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Enterprise and cooperation. Address at State Society Dinners

C. Oliver Wellington

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ENTERPRISE AND COOPERATION

Address of C. Oliver Wellington at State Society Dinners

Accounting has become more and more vital in the national economy. It is necessary for the determination of net taxable income, which is the base for calculation of such a large proportion of our government revenue. It is necessary for the determination of the cost base for rate-making in public utilities, costs and prices for individual enterprises, and special data required in cases under the Robinson-Patman Act, in studies by the Federal Trade Commission, and in answer to inquiries by many other government bodies.

The practice of public accounting as a profession in this country is fifty years old, and we are proud of the fact that in that brief span of years such great progress has been made. The profession has created its own discipline, which is an active force at all times safeguarding the standards of public accounting. It has been constantly on the alert to take advantage of opportunities to improve and develop its services to business, government and the public.

Over a long period of time, committees of the American Institute of Accountants have cooperated with agencies in the Federal government, notably with the Treasury Department in tax matters, and with the Securities and Exchange Commission in its efforts to improve corporation reports. In all of this work we have tried to be helpful and constructive.

In their approach to professional work for clients accountants are independent, and therefore have a somewhat detached viewpoint. Accountants in the daily practice of their profession have opportunities to observe the progress of many enterprises and the effect on them of various economic factors induced by wars, by business cycles, and by acts of government.

My talk to you tonight is based upon this background of experience that other members of the profession and I have had with the affairs of business enterprises, large and small. I shall seek, in the limited time at my command, to point out what I believe are some of the things accountants, other professional and business men, and government officials can do cooperatively for the good of our country. We must agree upon the problems which face us and come together on a basis of understanding and confidence in order to create a situation in which all of us are working effectively together.

TAXATION

One of the most important fields in which accountants can cooperate is that of taxation.

7 Federal taxes are a nightmare to business management, not because they mean that business must pay taxes, but because of the uncertainty and nervousness which they create. It is impossible for management to plan properly for the future when the spectre of new forms of imposts and levies hangs over company executives. The frequent revision of tax laws has been one of the major causes of hesitancy on the part of business.

Congress could do no one thing of greater importance today, to assure future economic stability, than to set itself seriously to the business of adopting a consistent and permanent policy of Federal taxation. Fixed principles of taxation are urgently needed to give business men -- all taxpayers, in fact -- the necessary confidence to face the future. A permanent tax structure should be established, and it should be subject only to changes in rates to meet the varying requirements of the Federal budget. Such changes should be made in advance of the taxable year and should never be retroactive. Business can adjust itself to changing rates, so long as such rates are not confiscatory, but staggers under the impact of successive changes in the general scheme and incidence of taxation, a procedure which calls for new interpretations of tax provisions from year to year.

We have now had a quarter century of experience with income tax laws. At no time in the past twenty-five years has an effective

attempt been made to study the results of our national and state taxation policies, and the results of particular tax laws or provisions thereof. There is only one intelligent way to do this and that is through a non-partisan commission which would report its findings to Congress.

I do not suggest that legislative or administrative powers be delegated to the proposed commission; it is merely expected to function as a study group in examining national tax problems, and on the basis of its deliberations recommend to Congress the adoption of such principles and methods of taxation as would promote uniformity and simplicity and remove as much as possible of the present complexity and uncertainty.

I realize that a study by a non-partisan commission created by Congress will take time, and will not immediately produce results, but a start must be made at some time. Pending completion of the study, interim reports and recommendations can be available to Congress.

Tax legislation should be designed only to produce revenue on a basis equitable to those of our people who must ultimately bear the burden thereof, and it should not attempt to accomplish social reforms, however desirable they may be. The prime purpose of revenue laws is to produce revenue to pay for the services of government. When they seek to accomplish other results both efforts fall short of the mark and neither goal is attained.

There are a number of provisions in existing Federal tax laws which should be changed for the general good of our whole national economy. The most urgently needed changes at the present time are, in my judgment, the following:

1. Creation by Congress of a qualified and representative non-partisan commission to undertake a study into the whole tax problem and recommend a consistent and permanent policy of Federal taxation.
2. An understanding and agreement that no changes in tax laws or regulations will be retroactive, so that business transactions can be entered into with confidence as to the definite amounts of tax liabilities involved.
3. Broadening of the base of taxation so that all citizens will pay a tax, even if a very small amount, and thus realize that government activities cost money and that every citizen must bear a part of the burden.
4. Elimination or further reduction of taxes on capital gains.
5. Reduction of rates of tax in higher surtax brackets.
6. Inclusion as taxable income of interest on future issues of all state and local as well as Federal securities.
7. Provision in the Internal Revenue Code of a requirement for consolidated returns for all taxes based on income, in order to tax a true business unit as one unit.

8. Revision of the computation of taxes for periods of less than twelve months to eliminate unjust hardship and tax avoidance.
9. Elimination of the capital stock and related excess profits taxes.

Some of these recommendations have such obvious advantages as to require little further comment. There are certain ones, however, that are worthy of very careful consideration by every citizen who is interested, not merely in the present, but also in the future economic status of this country. I am very much worried about the situation confronting our children and grandchildren unless changes are made in some of the present theories and practices of taxation.

One change is the broadening of the base of taxation so that all citizens will pay a tax. This can and should be brought about by a system of deduction at the source, such as has been used successfully in Great Britain. State unemployment and Federal old age pension taxes are now handled on that basis, and income taxes should offer no greater relative difficulty. The normal tax at a rate to be determined by Congress would be deducted by the payor, who would be responsible for turning over to the government monthly, or perhaps quarterly, the amounts withheld. This would apply to payments of wages, salaries, interest, dividends and royalties, the principal sources of income to individuals, but would exclude rents. No exemption would be allowed for this normal tax, thus saving the filing of numerous reports and avoiding complications, expenses and administrative difficulties.

The recommendations for taxation of interest on future issues of all state, local and Federal securities, the reduction of rates of tax in the higher surtax brackets, and the elimination or further reduction of taxes on capital gains may well be considered together. The purpose of the changes is not to reduce the taxes of the wealthy, but to encourage capital to enter into productive enterprise and to discourage its use in relatively unproductive forms. Such changes will undoubtedly increase, rather than decrease, the total amount of taxes collected by the government, but I am advancing these suggestions, not from the standpoint of increased tax receipts, but for their effect on the whole national economy.

In the years since 1929 many corporations have lost more than they have earned, and, instead of a normal growth that might be expected, they have actually less capital now than in 1929. In general, we as a nation have, since 1929, been living in part on the capital accumulated in the preceding years. Obviously this fund of capital is not inexhaustible and we cannot count on it permanently for current living.

In addition to the reduction of capital of corporations a large share of the accumulated capital of individuals is being taken by the Federal and state governments through increasingly heavy gift and estate taxes. What is worse, they are spending it as if it were current income. They should at least use tax receipts from such sources to reduce their debts.

Government is not only reducing the total capital available for increased employment and improved standards of living, but is

also preventing the accumulation of any new capital by heavy taxes on capital gains and high surtaxes. We have seen the bad effects of such policies during the last ten years, but these effects will become increasingly bad in the future unless a change is made.

Where is the capital coming from to develop new ideas and methods? All well-managed large companies are now spending substantial amounts for research. While that is very helpful in opening up new avenues for production and employment, is it good for our national economy to have these companies grow larger and larger, and become practically the only source for increased employment?

Improvement in our total standard of living must come from the development of new inventions, new processes and new ideas. Practically all businesses active today started from very small beginnings. However, experience over many years has shown that only a small proportion of these new projects become commercially successful. In the past, those who have backed the successful projects in their early stages have made very large profits, and it is the hope of similar success that encourages people with capital to back other new projects.

While it has always been difficult for a man with a new idea to obtain the necessary capital for developing the idea, he had at least some chance prior to the period of high taxes. However, under present conditions, if a new project becomes commercially successful a very large share of the profits is taken by the government in taxes. On the other hand, if the project is unsuccessful there is often great difficulty, under the present administration of

the tax laws, for the man who backed the unsuccessful project with his capital to obtain proper deduction for the loss sustained. Under the circumstances, the chances for any net profit after taxes are so far outweighed by the chances for losses that the man with capital naturally prefers to place it in investments carrying little income but with little risk. What we need is more enterprise capital.

Have we not been thinking about this whole question of taxation from the wrong viewpoint? The present tax plans may to some extent "soak the rich," but the soaking is applied to those members of the wealthy classes who are active in their personal efforts and in their use of capital in supporting the enterprise system, and there is a relatively small tax on the wealthy who put their capital into non-taxable and other riskless securities. Our tax plans have discouraged enterprise in recent years when we have most needed it.

Why should we not turn about in our policy and actually encourage the creation and growth of new enterprise? Various localities attract industries by reducing taxes for a period of years. Why is it not equally sound for the Federal government to encourage new businesses by eliminating the tax on capital gains, thus giving a definite advantage to enterprise capital over idle capital?

There is nothing novel about this suggestion. The British government does not tax capital gains, although its need for revenue in recent years has been at least as urgent as ours, and social reforms in England have been at least as sweeping as in this country.

Studies made as to the changes in business enterprises show that, over a period of years, a substantial number of the corporations listed on stock exchanges go out of business, in addition

to those that fail and are reorganized. Similar studies of all businesses in certain states, including very small as well as medium-sized and large enterprises, show an average life of less than 10 years and an average life of about 30 years for even the largest. It is clear, therefore, that we must have many new enterprises started each year merely to take the place of the old ones that cease to exist, that there must be a substantial increase in the number of new enterprises started if we are merely to keep up with the growth in population and thus continue the present standard of living, and that the increase of new enterprises must be even greater if we are to improve the standard of living.

Yankee ingenuity has been developing, and is continuing to develop, new ideas and new methods in engineering, in chemistry, in physics, in fact in all fields. Yet we have been so shortsighted in our Federal tax policy that many of these ideas are never put into commercial use and others are long-delayed. The Ford Motor Company could never have been started without some backing of capital and it never could have developed as it did if present tax laws had been in force during its period of growth. How many potential Ford Motor Companies are now choked to death at birth and how many others are having their growth stunted by Federal taxes?

In the foregoing discussion I have been referring to a viewpoint toward the whole tax situation that I believe is sound as a permanent policy, rather than what may be applicable in time of war or abnormal preparation for defense. However, the rather broad contacts of our profession with business give us some knowledge

as to the probable effect of present tax laws and the necessity for further increases in tax rates. These contacts with many taxpayers, especially corporations, indicate that the tax yield based on 1940 taxable incomes under the new acts will be very much higher than the taxes paid on income of the year 1939, and that the increase will be much greater than anticipated by the Administration or by Congress.

Increased revenue from taxes is produced not only by tax rates and tax provisions but also by the increase in the level of national income. Is it not likely that, with increased government spending on preparations for defense, the general stimulus will be such as to increase national income very substantially? If so, the increases in the tax yield over last year, and the increases in the total taxes, are likely to be very large. The present tax laws may well produce as great a proportion of the total national budget as is reasonable or safe under current abnormal conditions. Is there not a fair chance that further increases in taxes on business beyond the very heavy present rates will actually result in reducing net taxable income and reducing, rather than increasing, the total tax receipts?

Therefore, is it not desirable, before applying new taxes or additional rates, to wait until the Treasury Department has the facts as to the yield from present taxes, and, with these facts, can determine the taxes that will be received from the known and expected increases in total national income?

May I suggest the possibility that public statements, both by the Treasury and by Congress, that no changes in tax laws are contemplated to affect incomes of 1941, might bring about a situation which would yield the maximum tax return to the government; by enabling business and all taxpayers to go ahead with confidence to increase production and profits, knowing the share of such profits that the government would take. Might not this suggestion be very helpful also in removing one obstacle to maximum production, which is so vital to the effectiveness of our aid to Great Britain and of our own defense program?

GOVERNMENT

I have just referred to the budget of the national government. The total of that budget, the means of raising income to balance the expenditures, and the extent by which expenses exceed income are of vital concern to all citizens at all times. Unnecessary expenditures, inefficiency and wastes are bad during prosperity as well as depression. Unfortunately, we look upon them with too much complacency in normal times, but no one will disagree that every unnecessary expenditure must be eliminated during the present intense drive toward adequate preparedness for defense. There will, however, be many disagreements as to what expenditure is and what is not necessary.

Government is big business. It is the biggest business in the country. From the Federal government on down through the state and local governments there are 175,000 public bodies politic which have the right to levy taxes.

This vast network of taxing bodies spends annually upwards of 15 billion dollars. In 1890, just fifty years ago, it spent a little less than 900 million dollars, or about 6% of the present total.

These taxing bodies have already resorted to what appears to be almost every conceivable sort of tax levy. Yet it is obvious that the end of the variety of taxes is not in sight.

The problem of how to divide the subjects of taxation between the Federal, state and local governments grows more difficult

daily. Already there is serious overlapping; overlapping that threatens the fundamental plan upon which our whole scheme of government was founded; overlapping that seems to be carrying us toward the supplanting of state sovereignty by a strong central government.

Government employs four million people, not counting W. P. A. workers and beneficiaries of farm subsidies. At least fifteen million people, therefore, are supported directly and indirectly by the taxpayers. This takes five and one-half of the fifteen billion dollars of annual expenditures.

Operations of the magnitude and complexity implied by these figures require accounting and financial control of the highest order. Yet, until only a few years ago very little attention was paid to governmental accounting. Even today the Federal government does not have an accounting system worthy of the name, and the same can be said for many municipalities and other public bodies.

Through its special committee on Governmental Accounting, the American Institute of Accountants has taken an active part, as one of the national organizations that constitute the National Committee on Governmental Accounting, in improving the quality and scope not only of governmental accounting and reporting but also of public administration generally.

The administrative device of budgetary control is peculiarly suited to the management of public affairs; the power to tax makes it so. Faithful use of and reliance upon it were never more necessary than they are today. We should know what a budget is. We also should know what it is not. To be more specific, we should know that

a budget is supposed to be a financial plan, the result of careful estimating, not just a lot of generalizations put down on paper as a matter of ritualistic procedure and promptly forgotten. As auditors we are particularly qualified to view the acts of management in relation to a budgetary plan.

Good accounting and budgetary control should be helpful in efforts toward economy. The Federal government has embarked upon the greatest peacetime spending program in its history; a program which probably will entail more spending than for the first World War. While national defense is the job of the Federal government, the states and their local governments will have to carry a part of the burden. As a matter of fact, they already are doing so. Every level of government will be affected.

In such a situation economy ceases to be just a virtue; it becomes also a patriotic duty, and should be rigidly practiced. Every dollar spent for defense should buy a full dollar's worth of defense; and the Federal, state, and local governments should not spend a dollar on defense or any other activity that can be saved. Economical management doesn't just happen. It is the result of careful study, intelligent planning, and skillful direction. It presupposes withdrawing from, or refraining from carrying on, any activity that is not essential, and effective organization of those activities that are essential.

With current increases in production and the improvement in business generally, there has been a reduction in the cost of relief. State and local governments must do their share to see that such

savings are not lost by increased costs of other activities or development of new activities, but, on the contrary, that they are either passed along to the taxpayers in reduction of taxes or used to reduce the debt.

Many public officials issue comprehensive and informative reports to taxpayers, and the number is steadily increasing. However, a large portion of the 160,000 agencies of local government still make no such accounting, or at best a most inadequate and unsatisfactory one.

Economy and efficiency in government are not a necessary result of better accounting methods and more informative reports, but such methods and reports are almost invariably the first step toward improvement. It is a responsibility of all citizens to see that all services really necessary for the community are administered and operated efficiently, that no such service extends its activities beyond the reasonable requirements of the community, and that unnecessary activities are eliminated. Only by vigilance in these matters can we stop the continuing increase and bring about a decrease in the terrific burden of local and state taxes.

SOCIAL GAINS

The increases in Federal taxes and in state and local taxes to which I have referred are undoubtedly justified in part by the social gains achieved and by the greatly increased activities of government in doing for citizens what they formerly did for themselves.

But it must be borne in mind that we cannot win a war, or build up adequate defense against a possible war, and still carry on business as usual. Each of us must make some sacrifice. We are asking young men to give up their business and professional careers to enter the armed services, we are asking capital and management to take increased risks and pay increased taxes, and we must expect all other citizens, agriculture, labor of all kinds, and all professional and business men to make equivalent contributions.

We are vitally in need of greater total production. To obtain this requires the elimination of wastes and inefficiencies, the elimination of restrictions or controls that interfere with production, and also greater efforts and co-operation. If, in addition, it requires greatly increased hours of work, such increases should be given willingly and cheerfully.

The danger is that we will not provide defense fast enough, first for Great Britain and then for ourselves. As a nation we have grown soft, we work shorter hours and we take long week ends and vacations.

Our wage and hour law was advocated to help increase employment, but there is already a shortage of trained and qualified men in some industries. The reduction of hours is much more dangerous

than the requirements for increased wages. It seems obvious that the production needed for adequate defense, in time to be of value, will require many more hours and much harder work by all of us. France did not give up her forty hour week until it was too late. England was very slow to change its business customs to make possible adequate preparations for defense. Are we willing to look the situation frankly in the face and do what we obviously should do for our own protection?

If we now seek to emphasize our social gains, and as a result fail to produce and lose the war and come under the control of the dictators, where will our social gains be then? Even if the United States is not attacked in war, it will be attacked economically. We must be prepared to defend ourselves economically.

While reduction of hours is more dangerous than increased wages, we must realize that increased wages, caused by paying time and one-half for time over forty hours or any other limit set by law, will be paid by all of us and not by the employer. The employer merely increases his costs and increases his prices accordingly, and we pay the increases in what we buy, or we pay through taxation for the increased prices of the products the government buys. Broad approval or disapproval of the wage and hour law must be based on whether the total wages of one group, including time and one-half for the overtime which must be put in if each of us is to do his share in the present emergency, are unreasonably large in comparison with wages of others and with the net return, after deducting taxes, to capital and to management.

PRICES

I have mentioned increased prices because of increased costs of labor. Increased costs are one influence and probably the most important influence in increasing prices, but prices are also affected by increases in demand, by a scarcity of supply, or by artificial price controls on the part of the government, or management, or labor. The government can and should use every reasonable effort to keep prices from increasing unduly and can bring some influence to bear upon demand, supply, and price controls. It has relatively less control over costs, but, even with costs it can use its influence if it is willing to do so.

In only a few cases can we fairly blame price increases on excessive profits. Business as a whole makes a very small profit, in fact, profits are too small for the economic well being of the country. The enterprise system is rightly referred to, not as the "profit system" but as the "profit and loss system."

Reports by the Treasury Department based on the income tax returns of all active corporations show that, for the twelve years 1927 to 1938, inclusive, the net profit after taxes was, on the average for all twelve years, only 3% of the net worth or capital invested. The highest rate of return, 7.5%, was earned in 1929 and the lowest, a net loss for all corporations of approximately 3%, was made in 1932.

A recent compilation of reports for two hundred active companies shows that, while profits have increased substantially for

the nine months ended September 30, 1940, over the similar period for the year 1939, the increase in profits is not equal to the increase in volume of sales.

Therefore, with the very small average margin of net profit, if we are to prevent price increases, we must prevent increases in costs, both the costs of industry and the costs of government which industry must pay through taxes.

It is well known that, with a high level of operations and pressure for increased output, costs are likely to get out of hand unless continuously and carefully checked. One of the best tools for management to use in checking is budgetary control. I have already mentioned its value in connection with governmental accounting, and it is equally important for business enterprises. Another effective tool for management is a detailed control of operations through setting of standards as to what materials, labor and overhead expenses or burden should cost. Then actual current operations are compared with such standards, and management is advised promptly as to any points at which actual costs are exceeding the standards that have been set.

While in the past it has been the practice to report such variations between actual costs and standards monthly, or perhaps weekly, such reporting periods are not effective under present conditions, and industrial accounting should now be planned to give daily control. Daily reports not only help toward current correction of matters that should be corrected, but keep the idea of cost control constantly before each man, and keep the whole organization on its toes.

After the present war there will be intense competition for trade all over the world, and the only way that we can exist in competition outside of our own tariff walls is through lower costs of production. With our higher wages and higher living standards we can compete only through greater uses of capital and better methods by which we will produce a vastly greater total of items per man hour.

We would all like to see the present standards of wages and living conditions not only continued but improved, and the only way in which this can be accomplished is by doing everything possible to eliminate waste and increase efficiency, and on the other hand by removing every law or regulation which tends to retard or limit production.

After a fairly long experience working with numerous enterprises in this country, I have great confidence that American management will direct American labor in effective use of American capital so that, if government will co-operate with and not obstruct the enterprise system, improvement in the real standard of living will continue to be made in the future as it has in the past one hundred years, prior to the last ten.

LABOR UNIONS

I have referred at some length to social gains. Probably the greatest increases in social gains of the last ten years have gone to wage earners. While, in these ten years, length of the work week has decreased approximately 25%, the average weekly wage is greater, and, inasmuch as the cost of living is less, the purchasing power of the substantially shorter week is nearly 20% higher now than in 1929.

With these increased rewards, and with increased opportunities, labor and especially union labor must also assume increased responsibilities.

Recently several labor leaders, who have been honest with their members, have stressed to them the relations between wages, costs and prices, have pointed out the necessity for a business making a profit if it is to continue, and have warned against unreasonable restrictions of output or increase of wages which will drive costs up to a point where the company would have to cease doing business.

A recent editorial by William Green in the American Federationist calls attention to an agreement, between a large metropolitan union and a commercial concern, which contains a provision that the concern will permit examination of all its records by a certified public accountant chosen by the union, for the purpose of "ascertaining those representations which have been made by the company with respect to losses sustained in the operation of this business."

In view of the fact that labor disputes may often rest upon misunderstanding of the profits made by a particular concern, an agreement of this character seems most appropriate. As Mr. Green points out, under this procedure discussion between company and union is properly confined to the "consideration and interpretation of facts."

We have heard a great deal in recent years about the "forgotten man." I wonder if the real forgotten man is not the average union member, who does not aspire to office in the union but merely does his day's work conscientiously and effectively. Such a man is entitled to protection from possibly dishonest or racketeering officers of his union.

Stockholders have been protected by annual audits by independent public accountants and this protection has been extended by the activities of the Securities and Exchange Commission, requiring greater disclosure of facts regarding the operation of the companies and especially of the relationship between these companies and its officers and directors. If such protection is deemed to be necessary for the average stockholder, is it not even more important to give similar protection to the average member of a union? All unions should be required -- not only by their own by-laws, but by legislation if necessary -- to have audits by independent public accountants and publication of such audits at least to all members.

An inquiry made recently of forty unions affiliated with the American Federation of Labor brought the following information: Replies were received from seventeen of the forty affiliates. Fifteen were audited by independent certified public accountants but of this

group only two reported that their statements were published in the magazine of their union. Two of the seventeen reported that their audits were made by members of the union, not certified public accountants. Of these two, one reported that its statements were made public.

From the above record it is clear that the importance of independent audits has been recognized, but the protection to the individual member is much less than it should be in the case of the majority of these unions.

That protection is needed for members of unions is clearly indicated by recent cases of unfaithful union officials that have been reported in the newspapers. The recent report of the Citizens Committee on the Control of Crime in New York lists and comments upon nine conspicuous cases of rackets involving labor unions in New York City that have been uncovered in the year 1940.

The English trade-union act provides for voluntary registration of unions, the chief benefits of which are, that they may carry on their affairs through a board of trustees having a continuing existence, and that their benevolent funds gain a limited exemption from taxation. In return, the unions must file with the registrar an annual accounting of their general funds, as well as a copy of their rules, which must provide for an annual audit and for inspection of books and membership lists by any person having an interest in the funds of the union.

Every English trade union, whether registered or not, must make a periodic accounting of its political funds.

Honestly administered American unions will not oppose but will welcome independent examinations, for independently audited published financial statements support a presumption of their officers' integrity; they inspire the trust of the membership and the confidence of the general public.

COOPERATION

The enterprise system includes all involved in an enterprise -- not merely the management, not merely the capital, but all concerned -- capital, management and labor. They are all interested in the success of the enterprise, and to make it successful all must cooperate.

The normal condition in this country is that of intense competition, between all enterprises in an industry, and between one industry and another. If an enterprise can not meet this competition and is forced to close there is an immediate loss of capital and a loss to management, but the greatest loss is to labor. Any attack on business hurts labor more than it hurts either management or capital.

Our whole civilization is built upon the enterprise system. Every citizen of this country is directly or indirectly supported by enterprise and all the money spent by government must eventually come from enterprise, out of its margin between other costs and selling prices. With such mutuality of interests should there not be the friendliest and closest cooperation between all enterprises and all governmental bodies in an endeavor to improve the conditions of all citizens?

At the present time nothing would be more stimulating to the American people than the public spectacle of government and enterprise working more closely together, with government really doing everything it can to encourage enterprise, and with enterprise doing everything it can to help government.

Government can encourage enterprise, as I have already suggested, by improving the tax structure and by more efficient control over expenditures of government funds. In addition, government can assist in the following ways:

1. Make it a basic policy to avoid any activity which will compete with private enterprise.
2. Give full protection to the employer as well as to the employee in labor disputes which require government action in their adjustment.
3. Remove in so far as possible the burden on enterprise of excessive numbers of reports or excessive volume of information required.
4. Remove restrictions and obstructions, local, state or Federal, to the free interchange of goods and services.
5. Remove any restrictions as to expansion of enterprise and encourage all expansion that is in the public interest.
6. Provide the leadership necessary to awaken all citizens from complacency and indifference, and to stimulate public enthusiasm toward cooperation in advancing the defense program with utmost speed.

The defense program is lagging. Few groups or individuals have thrown themselves whole-heartedly into the work and forgotten their own selfish interests. The public is in doubt as to whether an emergency actually exists, and if so how acute it is. Each group is suspicious that an alleged emergency may be merely an excuse to take away something that group now has.

I believe there is an emergency. I think the President believes there is an emergency. If so he should make the facts known to the public, so there can be no doubt on the part of any individual or any group. To remove any thought of politics, I suggest that ~~Mr. Willkie also, as~~^{the} leader of the "loyal opposition", *also* tell the American people what must be done and emphasize the need of ~~utmost~~ speed.

~~We have heard from Mr. Knudsen. Let's hear, without further delay, from both Mr. Roosevelt and Mr. Willkie.~~

The first step toward improvement must be taken by the President. ~~He must clearly show that he means business.~~ He must put the defense program in the hands of those who know how to provide the things needed for defense. He must tell all groups and all citizens exactly what sacrifices each must make, and how they can cooperate most effectively.

I firmly believe that, with cooperation in spirit and action, the system of free private enterprise will produce defense materials and supplies in immense quantities and with the utmost speed, and that, after the present emergency, it can and will go forward to standards of living and real social gains for all, which will be far in advance of any we have known.

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