalecki, M., 250
 Kemmerer, E. W., 69
 Kennan, George, 366
 Keynes, J. M., 228, 249, 250, 251, 268, 273, 293, 355, 435, 436
 King, Willford I., 180
 Kondratieff, N. D., 27, 30, 32
 Krost, Martin, 89
 Kuczynski, R. R., 42
 Kuznets, S., 48, 49, 50, 51, 55, 65, 233, 235, 251, 252, 255, 275, 282

 Lange, Oscar, 304
 Lehmann, Fritz, 393
 LePlay, P. G. F., 250
 Lester, Richard A., 177
 Leven, Maurice, 250
 Leverage coefficient, 264-265
 Lewis, Oscar, 366
 Lindahl, Erik, 192, 193, 195, 196
 Lindow, Wesley, 392
 Loans, governmental; *see* Budget, Fiscal policy
 Long, C. D., Jr., 20, 22
 Long waves, 18, 27-41, 116
 Lutz, H. L., 203, 204, 392

 McCormick, Cyrus, 376
 Mack, Ruth P., 241
 Madison, James M., 167
 Malthus, T. R., 154, 303, 304, 350, 351, 359
 Marschak, J., 251
 Mature economy, 310-311, 380
 Maxwell, J. A., 199
 May Committee, 142
 Meade, J. E., 332
 Means, Gardiner C., 315
 Mellon, Andrew, 366, 375, 390
 Mendershausen, H., 250
 Mill, John Stuart, 310, 311
 Mining and manufacturing, investment in, 55
 Mises, L. von, 70
 Mitchell, W. C., 16, 27, 30, 67
 Monetary policy, and the business cycle, 66-82, 116, 261, 322, 330, 336, 337, 365; in wartime, 413-423, 437-438; postwar, 447, 448
 Money, influence on business cycle, 37-38, 175-178, 184; *see also* Monetary policy
 Müller, K., 196

 Multiplier Principle, 250, 261, 262, 264-288
 Musgrave, R. A., 168
 Myrdal, Gunnar, 143, 196, 364

 National income, and housing, 22, 58; and producers' plant, 59; and total construction, 61; maintenance of, 85, 87, 93, 94, 150-151; in England, 96-99, 102; static, 173; and the defense program, 425, 428-434; *see also* Consumption function, Multiplier Principle
 National Industrial Conference Board, 276
 National Resources Committee; *see* National Resources Planning Board
 National Resources Planning Board, 231, 232, 234, 235, 250, 251, 314, 351
 National Youth Administration, 133
 Net income-creating expenditures of government, 89-92, 190, 286, 287, 383
 Neutral money theory, 75
 New resources and investment opportunities, 32, 302, 305, 328, 345, 347, 348, 352, 358, 367, 380
 Newman, W. H., 20

 Oakes, E. E., 392
 O'Connor, Harvey, 366
 Old Age Assistance program; *see* Social Security

 Pareto, V., 180
 Pearson, F. A., 20, 32, 36
 Pedersen, Jørgen, 140, 141, 142
 Perloff, Harvey S., 186
 Persons, W. M., 16
 Physiocrats, the, 146, 147, 148
 Pigou, A. C., 102, 104
 Pitt, William, 164
 Population growth and investment opportunities, 22, 42-45, 68, 93, 114, 153, 302, 306, 328, 344, 345, 347, 349, 350, 351, 352, 356, 357, 358, 359, 360, 361, 363, 364, 365, 367, 380, 409
 Prices, fluctuations of, 29, 36; and long waves, 32, 35; and gold production, 35-37; control of, 38; stabilization of, 69-70; flexibility of, 313-338; and wage rates, 333-336
 Principle of Acceleration; *see* Acceleration, Principle of

- Producers' equipment, 15, 17, 26, 51, 54, 55, 56, 60, 62, 87, 92, 319, 342, 343, 346, 389, 428
- Producers' plant, 17, 26, 54, 55, 56, 57, 62, 87, 92, 319, 342, 343, 346, 389, 428
- Propensity to consume; *see* Consumption function
- Public construction, 15, 17, 26, 57, 60, 61, 84-95, 112-113, 123-124, 149-151, 187-188, 216; in England, 105; *see also* Highways
- Public debt; *see* Debt
- Public policy, 18, 38, 66, 73, 74, 93-94, 141, 184, 189, 383; in England, 96; *see also* Fiscal policy
- Public roads; *see* Highways
- Public works; *see* Public construction
- Public Works Administration, 133, 208, 209, 210, 214, 216
- Pump-priming, 261-288
- Pyle, J. G., 366
- Railroad and investment opportunities, 27, 33, 35, 38, 40, 45, 55-56, 347, 362
- Rawson, Robert H., 186
- Recessions, 16, 17, 18
- Reconstruction Finance Corporation, 81, 84, 205, 210, 211, 212, 213, 215, 216, 401
- Relief expenditures, 85, 86, 90-92, 95, 114, 116, 120-124, 145; in England, 194; *see also* Works Progress Administration
- Residential building; *see* Housing
- Ricardo, David, 301, 351, 352
- Riggleman, J. R., 20
- Robertson, D. H., 68, 69, 303, 352, 362
- Rockefeller, John D., 366, 372
- Roos, C. F., 22
- Roosevelt, Franklin D., 206, 213, 215
- Royal Commission on Dominion-Provincial Fiscal Relations, 446
- Runemark, P. S., 196
- Rural Electrification Administration, 82
- Samuelson, Paul A., 250-260, 279
- Saving, 308, 327, 328, 329, 331, 332, 336, 342, 343, 344, 346, 385, 430-432, 434; quasi-compulsory, 239-242; individual vs. aggregate, 242-247; corporate, 385-386, 389; institutional, 387-389
- Schram, Emil, 81
- Schumpeter, Elizabeth B., 137
- Schumpeter, Joseph A., 27, 30, 32, 33, 34, 285, 303, 352
- Scripps, E. W., 366
- Seligman, E. R. A., 109
- Seltzer, L. H., 366
- Sherman, Arthur G., 378
- Simmons, Z., 377
- Sismondi, J. C. L., 303
- Smith, Adam, 109, 110, 146, 147, 148, 149, 351
- Smith, A. D. H., 366
- Snyder, Carl, 356
- Social Security, financing, 94, 130, 132, 133, 179, 190, 216, 239; in the modern economy, 347, 409, 441-443
- Social service, in England, 102-105, 143; growth of, 113-114, 120-124, 307, 308, 409, 446; in Sweden, 143; and real income, 151; postdefense, 440, 441, 442, 443; *see also* Relief expenditures, Social Security
- Spiehoff, A., 27, 30, 32, 68, 69, 303, 352, 353, 363
- Staehle, Hans, 251
- Stamp, Sir Josiah, 180
- Stanford, Leland, 366, 373, 374
- Stationary state, 301-302, 309-310; *see also* Mature economy
- Stauffacher, Charles, 186
- "Stockungsspanne"; *see* Long waves
- Stone, R. and W. M., 250
- Street railways, as investment outlet, 40, 41
- Structural changes in American economy, 42-47
- Studebaker, Henry and Clement, 370, 376
- Sundelson, J. Wilner, 202, 203, 204
- Tarasov, Helen, 134
- Tariff, 315, 449; in England, 98, 100; in the United States, 127, 452
- Taxable capacity, 169-171
- Tax-exempt securities, 392-394
- Taxes, federal, 89; on consumption (*see also* on sales), 94-95, 125, 127, 128, 129, 130, 131, 132, 133, 134, 195, 295-300, 308, 398-399, 439; in England, 97, 102, 103, 104, 105, 157; on incomes, 125-133, 296-300, 389; on payrolls, 128-129, 131-132, 293-298; on property, 129, 130, 131; and the

- Taxes (*continued*)
 distribution of wealth, 179-185;
 compensatory, 289-300; on sales, 295,
 298; on undistributed profits, 383,
 389; on capital gains, 383, 389, 391;
 and corporate profits and losses,
 394-398; and the defense program,
 429-430, 432-433, 448; on value added,
 436; *see also* Fiscal policy, Tariff
- Tax structure, effect on investment,
 380-382, 383-399; and the defense
 program, 429, 438
- Technological innovations and invest-
 ment opportunities, 31, 32, 33, 35,
 37, 38, 39, 46, 68, 75, 93, 114, 153,
 302, 305, 306, 310, 311, 312, 319, 325,
 326, 328, 333, 344, 345, 348, 352, 358,
 359, 361-365, 367, 380, 381, 387
- Telephone industry as investment
 outlet, 41
- Temporary National Economic Com-
 mittee, 86, 122, 134, 161, 176, 241,
 385, 387
- Terborgh, George, 55, 64, 65, 241, 425
- Territorial expansion and investment
 opportunities, 32, 43, 45, 68, 69, 153,
 302, 306, 328, 347, 348, 352, 358, 360,
 361, 363, 367
- Thomas, Brinley, 196
- Thomas, Woodlief, 80
- Thompson, Spencer, 186
- Thorp, W. L., 27
- Tinbergen, J., 22, 282, 332
- Tougan-Baranousky, 68, 354
- Trade, International, 99, 100, 449, 452-
 455
- Trull, Edna, 146
- Twentieth Century Fund, 363
- Unemployment, and the public debt,
 138, 145; and the inflexibility of
 prices, 315-316; and technology, 361-
 362; in Great Britain and in the
 United States, 414-415, 421
- Uppgren, A. R., 453
- Vanderbilt, Cornelius, 366, 371
- Veblen, Thorstein, 67
- Wage rates and price policy, 324-325,
 332-336
- Wanamaker, John, 366, 371, 372
- Warren, G. F., 20, 32, 36
- Wars, as cause of long waves, 32, 34,
 35; and the rise of credit institu-
 tions, 110-114; and the public debt,
 135-138; and extraordinary budg-
 ets, 203; and monetary and fiscal
 controls, 413-423; *see also* Defense
 financing, World War I and World
 War II
- Weyerhauser, F., 377
- Wickman, C. E., 378
- Wicksell, Knut, 32, 34, 352, 354
- Widening of capital, 354-365
- Williams, Faith M., 250
- Williams, John H., 431
- Willoughby, W. F., 203, 205
- Wilson, John D., 40
- Winkler, J. K., 366
- Works Progress Administration, 89,
 123, 133, 250, 421, 422, 440
- World War I, impact on recovery, 25,
 251; and governmental policies, 32,
 175; and long waves, 35; and popu-
 lation growth, 42, 43; and the rise
 of public debt, 113, 161; economic
 conditions contrasted with World
 War II, 415-418, 434, 437-438; and
 the labor supply, 424
- Woytinsky, W., 27, 32
- Wright, Carroll D., 39
- Wright, David M., 168
- Zimmerman, C. C., 250

Books that Live

The Norton imprint on a book means that in the publisher's estimation it is a book not for a single season but for the years.



W · W · NORTON & CO · INC ·