'98 NOV 6 PM 5:47

epsa

Electric Power Supply
Association

1401 H Street N.W.
Suite 760
Washington DC 20005
202/789-7200
202/789-7201 fax
epsa@mindspring.com
www.epsa.org

November 6, 1998

The Honorable William Jefferson Clinton
President of the United States
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

11-6-98
Burkhardt
To Stern for reply?
Yes ✓ No ___

B.

Coordinate w/ Stern

Dear Mr. President:

The Electric Power Supply Association (EPSA)
letters of intent on global climate change from s
These letters express our member companies'
with the Administration to identify ways in whicl
would be consistent with the Administration's g
particularly as it relates to U.S. greenhouse ga:

Today we are providing letters from four leader
generating industry—The AES Corporation, Ca
Corporation and U.S. Generating Company. We look forward to providing you with approximately six additional letters of intent from other EPSA member companies in the next two weeks.

EPSA is very pleased to follow-through on the commitment we made to the White House Climate Change Task Force in September to obtain letters of intent from our members on the climate change issue. EPSA views these letters as a very positive starting point for discussions with the Administration toward firm company-level commitments to take voluntary action to reduce greenhouse gas emissions from the U.S. electricity generation sector.

Thank you for the opportunity to work cooperatively on this important issue. We look forward to continuing to work with you to use the environmental and efficiency benefits of competitive market forces to serve broader public policy objectives.

Sincerely,

Lynne H. Church

Lynne H. Church
Executive Director

Chron

'98 NOV 6 PM5:47

AES Corporation
The Global Power Company

November 2, 1998

Dennis W. Bakke
President
Chief Executive Officer

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

11-6-98
To ~~Stern~~ Burkhardt for reply?
Yes ✓ No —

coordinate w/ B. Stern

Dear Mr. President:

This letter outlines the AES Corporation's con
reductions of carbon emissions to address the
climate change.

The AES Corporation is an independent powe
Arlington, Virginia. Founded in 1981, AES is
electricity companies in the world, operating c
generation and distributing electricity to almo

AES is one of several independent power com
forces, have in recent years constructed new, more efficient generating facilities in the United States. These facilities displace generation from older, less efficient power plants and yield a net reduction in emissions of pollutants, including greenhouse gases. We therefore believe that encouraging the construction of new, clean generation facilities is consistent with the Clinton Administration's objectives of reducing greenhouse gas emissions through voluntary actions.

In addition to constructing new plants, AES has pioneered the concept of so-called "CO_2 offset" projects. Such a project would offset the CO_2 emissions of a power plant by reducing greenhouse gas emissions in some other part of the globe — perhaps by planting trees, protecting forests, or reducing methane emissions (another greenhouse gas, like CO_2). AES now has a total of five such projects in Brazil, Paraguay, the Amazon basin, Guatemala, and India. Together these projects are expected to reduce greenhouse gas emissions by 70 million tons of carbon equivalent over the project lives — equivalent to the emission from 1000 megawatts of coal-fired power plant capacity, or 2500 megawatts of gas-fired capacity operating over the plant's lifetime.

Our motivation for these voluntary reductions is "social responsibility" — AES is committed to produce electricity in a socially responsible way, which in the case of these businesses included voluntary extra environmental actions to address potential global climate change damage. While we do not promise to do an offset project for every power business we undertake, we will commit to do some form of extra "social responsibility" project for each of our businesses, and we will continue to consider CO_2 offset projects when appropriate. For example, our newest CO_2 offset project was done for an AES business in England — a forest protection project in Brazil. We would be happy to share with others the experience we have learned in designing and overseeing these global warming projects.

1001 North 19th Street
Arlington, Virginia 22209
(703) 522-1315
Telecopier (703) 528-4510

Our participation in this process would be helped by certain actions of the Administration that would facilitate the industry-wide emission reductions it seeks. Specific actions that support these objectives would include:

- providing support for the enactment of comprehensive restructuring legislation, as well as environmental and other regulatory programs, that (1) eliminate barriers to market entry for new participants, (2) provide clear price signals for net environmental and efficiency improvements, and (3) are conducive to the permitting and construction of new generating units;

- removing existing — and not imposing new — regulatory barriers that impede the approval and construction of new power generation facilities;

- providing sufficient assurances that we will not be penalized for emission reductions or sequestration made under this agreement in the implementation of any future regulatory or tax program related to global climate change.

We appreciate the opportunity to work with you to use the environmental and efficiency benefits of competitive market forces to serve broader public policy objectives.

Sincerely,

DWB/jh

CALPINE

50 WEST SAN FERNANDO STREET
SAN JOSE, CALIFORNIA 95113
408.995.5115
408.995.0505 (FAX)

October 30, 1998

'98 NOV 6 PM5:48

11-6-98
To ~~Stern~~ Burkhardt for reply?
Yes ✓ No __
B.

The President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

The competitive power supply industry has br
efficiency improvements to the power generatio
Generating efficiency has increased by about 50
Public Utility Regulatory Policies Act (PURPA) of
competitive power suppliers' construction of ne
purchase and upgrading or replacement of existing

coordinate w/

By 2001, the competitive power supply industry i
than 20 percent of the nation's installed generating ... or
increased efficiency have also driven competitiv ... onal
utility industry standard of 86 percent online availa ... andard
of over 95 percent availability.

Calpine Corporation's operations reflect the record of the competitive power supply industry generally, by setting high standards for efficiency and environmental performance. Calpine is a leading power company based in Northern California and is focused on building and operating the cleanest, most efficient and best-managed power plants in the United States. Calpine currently supplies electricity for nearly two million families in California, Washington, Texas, Florida, Virginia and New York.

Indeed, Calpine is a leading developer of efficient and clean, combined-cycle merchant plants utilizing state-of-the-art equipment with over 5,500 megawatts in operation and currently under development. The company has set a target of the construction of an additional 6,000 megawatts of new merchant power plants by the end of 2003. We are also continuing our commitment to geothermal power – a field in which Calpine is a world leader as a source of renewable power.

Driven by competitive market forces, our construction and acquisition activities effectively displace generation from older, less efficient plants, thereby yielding a net reduction in emissions of many pollutants, including greenhouse gases. We believe that these activities are consistent with the Clinton Administration's objectives of reducing greenhouse gas emissions in the United States through voluntary actions. Accordingly, we pledge to work cooperatively with the Administration to shape, and participate in, the framework within which such sector-wide emission reductions will be made. Our participation could involve entering into voluntary early-action agreements on electricity-sector greenhouse gas reductions.

Our cooperative participation in this process may be contingent upon certain actions of the Administration that will facilitate the industry-wide emission reductions it seeks. Specific actions that support these objectives could include:

- Providing active support for the enactment of comprehensive restructuring legislation, as well as environmental and other regulatory programs, that 1) eliminate barriers to market entry for new participants, 2) provide clear price signals for net environmental and efficiency improvements, 3) *provide incentives for the construction of new, clean and highly efficient generating units to replace older, less efficient units, and 4) preserve existing renewable generation and encourage new renewable generation*.

- Developing and implementing a program that provides ton-for-ton credit for actions that reduce, avoid or sequester domestic greenhouse gas emissions, for verifiable past actions reported under the EPAct 1605(b) program, as well as future actions, in a manner that does not disadvantage new market entrants.

- Removing existing – and not imposing new – regulatory barriers that impede the approval and construction of new power generation facilities.

- Providing sufficient assurances that we will not be penalized for emission reductions or sequestrations made under this agreement in the implementation of any future regulatory or tax program related to global climate change.

We also look forward to working collaboratively with the Administration to develop protocols for the measurement and verification of emissions, including reduced and/or displaced emissions. In addition, we expect to work with the Administration to define appropriate baselines and rules, under which credit for voluntary actions may be earned, including cases where firms with clean, efficient performance records lack conventional historic emission baselines.

We appreciate the opportunity to work with you to use the environmental and efficiency benefits of competitive market forces to serve broader public policy objectives.

Sincerely,

Peter Cartwright

Peter Cartwright
Chairman, President and Chief Executive Officer

PC:JER:at

'98 NOV 6 PM5:48

UNITED AMERICAN ENERGY CORP.

October 29, 1998

11-6-98

The Honorable William Jefferson Clinton
President of the United States
1600 Pennsylvania Avenue, N. W.
Washington, D.C. 20500

To ~~Stern~~ Burkhardt for reply?
Yes ✓ No ___
B.
coordinate w/ Stern

Dear Mr. President:

The competitive power supply industry has brought signific
to the electric power generation sector over the past twenty
fifty percent since the enactment of the Public Utility Regul
increase is largely due to competitive power suppliers' const
facilities have been built during a period of increasingly hig

By 2001, the competitive power supply industry is expected
of the nation's installed generating capacity. This figure incl
plants from regulated utilities to ownership by unregulated su
followed market incentives to achieve substantial improveme
The goal of this letter is to advocate the successful practice of market incentives to promote improvements in environmental performance consistent with certain of the Administration's stated objectives.

United American Energy was one of the first companies to respond to the market incentives that PURPA offered, entering the independent power market in 1980. Our company supports the national goals of continually improved environmental standards through our investment and operations in hydroelectric power, waste to energy and cogeneration plants. Our construction and acquisition activities effectively displace generation from older, less efficient power plants, thereby yielding a net reduction in emissions of many pollutants, including greenhouse gases. We also have a successful track record of turning around projects who are not meeting their fuel efficiency or environmental goals. We are supportive of the administrations initiative to reduce greenhouse gases, and are prepared to work with your Administration, in coordination with the Electric Power Supply Association, to create market based incentives that will meet that goal.

Our level of participation in this process would be influenced by the willingness of your Administration to create market based incentives for environmental goals. We would like to make some specific recommendations to the Administration that support these objectives:

- Providing active support for the enactment of comprehensive restructuring legislation, as well as environmental and other programs, that (1) eliminate barriers to market entry for new participants, (2) provide clear price signals for net environmental and efficiency improvements, and (3) are conducive to the permitting and construction of new generating plants.

- Developing and implementing a program that provides ton-for-ton credit for actions that reduce, avoid or sequester domestic greenhouse gas emissions, for verifiable past and future actions reported under the EPAct 1605(b) program, in a manner that does not disadvantage new market entrants.

- Removing existing – and not imposing new – regulatory barriers that impede the approval and construction of new power generation facilities.

50 TICE BOULEVARD, WOODCLIFF LAKE, NEW JERSEY 07675 (201) 307-1818 FAX (201) 307-1020

- Providing sufficient assurances that participants will not be penalized for emission reductions or sequestration made under this agreement in the implementation of any future regulatory or tax program related to global climate change.

We also look forward to working collaboratively with the Administration to develop protocols for the measurement and verification of emissions, including reduced and/or displaced emissions. In addition, we expect to work with the Administration to define appropriate baselines and rules under which credit for voluntary actions may be earned, including in cases were firms with clean, efficient performance records lack conventional historic emission baselines.

We appreciate the opportunity to work with you to use the environmental and efficiency benefits of competitive market forces to serve broader public policy objectives.

Sincerely,

David Goodman
President, Chairman, and CEO
United American Energy

cc: Lynne Church, Electric Power Supply Association

98 NOV -

U.S. Generating Company

7500 Old Georgetown Road
Suite 1300
Bethesda, MD 20814-6161
301.280.6800
Fax: 301.280.6900
Internet: www.usgen.com

November 2, 1998

11-6-98

To ~~Stern~~ Burkhardt for reply?
All
Yes ✓ No __

coord. with B. Stern

The Honorable William Jefferson Clinton
President of the United States
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

The competitive power supply industry has br ... cy improvements to the power generation sector ... largely due to construction of new, clean plants and, ... replacement of existing generating plants. By ... y is expected to own and operate more than 20 pe ... acity. Market incentives for increased efficiency hav ... e the traditional utility industry standard of 86 per ... ed standard of more than 95 percent availability.

PG&E Corporation is an energy-based holding company headquartered in San Francisco. The Corporation's U.S. Generating Company develops, builds, operates, owns and manages power generation facilities to supply wholesale and industrial customers. U.S. Generating owns and operates one of the nation's largest non-utility portfolios of efficient, reliable electric power and cogeneration plants (7,000 megawatts) and currently has more than 4,500 megawatts under development for merchant sales into the competitive power market. [1]

Driven by competitive market forces, U.S. Generating Company's construction and plant acquisition activities effectively displace generation from older, less efficient plants, thereby yielding a net reduction in emissions of many pollutants, including greenhouse gases. We believe that these activities are consistent with your Administration's objectives of reducing greenhouse gas emissions in the United States through voluntary actions. Accordingly, we pledge to work cooperatively with you to shape and participate in the framework within which such sector-wide emission reductions will be made. We hope that our participation could lead to voluntary early-action agreements on electricity-sector greenhouse gas reductions.

[1] Additionally, PG&E Corporation's other unregulated businesses provide a wide range of energy products and services on a national basis: PG&E Gas Transmission owns and operates approximately 10,000 miles of natural gas pipelines, storage facilities and processing plants in the Pacific Northwest and Texas; PG&E Energy Services provides customers nationwide with competitively priced natural gas and electricity, and services to manage and make more efficient their energy consumption; and PG&E Energy Trading purchases and resells energy commodities and related financial instruments in major domestic markets. Pacific Gas and Electric Company, the Corporation's regulated utility, provides gas and electric service to one of every 20 Americans.

Our participation in this process will be enhanced by certain actions of the Administration that will facilitate the industry-wide emission reductions it seeks. Specific actions that support these objectives could include:

- providing continued active support for the enactment of comprehensive electric restructuring legislation.
- pursuing environmental and other regulatory programs, that (1) eliminate barriers to market entry for new participants, (2) provide clear price signals for net environmental and efficiency improvements, and (3) are conducive to the acquisition of existing plants and the permitting and construction of new generating units.
- developing and implementing a program that provides ton-for-ton credit for actions that reduce, avoid or sequester greenhouse gas emissions, for verifiable past actions reported under the EPAct 1605(b) program, as well as future actions, in a manner that does not disadvantage new market entrants.
- providing sufficient assurances that we will not be penalized for emission reductions or sequestrations made under this agreement in the implementation of any future regulatory or tax program related to global climate change.
- committing to measure and report annually all greenhouse gas emissions and removals by sinks on Form 1605(b) under the Voluntary Reporting of Greenhouse Gases Program managed by the EIA and to have such reports verified by a third-party independent auditor.

We also look forward to working collaboratively with the Administration to develop protocols for the measurement and verification of emissions, including reduced and/or displaced emissions. In addition, we anticipate working with the Administration to define appropriate baselines and rules under which credit for voluntary actions may be earned, including in cases where firms with clean, efficient performance records lack conventional historic emission baselines.

We greatly appreciated the recent meeting with Vice President Gore, other senior Representatives of your Administration, and Representatives of the electric generating sector, and look forward to further opportunities to exchange ideas on this critical issue.

Sincerely,

P. Chrisman Iribe

P. Chrisman Iribe
President and Chief Operating Officer

cc: Vice President Al Gore
Administrator Carol Browner
Steven L. Kline, PG&E Corporation
Mark V. Carney, U.S. Generating Company

THE WHITE HOUSE

WASHINGTON

'98 OCT 15 PM5:45

October 15, 1998

MEMORANDUM FOR PHIL CAPLAN

FROM: DAN BURKHARDT

SUBJECT: INTERN ALLOCATION FOR CORRESPONDENCE

Attached is a memorandum from Judithanne Scourfield regarding a decision by Virginia Apuzzo to reduce the number of interns allocated to the Correspondence Department.

My understanding is that Virginia undertook her review of this department's allocation based upon a discussion with one Correspondence intern who was not satisfied with her experience. Unfortunately, Management and Administration gave us no opportunity to address the concerns of that particular intern or to present information regarding Correspondence intern satisfaction in general before our intern allotment was cut.

Although the reduction was a done deal for the Fall 1998 session, I ... reevaluation of the decision for futu... accompanying materials, Correspor... high and does not warrant any cut ir... per cent cut in our program made by...

I am prepared to discuss this at your ... Management and Administration is ... for the Spring '99 session. Thank yo...

Attachment

11-6-98

Dan -

Do we need to discuss this?

Phil

THE WHITE HOUSE

WASHINGTON

October 15, 1998

MEMORANDUM FOR DAN BURKHARDT

Subject: Correspondence Department Intern Program

From: Judithanne Scourfield

As you know, I was called to a meeting with John Dankowski and Alison Kolwait on Tuesday, September 1st at 5:30 p.m. (Fall 1998 interns were scheduled to arrive at 8:00 a.m. on Wednesday, September 2nd). John informed me that, based on a discussion that Virginia Apuzzo had with Correspondence interns last session, and based on Virginia's and Mike Malone's assessment of Correspondence Department intern evaluations that:

- Correspondence interns felt supported, needed, appreciated, and well-treated by their supervisors;

- Management and Administration appreciated the programs and activities sponsored by the Correspondence Department for its interns; but

- the work assigned by Correspondence staff was clerical, administrative, and our interns were "bored to tears" and "were not learning anything."

Therefore, Virginia decided to cut the Correspondence intern program from the **19 requested interns to 12 interns for the Fall 1998** session. John said that it would be up to the Correspondence Department to allocate the 12 interns among the Correspondence departments that provided the best intern experience. Although John welcomed the submission of a "plan" from Correspondence to Management and Administration to justify an increase to 19 for the Spring '99 intern session, he made it clear that we had no recourse to correct the situation before the interns arrived the following morning. This decision was particularly surprising because at the Fall 1997 Management and Administration/White House Intern Program Focus Group meeting, the Correspondence Department internship program was held up as a model for other departments to emulate.

Virginia's decision was, in part, based upon the White House Intern Program evaluations and the Correspondence Department Intern evaluations. The 14 WHIP evaluations and the 17 Correspondence Department evaluations yielded similar data. The overwhelming majority of students enrolled in the Correspondence Department Internship Program found their internships to be educational and enjoyable. Only 2 interns submitted negative evaluations. One student worked in Presidential Inquiries. Carrie Street, Deputy Director of Presidential Inquiries, and I repeatedly tried to motivate this student to do more than address greeting cards, and I had numerous conversations with Alison Kolwait about this "problem" intern. The summer session is so short, however, that we did not consider removing her from the Correspondence Intern Program. The second student worked in the Office of Student Correspondence. This intern came to me early in the session and explained that she was an ROTC cadet from Harvard and that she wanted to work on foreign policy/national security issues. I explained that there wasn't anything that I could do to help her because NSC does not use interns and interns do not assist in writing foreign policy for the President. She mentioned in her evaluation that although she wished that her foreign policy skills could have been better utilized, she "enjoyed working there [Student Correspondence] and my opportunity to work as an intern is much appreciated!"

I want to emphasize that we were not given an opportunity to address whatever problems Virginia believed existed but were only informed of her decision. This decision was based on "negative" evaluations that were not made available to me at the time of my meeting with John. I received no warning that this decision would be made, and the decision was made without any feedback from our department.

This decision has affected the ability of the Correspondence Department to carry out its mission -- a mission that is greatly valued by the President. We are already understaffed, and the interns we were allotted are 50% fewer than we need. (During the Fall 1997 Session we had 23 interns; during the Fall 1998 session we were allotted 12 interns.) Although 20 may seem like a large number of interns for one department, Correspondence interns do not all sit in one room; they are each assigned to one of 11 different departments within Correspondence. Each office has one or two interns who become an integral part of the staff in that office, working alongside staff and performing staff-level work.

Unfortunately, we only have 10 interns this session, due to problems and unforseen occurrences with the specific interns assigned to our department. Three interns reduced their hours to less than half of the minimum requirement (25 hours per week during Spring and Fall sessions) and one intern needed to be removed from the Correspondence Department Program because he was unable to complete his assignments. The Intern Program assigned two interns to our department as replacements, so we are left with only 10 interns who are meeting the requirements of the Intern Program.

Attached are a brief description of our program as well as copies of all summaries of Correspondence intern evaluations that I compiled as Director of the Correspondence internship program for the last 6 internship sessions. You will notice that the evaluations are extremely positive, with our interns rating their experience as a Correspondence intern between 4 and a 5 on a 5-point scale (with 5 being "excellent").

	Overall Experience at the White House	Overall Experience in your Corr. Office
Summer II 1998	4.12	4.65
Summer I 1998	4.56	4.5
Spring 1998 final	4.27	4.54
Spring 1998 mid-term	4.42	4.5
Fall 1997 final	4.8	4.8
Fall 1997 mid-term	4.65	4.7
Summer II 1997	4.54	4.46
Summer I 1997	4.26	4.3

Although Management and Administration considered this decision final for the current session, we must and should seek a reevaluation based upon the facts we know regarding our program. Thank you for your help on this matter.

Attachments

Correspondence Internship Program

Typically there are 25 interns per session who work in the following departments*:

Agency Liaison
Director's Office
E-mail
Gift Unit
Mail Analysis
PLM
Presidential Inquiries (Comment Line & Greetings Office)
Presidential Messages
Special Projects
Student Correspondence
Volunteer Office

As a part of our Correspondence Department orientation, we sponsor an **Orientation Session** at which all Correspondence Directors introduce themselves to the new interns, all new interns are taken on a **tour** of the Correspondence Department offices to see hands-on how each office works, and all interns receive **Quorum training** (to learn from a consultant how to use this program that we use to track presidential correspondence).

During the session the Correspondence Department sponsors events and activities designed to enhance the educational experience for Correspondence interns:

-Brown Bag Lunches (featuring career Correspondence staff members, Correspondence staff who were Correspondence interns)
-Coffees (social functions, invited guests include Socks)
-Office Swap (opportunity to work in other Correspondence offices)
-Historical Tour of the OEOB designed to enhance appreciation of our beautiful office building
-Attend a press briefing

At the conclusion of the intern session, we sponsor a farewell reception for our interns (at the bowling alley, basketball court, or Indian Treaty Room).

*Since I have been Director of the Correspondence Department Internship Program, our allotment has been as follows:

Spring 1997	27
Summer I 1997	26
Summer II 1997	28
Fall 1997	24
Spring 1998	19
Summer I 1998	21
Summer II 1998	18
Fall 1998	12 (now 10)

Spring '98

THE WHITE HOUSE

WASHINGTON

May 18, 1998

MEMORANDUM FOR CORRESPONDENCE DEPARTMENT DIRECTORS AND INTERN SUPERVISORS

Subject: Spring 1998 End-of-Semester Internship Report

From: Judithanne Scourfield, Director of the Correspondence Department Internship Program

---

This semester we had 19 interns working in 9 different offices in the Department of Correspondence.

We conducted a Correspondence Department Intern Orientation Session after the Intern Program's orientation session. All of the department directors were present to welcome the interns and to explain the function of his/her department. We distributed an orientation and information packet to all of the interns, which included maps of the OEOB indicating where all of the Correspondence Department offices are located. Steve Horn set up all of the students' computer accounts and ensured that all were trained in Quorum. I took all of the interns on a tour of the Correspondence Department.

During the course of the semester we hosted coffees and brown bag lunches for the interns. Featured speakers included Socks and Correspondence Staff who were Correspondence interns. I brought most of our interns to a press briefing. We provided our interns with volunteer experiences outside the Department, such as the State Arrival Ceremony for Tony Blair (which, unfortunately, had to be moved inside) and the Easter Egg Roll. We sponsored a successful Correspondence Office Exchange Program, where our interns had the opportunity to work in other Correspondence Department offices for the day. And, finally, we hosted a Farewell Reception for the interns in the Indian Treaty Room, where we distributed the interns' inscribed and signed intern photos with the President and White House m&m's.

Students completed mid-term and final evaluations of their experiences in the Correspondence Internship Program. These evaluations are a testament to the quality internship experience that hour interns enjoy in the Correspondence Department. Once again, I thank all of the Department's Directors and Intern Supervisors who work so hard to ensure that our students' experiences here are both educational and enjoyable.

Below please find the results of the students' final evaluations.

Interns were asked to rate their experiences to the below questions using a one through five scale, with one being "poor" and five being "excellent." Correspondence Department averages for these questions were as follows:

1. Overall experience at the White House	4.27
2. Overall experience in your Correspondence office	4.54
3. Working relationship with your immediate supervisor	4.54
4. Working relationship with other interns	4.73
5. Working relationship with the volunteers	4.22
6. Working relationship with the Correspondence Department Internship Coordinator	4.18
7. Amount of work received	3.90
8. Variety of Internship Duties	3.90
9. Satisfaction with your internship duties	4.0
10. Contributions you have made to your Correspondence Office	4.1

Correspondence Internship Program Evaluation

The interns all felt as if they were kept informed of upcoming events and activities. They especially appreciated the Quorum e-mails that Carol and I would send them. They enjoyed the various coffees and brown bag lunches that we sponsored, although these weren't as frequent in April. The interns also enjoyed the opportunity to work in other Correspondence departments.

Departmental Evaluation

1. What type of work did you do in your office? What specific projects or activities enabled you to learn a new skill or that helped you to sharpen an existing skill?

I *drafted letters and messages, took care of the mail, and proofread letters in different stages of the editing process. New skills -- I sharpened my writing and editing skills, and I learned how to fax and make 2-sided copies -- something I'm very prod of.*

My people skills improved greatly.

I coded, data entered mail. I wrote some articles for the newsletter. In addition, I did common intern duties like running errands. The proofreading helped me sharpen my skills.

Paper flow, assigned IGA mail to writers, drafted letters and messages, proofreading . Helped improve details of writing and learned about professional correspondence. Also learned about policy, federal agencies, how it all works.

2. Comment about the role your immediate supervisor played in your internship. Was there enough interaction? Has there been too much or too little supervision? Were you given adequate training? Were your tasks clearly defined?

Across the board -- all of the interns enjoyed working with their supervisors and felt as if they were given adequate training and supervision.

3. Compare your expectations about the internship program with you actual experience as the White House. How has your internship satisfied or fallen short of your expectations?

I expected to be doing a lot more menial tasks than I actually do. Office placement was great. It's been really exciting.

mid-term

March 17, 1998

MEMORANDUM FOR CORRESPONDENCE DEPARTMENT DIRECTORS AND INTERN SUPERVISORS

Subject: Intern Mid-Term Evaluations

From: Judithanne Scourfield, Director of White House Volunteers and Correspondence Interns

---

Our Spring '98 interns completed their mid-term evaluations on Monday, March 9. Alison Kolwait, the new Intern Director, was in attendance at the meeting. Below please find the results of our evaluations.

The first section asked students to rate their experience as Correspondence interns using the following scale: poor (1) to excellent (5).

1. Overall experience at the White House	4.42
2. Overall experience in your Correspondence office	4.5
3. Working relationship with your immediate supervisor	4.64
4. Working relationship with other interns	4.78
5. Working relationship with the volunteers	4.0
6. Working relationship with the Correspondence Department Internship Coordinator	4.28
7. Amount of work received	4.21
8. Variety of internship duties	3.71
9. Satisfaction with your internship duties	4.0
10. Contributions you have made to your Correspondence office	3.92

The second section of the evaluation asked students to respond to the following questions. Excerpts from the evaluations follow.

1. Did you find the Correspondence Department Internship Orientation Session useful? What did you learn during the session?

It helped explain the structure of the department, which was very helpful. It was a lot of information to absorb in one day, though.

Yes. I learned exactly what the Correspondence Dept was and was able to meet other interns.

The session was useful. I learned how mail for the President and First Lady was handled.

The session was very helpful. I learned who the staff and interns are in each office and what each office does.

2. Was the Correspondence Internship Orientation packet valuable? What would you like to see included in or removed from future packets?

Yes -- I used it quite a bit.

The packet was thorough. I don't think anything was left out.

Yes. I think it provided tangible information about the offices with numbers to call for questions.

Everything was helpful, especially maps of offices so when we got sent to a person, we knew where he/she is.

3. Did you find the OEOB tour and Quorum training to be useful components of your Correspondence Department Internship Orientation? What other programs should be included as a part of future Internship Orientations?

The OEOB tour was very useful. I did Quorum training with my supervisor. I enjoyed it. He made it very simple. Use of the websites for the EOP and the White House should be included.

The tour was interesting but dragged on a little, It would have been better a week or so later so I could put names and faces together.

I thought both were useful and both contributed to my performance.

The OEOB tour helped me to understand the layout of the building and helped me to recall offices outlined in the Corr. Dept orientation.

4. Has the director of the Correspondence Department Internship Program been helpful in your internship orientation? Do you find her to be a valuable resource? What can be done differently to improve your internship experience?

Yes she has been helpful! It is great that she e-mails us about the events every week, etc.

Most definitely. She has been more receptive than the Intern Director for the White House.

Judithanne has been a help to me and has organized fun events for everyone. I wish we could meet more frequently, instead of every few weeks.

Yes -- Judithanne is always willing to help! I feel she is very approachable.

Departmental Evaluation

1. What type of work are you doing in your office?

Morning, Evening, and Weekly reports (for the Comment Line), talking on the Comment Line, helping the volunteers with birthday, anniversary, greeting cards.

Drafting letters and messages, editing and proofreading written material, research using library and Internet sources, assigning letters to writers, and running errands for the office.

Mostly logging gifts, but along the way I have learned more and get to do more as I learn.

I code letters of request (autographs, messages, pictures, etc.). I research requests and respond to miscellaneous questions. I help maintain the database.

2. Which projects have you found interesting or challenging? Which was most enjoyable?

Research on groups is interesting. Challenging -- dealing with eccentric/furious/mentally unstable people (smiley face).

I love the RESEARCH. That is the most challenging and enjoyable. Researching speeches and finding individuals via Internet are the most rewarding and enjoyable.

Every day is so different in the Gift Unit! That is what makes it fun.

Inquiries: I find the whole atmosphere enjoyable. I like knowing what is currently on the public's mind so -- Comment Line is quite interesting/challenging to deal w/ angry public.

I really enjoyed working on the Olympic letters. I have enjoyed each of the smaller research/writing projects given to me.

3. Comment about the role your immediate supervisor has played in your internship. Has there been enough interaction? Has there been too much or too little supervision? Have you been given adequate training? Have your tasks been clearly defined?

My supervisors have done a wonderful job in supervision, training, and giving special projects to work on. It has been a pleasure getting to know them and interacting with them. They want me to have a good experience.

My immediate supervisor has been a great leader. She gives us direction but in a way that is not condescending. Usually tasks are well defined but often there is so much to do it, it becomes overwhelming.

It has been great. It is nice to be treated, unlike some other offices, like an intelligent human being which has been a nice "plus" to our office.

My supervisor has been great. He treats us like staff. Everything in this office is a great intern experience.

4. What skills are you learning as you complete your office tasks? Has the staff in your office been helpful in teaching you new skills?

I'm mostly learning people skills, how to interact with others an such. How to deal with overwhelming amounts of work, one step at a time. I have learned these skills mainly by following staff member's leads.

I've learned more about computer skills, faxing and copying materials. The staff have been helpful.

The most valuable of all is how to deal with difficult people in a polite but firm manner and to communicate clearly and efficiently.

I have learned how to interact with a large staff. I have also learned to be patient with the public.

Correspondence Intern Program Suggestions

1. As part of the Brown Bag Lunch Series for Correspondence interns, we would like to sponsor a series of accompanying programs highlighting various features of our Department. What speakers, activities, or other events related to Correspondence do you suggest we include?

How about Buddy?

Keep the ones we have -- thanks for Socks!

Maybe a Radio Address.

Maybe a look at some entry level jobs in other departments to see what they do.

2. **What other programs or events should the Correspondence Department sponsor for its interns?**

The level of interaction of Corr interns w/ each other an staff is really great -- keep having meetings like this!

Maybe dinner together after work.

A West Wing tour some evening or weekend.

Bring in outside of Corr speakers. That way we can get some insight from a variety of offices that we don't deal with on a regular basis.

3. **List any additional suggestions that would be helpful as we continue to improve the Correspondence Department Internship Program.**

Every office should have at least 2 interns. It offers a better opportunity to meet interns.

See what can be done to make sure that quarter-length interns get a picture with the President.

TAM - I T

THE WHITE HOUSE

WASHINGTON

December 22, 1997

MEMORANDUM FOR CORRESPONDENCE DEPARTMENT DIRECTORS AND INTERN SUPERVISORS

Subject: Fall 97 Intern Evaluations

From: Judithanne Scourfield, Director of the Correspondence Department Internship Program

Departmental averages for the following questions were as follows (on a scale where 1 was poor and 5 was excellent):

1.	Overall experience at the White House	4.8
2.	Overall experience in your Correspondence office	4.8
3.	Working relationship with your immediate supervisor	4.8
4.	Working relationship with other interns	4.75
5.	Correspondence Dept Intern Programs	4.9
6.	Working relationship with the Correspondence Department Internship Coordinator	4.8
7.	Amount of work received	4.6
8.	Variety of internship duties	4.4
9.	Satisfaction with your internship duties	4.5
10	Contributions you have made to your Correspondence office	4.6

Correspondence Internship Program Evaluation

1. Did you enjoy/benefit from the Correspondence Department Internship program (brown bag lunches, coffee breaks, party, etc.)? What kinds of programs should be added/deleted next semester?

I appreciate the programs a lot, especially the Farewell Party.

The Brown Bag Lunches were a great way to get together and informally stay in touch

The programs were great. Please keep the panel of former interns.

Coffee breaks were great. I really enjoyed the panel on former interns who are now White House staff.

2. Was the Director of the Correspondence Department Internship Program helpful in your internship orientation? Did you find her to be a valuable resource throughout your time as an intern? What could she have done differently to improve your internship experience?

I thought the constant flow of e-mails was a good way to stay connected, which was important. The e-mails and her general attitude communicated a desire to help the interns have an educational and fun experience.

Judithanne was a wonderful resource for any questions or concerns and went out of her way to do special things for our dept.

Yes. Despite her busy schedule, she always had time for our concerns/questions.

Yes I really liked Judithanne and thought she went out of her way to make us feel at home.

Departmental Evaluation

1. What kind of work did you undertake in your office?

Mostly proofreading of Presidential Letters. I also wrote letters and messages and helped greatly with trip mail. I also did research for the writers, distributed IGA mail, made copies, opened office mail, walked letters to and from support, and ordered office supplies.

Evening and Morning reports, help with Comment Line and Greetings Office, Presidential inquiries Cookbook project.

Inputting mail into the computer and coding it.

Processing volunteer application materials. Organizing the Volunteer Speaker Series. Scheduling volunteers for the holiday Tours.

Log, track gifts.

A lot of PR type things, dealing with questions about messages and the process of guiding messages through the Dept.

2. Were you given any interesting or challenging project? If so, what were they? Did you find them

enjoyable?

Yes -- many! As well as logging gifts, I also enjoyed recalling gifts from Archives and preparing gifts received on trips to be sent to the Residence.

Yes. All my work is interesting and challenging.

I read the mail. It was quite an eye opener!

Yes. I really enjoyed writing the newsletter about the Secret Service and conducting the interviews.

3. Comment about the role your immediate supervisor played in your internship. Was there considerable interaction? Was there too much or too little supervision? Were you given adequate training? Were your tasks clearly defined?

She was wonderful. She included us in absolutely everything -- from office work to dinners at her house. She made sure we were interested in what we were doing and answered the many questions we had, teaching us everything we wanted to know.

She was extremely supportive and always provided the right amount of supervision. I greatly appreciated the amount of independence given to me. Through this, I have learned a great deal and have a valuable experience at the White House.

There was considerable interaction. She took a lot of time from her busy schedule to talk to me and answer my questions.

4. What skills did you employ most often in completing your office tasks? What new skills did your internship teach you? Was the staff in your office helpful in learning these new skills?

I learned a lot about working with people (often irate!) Which is probably one of the most important skills I'll ever develop.

Writing and proofreading skills

Tracking issues, using Spanish to translate letters, writing formal letters

I had to learn how to handle upset people on the phone which was never part of any other job I've had.

THE WHITE HOUSE

WASHINGTON

December 16, 1997

MEMORANDUM FOR CORRESPONDENCE DEPARTMENT DIRECTORS AND INTERN SUPERVISORS

Subject: Correspondence Department End-of-Semester Internship Program Report

From: Judithanne V. Scourfield, Director of the Correspondence Department Internship Program

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In July I worked with Maria Westfried in the Intern Office to **select** interns for the **Fall '97** semester. Later, I contacted the **eleven offices** in Correspondence who use interns to place them in an appropriate office. Due to the nature of the applicant pool and the quality of some of the interns we selected, we had quite a rocky start this semester. Jim Dorskind, Maria Westfried, and various intern supervisors and Department Directors and I were involved in multiple discussions regarding certain interns. Ultimately we were left with **23** good, hard-working, and enthusiastic interns for Fall '97.

We conducted a **Correspondence Orientation Session** after the Intern Program's orientation on September 8. All of the department Directors -- Agency Liaison, E-Mail, Gift Unit, Mail Analysis, Postal Unit, Presidential Inquiries, PLM, Presidential Messages, Presidential Support, Special Projects, Student Correspondence, the Volunteer Office, and Jim Dorskind -- welcomed the interns and explained the function of his/her department. Lori Abrams spoke to the interns about talking to the press and about appropriate topics for their school research papers. Steve Horn ensured that all students were **trained in Quorum** and that all of our interns had computer accounts set up in a timely manner. We distributed **information packets** for all of our interns, which included contact numbers for all of our offices and maps of the OEOB indicating where all of the Correspondence offices are located. During their first week I took our interns (in four separate groups) on **a tour of the Correspondence Department offices**.

During the course of the semester the Correspondence Department sponsored an aggressive series of educational and social programs for our interns. I brought most of our interns to a **press briefing** (which I can do in groups of four). Some of our interns had the opportunity to attend a **Correspondence Department Directors'** meeting. Others had the opportunity to volunteer at special White House functions, such as the **Fall Garden Tours** and for the **Chinese State Arrival Ceremony**. We sponsored a **brown bag lunch series** and some **afternoon coffees**. We combined the first of our lunches with our **mid-semester debriefing** and **mid-term evaluations** This provided some useful feedback and suggestions for programs and activities for the remainder of the semester. Our second brown bag lunch was a **roundtable discussion of Correspondence Department Staff who were once interns**. This panel included Diane Ikemiyashiro (PLM → PLM), Catherine Kitchen (Director's Office → Messages, Student Correspondence), Dana Strand (Agency Liaison → Student Correspondence), Melanie Shender (Agency Liaison → Agency Liaison), and Catherine Pacific (Scheduling and Appointments → Mail Analysis). Our third luncheon was a **roundtable** of **Correspondence Staff who have been here for multiple administrations**. This panel included Maureen Hudson (PLM) and Charlene Cozart (Agency Liaison). We also hosted **two coffees;** one was held in the **Greetings Office** (our **special guest was Socks**) and one was held in **Student Correspondence.** We also sponsored a successful **Correspondence Office Exchange Program**, where our interns had the opportunity to work a shift in another Correspondence Office. And, finally, we hosted a **Farewell Reception** for Correspondence Interns in the **Indian Treaty Room**, where we distributed the interns' inscribed and signed White House intern photos, White House m&m's, and contact sheet of Fall Correspondence interns.

Students also filled out their **final evaluations** for our department. These evaluations are a testament to the quality internship experience that our interns enjoy in our department. I thank all of the department directors and intern supervisors for their hard work in ensuring that our students' experiences here are educational and enjoyable.

Mid-term

October 20, 1997

MEMORANDUM FOR CORRESPONDENCE DIRECTORS AND INTERN SUPERVISORS

Subject: Mid-Semester Intern Evaluations

From: Judithanne Scourfield, x65443

I am pleased to report that our first Brown Bag Luncheon/Mid-Semester Evaluation was a success.

I will be giving you copies of the evaluations from interns in your office. Below please find the Correspondence Department averages (scale from 1 to 5, 1 for poor and 5 for excellent) for the first section.

1.	Overall experience at the White House	4.65
2.	Overall experience in your Correspondence office	4.70
3.	Working relationship with your immediate supervisor	4.65
4.	Working relationship with other interns	4.47
5.	Working relationship with the volunteers	4.41
6.	Working relationship with the Correspondence Department Internship Coordinator	4.5
7.	Amount of work received	4.4
8.	Variety of internship duties	4.00
9.	Satisfaction with your internship duties	4.45
10.	Contributions you have made to your Correspondence office	4.25

97

August 19, 1997

MEMORANDUM FOR CORRESPONDENCE DEPARTMENT DIRECTORS AND INTERN SUPERVISORS

Subject: Intern Evaluations, De-Briefing

From: Judithanne Scourfield, x65443

Yesterday Jim Dorskind and I met with the Correspondence Department Interns for our Summer II Intern Debriefing. Prior to our meeting, the interns completed the attached evaluation form.

The first portion of the intern evaluation asked students to rate their internship using the following scale:

1	2	3	4	5
Poor		Satisfactory		Excellent

		Departmental Average
1.	Overall experience at the White House	4.54
2.	Overall experience in your Correspondence Office	4.46
3.	Working relationship with your immediate supervisor	4.79
4.	Working relationship with other interns	4.46
5.	Working relationship with the volunteers	4.23
6.	Working relationship with Director of the Correspondence Department Internship Program	4.58
7.	Amount of work received	4.13
8.	Variety of internship duties	3.75
9.	Satisfaction with your internship duties	4.04
10.	Contributions you made to your Correspondence Office	4.29

The three **short answer** sections asked students to discuss the Correspondence Department Internship Program, their experience working in their correspondence office, and their overall evaluation of their internship.

Correspondence Internship Program

Students very much appreciated meeting with all of the Directors at the Orientation Session. They found the Correspondence Department Intern Packet helpful (especially the maps, a suggestion that came out of our last Exit Interview), the OEOB tour useful, and the Quorum Training essential.

Departmental Evaluation

Our interns found their supervisors to be helpful, caring, committed. . . . They all commented on the friendly atmosphere in their offices. They found there to be a good balance between supervision and independence in working on assignments. And they enjoyed the work they were given.

Overall Evaluation

They all had a wonderful time at the White House working for Correspondence!

Again, students expressed a desire to rotate departments to get an understanding of how some of the other offices in our department work. (Can anyone think of how we can do this without being totally disruptive??)

They would like to see more Correspondence-only intern functions. (We can work on this in the Fall. I was upset about the amount of time my interns spent out of the office on tours and lectures and felt somewhat disinclined to set up additional activities -- but I think we could achieve a better balance -- and I certainly would like our Correspondence Department Interns to get to know each other better.)

Exit Interview

Again, there were several good suggestions that came out of the Exit Interview. First, students were interested in a Contact List for the Summer II Correspondence Department interns. (Interns in Presidential Inquiries are putting this together and will distribute this at our Going Away Party on Thursday.) Some suggested that they would like to attend a Directors Meeting so they could get a sense of the "big picture" in the Correspondence Department. (Next semester we can invite 2 or 3 interns per meeting.) Many indicated that they wanted to attend more events with the principals, suggesting that they would be willing to help set up events. (I will mention this to Maria.)

July 8, 1997

97

MEMORANDUM FOR CORRESPONDENCE DEPARTMENT DIRECTORS

Subject: Summer I Intern Evaluations and Exit Interview

From: Judithanne Scourfield

At the conclusion of the Summer I internship session, Jim Dorskind and I met with all of the Correspondence Department interns for a debriefing. Prior to our meeting, the interns completed the attached evaluation form. Below I will summarize the main findings. I promised all of the interns that their evaluations would remain confidential; however, I will be happy to share specific comments related to your office. I can be reached at x65443.

The first portion of the intern evaluation asked students to rate their internship using the following scale:

1	2	3	4	5
Poor		Satisfactory		Excellent

		Departmental Average
1.	Overall experience at the White House	4.26
2.	Overall experience in your Correspondence office	4.30
3.	Working relationship with your immediate supervisor	4.74
4.	Working relationship with other interns	4.52
5.	Working relationship with the volunteers	4.07
6.	Working relationship with Director of the Correspondence Department Internship Program	4.74
7.	Amount of work received	4.13
8.	Variety of internship duties	3.48
9.	Satisfaction with your internship duties	3.59
10.	Contributions you made to your Correspondence Office	4.27

The remainder of the evaluation asked the interns to respond to short answer questions about the Correspondence Department Internship Program, their experience in their Correspondence office, and their evaluation of their White House internship as a whole.

All of the students reported that they were pleased with the Correspondence Department Internship Program. They very much appreciated the opportunity to hear from and meet all of the Directors in the Department during the orientation session. They appreciated the OEOB tour -- as it came in handy when asked to run errands. Some interns noted that it would be helpful to have a map of the OEOB in their intern packet (and there is now one included). All enjoyed attending the White House Internship Program lecture series and special programs -- and all were thankful that their supervisors encouraged them to attend and to take advantage of all of the opportunities that were available to them during the summer.

Across the board, interns were pleased with their supervisors. Many reported that they were treated like staff members, that the staff in their office was friendly, helpful, patient, grateful, wonderful in every way, etc. Some complained that they wanted more substantive tasks, more challenging tasks, and a greater variety of tasks. Perhaps we can strive for more diversity in assignments -- or, at least, rotating responsibilities regularly to keep things as interesting as possible within the constraints of our offices. Even so, the interns acknowledged that they were doing the same tasks that staff members themselves had to do and that these (at times) "menial" tasks were essential to the operation of their office. Interns who were given specific projects and who were allowed to see them through to completion were the most pleased with their jobs

Exit Interview

Many students noted that even though they were here for 6 weeks, they still lacked a sense of how a letter meanders through the process that we call Correspondence. They expressed a desire to learn how all of the Correspondence Department offices fit together and how Correspondence fits in with the other departments here at the White House. Some suggested that we include a flow chart in the orientation packets. (I will work with Jan on this, as she is rumored to have one.)

Another suggestion that emerged from the group discussion was that we should start a Brown Bag Lunch Series, where interns could have the opportunity to hear form other interns department -- to learn about what the other offices do from an intern's perspective. Some also wanted to see what it would be like to work in a different office for the day. (I think this is too much for the short summer session, but we may be able to try it in the fall.)

JNY SCHOOL OF LAW; 212 582 2422;

'98 NOV 6 AM10:48

Orlando "El Duque" Hernan lez
New York Yankees
Yankee Stadium
Bronx, New York 10452

October !9, 1998

The Honorable William Jefferson Clinton
President of The United States
The White House
Washington, DC

Dear Mr. President:

I would like to express my most sincere thanks for your personal efforts in helping my daughters, their mother and my mother come to the U.S. from Cuba. They arrived just in time for the tickertape parade with the New York Yankees and are having a wonderful time.

My personal accomplishments in the Major Leagues this year would not have been complete without having them next to me to share these glorious moments.

My family and I are extremely happy to be reunited and are enjoying the kind generosity of the people of this great country. Your leadership and thoughtful assistance are a testament of what the United States stands for.

I am enclosing an autographed baseball as a small token of my gratitude for your efforts on our behalf.

¡Muchas gracias de todo corazon! (Thank you from the bottom of my heart.)

Very truly yours,

Hernandez Duke

Orlando "El Duque" Hernandez

WG/oh

Dan -
Have you seen this come in anywhere.
Maria thinks we need to respond.
Should run by her.
BC sig.
Phil
11/6

'98 NOV 5 PM6:03

F A X   C O V E R

nike

One Bowerman Drive
Beaverton, OR 97005

To:	Phil Caplan	**From**:	Paige Calvert
Fax:	202-456-2215	**Phone**:	503-671-6950
RE:	Photo Request	**Fax**:	503-671-4292
Date:	November 5, 1998	**Pages**:	(1) including cover sheet

Phil,
Thanks for helping with this. My mother thanks you....I thank you.

Please send a photo of the President, signed "to Joe" to:

Joe Danielle
c/o Creative Touch
457 Breckwood Blvd.
Springfield, MA 01109

Also, would you mind sending one to my mom. Through all of this craziness she has remained a loyal and steadfast supporter.

"to Jeanne"

Jeanne Calvert
3 Colonial Road
Wilbraham, MA 01095

Thanks Phil!

Paige

Dan/Christina -
Can you have these
two photos sent?
Thanks,
Phil

University of Pittsburgh

Faculty of Arts a
Department of Econ

11-6-98

Send to Burkhardt?
Yes ✓
No

Dear Mr. Kaplan,

Jon
Can you help
me respond.

I am told that you are the

For some time I have bee
Freedom. This nomination is su

Robert Nathan organized the first collection of national income statistics for this country. That effort started in 1933, and his report was published in 1935. When I note that he organized that effort, what I mean is that he went from agency to agency and asked each to piggy-back questions so that the national income accounts could be developed. Nathan claims that it was his teacher, Simon Kuznets (the Nobel Laureate) who deserves the credit. I was a quondam colleague and longtime (over 30 years) friend of Kuznets, and Kuznets always said to me that architects can draw plans, but it needs real builders to compete them. Without Nathan neither our national income accounts nor our World War II production effort would have been as successful.

Shortly after we went to War in 1941 Nathan, by that time head of the Planning Committee of the War Production Board, invited Kuznets to join him. Together they mounted a major campaign against the Army's traditional system of material procurement. Their attack brought down the wrath of first General Brehon Summerville (the Army Service Forces commander) and then that of General Marshall. Both Nathan and Kuznets resigned, but Ferdinand Eberhard, the New York investment banker, persuaded Secretary Stimson that their recommendations had all the merit. Their system was adopted, such that between 1941 and 1944 the portion of the GNP devoted to military purposes rose from 4 percent to 48 percent.

Nathan has always been a Democratic stalwart. I presume that he is known to you. He is a modest man and always defers to the Kuznets contributions. Such modesty is all right for him, but for those of us who know the history of the American economy, 1933 to the present, such modesty must be compensated for. That is really the purpose of this letter and the campaign I would like to join.

I am enclosing with this letter two documents that might explain more clearly the particular situations I have described. One is an essay I prepared some years ago for the Russell Sage Foundation on the history of national accounts in the United States. I have highlighted the references to the Kuznets-Nathan contributions.

The second document is a printed version of a Nathan speech before to the History of Economics Society giving his version of the events.

I had asked Herbert Stein (formerly the Chairman of the Nixon Council of Economic Advisers) to discuss Stein's paper. Stein led off with the obvious point that if anyone ever deserved the Nobel Award in Economics, it was Nathan. But, of course, the Nobel Committee with its academic tradition takes little or no notice of what goes on in the world of real events.

Nathan is a very old man (already close to 90); he is in poor health. I hope that a Medal of Freedom can be arranged before it is too late.

I will be out of the country until November 9th. If you wish to contact me, I will be at the Max Planck Institute in Jena (Germany) from October 24th until October 30th. The Institute's FAX number is Germany + 3641 868 686.

Very sincerely yours,

Mark Perlman

Mark Perlman
The University Professor of Economics-
Emeritus

Mr. Philip Kaplan,
Deputy Assistant to the President
Executive Offices of the President
The White House
Washington, DC 20500

CHAPTER 10

Political Purpose and the National Accounts

In chapter 1, textual footnote 11 I have already indicated much of the historical gist of this chapter. After Kuznets went to Harvard in 1961, I visited him quite regularly; the visits became somewhat more frequent during the period of his retirement. As I had with my father, I repeatedly asked him about his life's experiences and the lessons he drew from them.

When he was at Hopkins he and his wife, Edith, were splendid hosts, and Naomi and I met many of their visitors, including Paul Webbink and Selma and Raymond Goldsmith. Once I asked him about the basis of his relationship with Webbink, and that led to talk about his establishment of the American system of national income accounting and his tie with Robert R. Nathan. Nathan having been brought into the picture, there was over the years a long discussion of their World War II experience with the War Production Board. After the 1980 Decennial Census, the Russell Sage Foundation commissioned several interpretive studies, and William A. Alonso and Paul Starr, the editors of one of them, asked me to suggest a topic. This chapter was the result. Built around Kuznets's story of his development of an idea in an article on National Income, written for the 1933 Encyclopaedia of the Social Sciences, *and going back to predecessor efforts to measure the distribution of income, the essay traces Kuznets's career during the 1930s and early 1940s, culminating with his disavowal of what the Department of Commerce had done with that idea.*

Economic data are constantly used in the interpretation of economic events and the formulation of economic policies by both government and the private sector. But which data are collected and how they are manipulated and analyzed depend on the underlying objectives of a statistical system. If and when the purposes of a system are redefined, new objectives may require different choices in data collection and analysis.

First appeared in *The Politics of Numbers*, William Alonso and Paul Starr, eds. (New York: Russell Sage, 1987) 133–51.

This chapter is part of a larger project on the American contribution to modern empirical economics. That project has been supported by grants given by The Institute for Advanced Study, where I was a Member during the 1981–82 academic year, and by the Rockefeller Foundation's research program at the Villa Serbelloni (Bellagio, Lake Como, Italy), where I was a Resident Scholar during April–May 1983. It is a pleasant duty to acknowledge their interest and help.

This chapter takes as a case study the growth of national income accounting in the United States from 1933 to the present, focusing on its intellectual origins and changes in objectives during the formative period 1933 to 1948. It is not presented as a comprehensive history of the construction of the national accounts since several excellent histories are already available.[1] I stress as my theme the several shifts in the main uses for which our accounting system has been designed. My interest is to identify changes in the socioeconomic philosophical choices underlying the measurement of national income.

My point of departure is the recognition that those who participated in designing the national accounts, beginning in 1933, have had, at different times, distinct and partially conflicting objectives. Economists have wanted variously to use the national accounts to measure or identify: (1) the distribution of income and of the costs of government; (2) the extent of unused capacity in various sectors of the economy; (3) the sources of economic growth; (4) pecuniary well-being; and (5) the fluctuations of the business cycle so as to design economic stabilization policies.

1. In 1980 the U.S. Department of Commerce published *Reflections of America: Commemorating the Statistical Abstract Centennial*. Within it there are several short chapters dealing with various aspects of economic materials as they emerged in the Statistical Abstracts; in particular, see John Kenneth Galbraith, "The National Accounts: Arrival and Impact," pp. 75–80.

There are several excellent histories of the development of the American government's interest in statistical material. Among the best is the one by Joseph W. Duncan and William C. Shelton, *Revolution in United States Government Statistics, 1926–1976* (Washington, D.C.: U.S. Department of Commerce, Office of Federal Statistical Policy and Standards, 1978), which covers in detail and with apparent accuracy much of the material I summarize here. What it does not do, and what I shall undertake, is to discuss the foregone choices made by the designers of our national account system. But it goes far beyond my efforts in describing the variety of social, including economic, statistics that the federal government has undertaken. It was followed by a second volume, intended to peer into the future, Duncan and Shelton, *A Framework for Planning U.S. Federal Statistics for the 1980's Government Statistics, 1926–1976* (Washington, D.C.: U.S. Department of Commerce, Office of Federal Statistical Policy and Standards, 1978).

There are also two indispensable summary histories of the American experience in the development of its present national accounting institutions. The first is by Carol S. Carson, "The History of the United States National and Product Accounts: The Development of an Analytical Tool," *Review of Income and Wealth* 21 (June 1975):153–81. A second is by John W. Kendrick, "The Historical Development of National Income Accounts," *History of Political Economy* 2 (Fall 1970):284–315, which goes back to before the period covered by Carson. But I have found no historic treatment, particularly with the fascinating early English experiments, that begins to touch the quality of "The Use of National Income Statistics in English Economic Thought in the Seventeenth and Eighteenth Centuries," chap. 2 of George Jaszi, "The Concept of National Income and National Product with Special Reference to Government Transactions" (Ph.D. diss., Harvard University, 1946). Another useful account is by Richard Ruggles, "The United States National Income Accounts, 1947–1977: Their Conceptual Basis and Evolution," in Murray F. Foss, ed., *The U.S. National Income and Product Accounts: Selected Topics* (Chicago: University of Chicago Press, 1983).

This discussion of the changes in the principal purposes of national accounting aims to bring out the choices that were faced, the alternatives accepted and rejected, and what the cost of the decisions may have been.

Origins of National Income Measurement in the United States

Although a few studies of national income and wealth appeared in the mid-nineteenth century, the first modern study was published in 1896 by Charles B. Spahr, a writer on economic topics. Socialism and the distribution of income and taxation were timely topics, and Spahr's approach carries the appropriate hallmarks. In estimating the distribution of American income and wealth during the 1880s and 1890s, he wanted to determine whether the working classes bore the heaviest burden in financing government. On the basis of his findings he argues that because of regressive taxation, a large and growing share of the cost of the federal government was borne by the laboring class.[2]

Spahr's pro-working class, if not actually socialist, conclusions helped to stimulate a lengthy 1915 study for the period 1850–1910 by Willford Isbell King at the University of Wisconsin. Although King was primarily interested in measuring changes in the distribution of income and wealth, his work reflected the prewar concern that the shift in origins of immigrants to the United States meant the defeat of the Jeffersonian ideal of economic equality. King's conclusions, as I read them, were simultaneously antimonopolist and Malthusian. First, he noted the tremendous growth of manufacturing and other economic output. Second, he concluded that concentration of income was even greater than when Spahr had written, but that much of the change had come at the expense not of the poor but of the middle classes. However, the propensity of the poor (and I interpret this to mean particularly the immigrant poor) to have excessively large families was likely to keep them impoverished, even as average incomes rose.

King's interest in economic class structure continued after he moved to New York University, and when the National Bureau of Economic Research (NBER) was established in 1920, he became one of its earliest professional associates. He undertook to measure national income and its distribution, using estimates from the sources of production. Oswald W. Knauth, another of the early NBER associates, undertook similar measurements, using distributed and undistributed incomes. As the results from the two methods for the period 1909–19 appeared to be the same (within about 7 percent), King and

2. This is discussed rather fully in Paul Studenski, *The Income of Nations*, vol. 1 (New York: New York University Press, 1961), pp. 132–34.

Knauth were satisfied that their findings were correct. Published in 1921–22, these findings stressed that concentration of wealth had diminished during the wartime period. King found that the top 5 percent of the population were receiving less of the total national dividend than at the time of his 1915 study. The middle classes seemed to be moving toward greater equality of income.

In an effort to extend his conclusions, King decided to include estimates of unrealized capital gains as an element of income. This decision led to a conflict with several other economists working on the measurement of national income; among these was Sir Josiah Stamp, an English economist. In the exchanges between them, King lost the capital gains battle and apparently much of his professional standing in the subfield of national accounts. In any event, the NBER decided to reform its approach to national income accounting. At this point Simon Kuznets entered the scene. Lest we lose sight too soon of King and his interest, it is worth stressing that his approach to national accounts, unlike Spahr's, focused on the size distribution of income (even more than wealth). What reduced King's influence were his limitations as a statistician, specifically, his reliance upon too-fragile data and his apparent inability to conceptualize alternative approaches to his problem.[3] By 1931, when Kuznets took over the national income work of the NBER, he was already a recognized and, for his age, seasoned scholar. Like Spahr, he had a strong interest in the economics of social class relations.[4] He had by this time written several major works. In the most important, *Seasonal Variations in Industry and Trade* (1933), Kuznets thoroughly analyzed the reliability of available data as well as the problem of choosing the optimal techniques of statistical manipulation. The study provides an imaginative discussion of the underlying political question about which social classes bore the costs and gained the benefits of seasonality in manufacturing.

In his work on national accounts, Kuznets was initially concerned with the same questions that had interested both Spahr and King: (1) whether the poor and the wage workers were bearing a disproportionate (and possibly growing) share of the costs of an industrial society; and (2) whether workers' incomes were rising in relative or in absolute terms. But Kuznets's interests went beyond theirs to the causes of economic growth. Briefly put, as much as he was interested in the old socialist questions about the burdens of the working class, Kuznets was equally and even more interested in the Schumpeterian problem of the triggers of economic growth.

3. King continued his work in the area, even under NBER sponsorship. See Willford Isbell King, *The National Income and Its Purchasing Power* (New York: National Bureau of Economic Research, 1930).

4. See Mark Perlman, "Jews and Contributions to Economics: A Bicentennial Review," *Judaism* 25 (Summer 1976):301–311.

Kuznets's initial explicit work in national accounts is to be found in his article, "National Income." His opening statement is worth quoting because it illustrates the breadth of his ultimate objective:

> National Income may be defined *provisionally* as the net total of commodities and services (economic goods) produced by the people comprising a nation; as the total of such goods received by the nation's individual members in return for their assistance in producing commodities and services; as the total of goods consumed by these individuals out of the receipts thus earned; or, finally as the net total of desirable events enjoyed by the same individuals in their double capacity as producers and consumers. Defined in any one of these fashions national income is the end product of a country's economic activity, reflecting the combined play of economic forces and serving to appraise the prevailing economic organization in terms of its returns.[5]

Kuznets then turns his attention to the uses of such information. These include measuring: (1) the comparative productivity of nations; (2) per capita welfare; (3) the constancy of income flow (another per capita welfare consideration); (4) the rate of growth of the nation's economy, if the analysis were maintained over sufficient time; (5) the distribution of income among social classes; and (6) the division of income between consumption and other uses.

Pointing out some difficulties in using available figures, Kuznets accepted as a necessary compromise the idea that national income accounting nets to cruder approximations of income received or consumed. He then asks where the summary of "the combined play of economic forces" might best be seen. Is it at the levels of production, distribution, or consumption? This became his principal operative question. True, each level allows for measurement, but what best measures our objective? Is it mostly an effort merely to summarize the production process, or to appraise its organization, possibly for reasons of augmenting output? Kuznets apparently concluded that income received by individuals "after it leaves the productive units proper and before it has been diverted into the various channels of consumption" provides the best and most versatile measure for the analysis of both welfare and growth.

Among the measurement problems Kuznets faced, none was more difficult than measuring the value of the multifarious activities of government. The economy can be perceived as an interplay of production and consumption forces. On the consumption side are things directly consumed (final product), indirectly consumed (intermediate product), and deferred for later consump-

5. Simon Kuznets, "National Income," *Encyclopedia of the Social Sciences*, vol. 11, pp. 205–224 (New York: Macmillan, 1933), p. 205.

tion (inventories, consumer durables, or consumption hoards). On the production side, the evaluation is more or less straightforward in the private sector; the price paid by the buyer is the value of the product or the service. But the question becomes thornier when dealing with such complex institutional realities as the government and the banking system. How does one price those services of the government for which no payment seems to be made? The technique has been to argue that they are worth what is paid for them; but what is paid for them is not for the output but for the input. As the economic role of government expands, the assumption that the value of the output is defined by the cost of the input affects an increasingly important part of our totals.

Ultimately, Kuznets gets to the accounting problem in differentiating between physical and human capital (of course, the latter term was then not in current use). The value of the output of the former is affected by depreciation (even by obsolescence), but it is not easy to find a comparable method for evaluating the changes in the "remaining productive value" of the individual. One can see the value of one's physical capital being diminished as it is being transferred to output. Can one say the same for labor? To Kuznets, as I read his 1933 work, the answer is clearly *no*. But Kuznets's answer, as I understand it, does not satisfy him.

Two additional points should be stressed: Kuznets was critically concerned about the role of economic organization and the societal importance of the distribution of family income. He wanted most to stress his interests in income distribution, economic growth, and the roles played by banking and particularly government institutions in stimulating economic growth. Kuznets did not focus on economic stabilization as an area of comparable importance.

National Accounting Becomes a Government Function

In June 1932 the U.S. Senate passed a resolution requesting the secretary of commerce "to report . . . estimates of the total national income of the United States for each of the calendar years of 1929, 1930, and 1931." The resolution specified that the work was to be done by the Bureau of Foreign and Domestic Commerce (BFDC). It soon became clear that the bureau's personnel was inadequate to the task. The secretary turned for help to Wesley Clair Mitchell, head of the NBER, who asked Kuznets, now professor of statistics at the University of Pennsylvania, to oversee the establishment of a cadre to organize the new statistical system. Thus, for about two years after January 1933 he was in weekly contact with the department's statistical data-processing unit. In January 1934 Kuznets submitted a 261-page report, which included material for the unasked-for year 1932 as well.

Thus, the first set of governmental accounts came out. Kuznets, however, left the BFDC, returning to the National Bureau where he maintained his interest in national accounts. After an internal struggle, the BFDC did get the national accounting program operationally established.[6] It was Robert F. Martin who stressed that regular and prompt publication of these accounts permitted their use for multiple purposes. He argued that the administration needed accurate and adequately classified national income data in order to design appropriate welfare and economic recovery programs; that the Internal Revenue Service needed such data for making projections, based on a variety of changes in the tax laws; that these data were invaluable to business for market analysis and to scholars for research; and that only the federal government had the resources essential to the checking (thereby insuring the reliability) of the vast amount of data involved. Thus developed an identifiable new objective for national income accounting, namely, an equitable, efficient, reliable, and speedy numbers supply, essential to the experimental functions associated with economic reform through legislative action.

Martin left the BFDC shortly after the report came out and was replaced by one of Kuznets's University of Pennsylvania graduate students, Robert R. Nathan.[7] Nathan's staff, again very small, produced two bulletins: *National Income in the United States 1929–35* (1936), and *National Income in the United States 1929–1936* (1937). The previous format and emphases remained, the only major innovation being revision of some of the earlier estimates. One of the major problems of any government statistical agency is the necessity of getting its data out quickly; speed and accuracy are basically trade-offs, and the obvious solution is not to hold up publication but to publish later revised figures when the corrections become available. By 1937, national income figures began to be published in preliminary *monthly* form. The monthly data were regarded as essential for estimating current and near-future purchasing power and for inferring near-future levels of business output, including the demand for employment.

6. Duncan and Shelton, *Revolution*, quote Carol S. Carson, "The History of the United States Income and Products Accounts," as the basis for a lengthy account of bureaucratic infighting about the regularization of the national accounts research work in the Department of Commerce. The problems were apparently legion: (1) Congress had not appropriated funds, (2) Kuznets and those whom he had brought into the effort did not remain with the Commerce Department's Bureau of Foreign and Domestic Commerce (BFDC); (3) the secretary had little sympathy for the effort and refused to allocate funds for printing an updated version (including data for 1933). These 1933 data did appear in the department's *Survey of Current Business*, in the January, August, and November 1935 issues and in the July 1936 issue. The BFDC, largely under the leadership of Willard Thorp and Robert F. Martin, and aided by Winfield Riefler, chairman of the Central Statistical Board, did get the program institutionalized and congressionally funded.

7. Martin went to the National Industrial Conference Board ". . . where he was a frequent critic of the Department of Commerce figures." Duncan and Shelton, *Revolution*, p. 80.

In retrospect, we see that three somewhat unrelated developments occurred during this period. Together they shifted the national accounts system significantly from the broad outlines of Kuznets's 1933 blueprint and from the contextual composition of the 1934 publication. The first was the passage in 1935 of the Social Security Act, which called for massive employee and employer contributions to retirement funds. Combined with welfare (relief) payments and the one-time payment of World War I bonuses to veterans, these transfers put a strain on the simplicity of Kuznets's 1933 definition of payments to business firms and individuals for goods and services provided. The Kuznets definition was accordingly modified, this being the first of several major movements away from his 1933 architectural blueprint.

The second was the publication in 1936 of Maynard Keynes's *The General Theory of Employment, Interest, and Money,* which triggered a major professional effort at redesigning macroeconomic (a word then all but unknown) policies for full-employment stabilization. Looking back, we see clearly that the Keynesian formulation offered a theoretical system, and thereafter many, indeed most, of those who worked on the national accounts wanted their work to reflect and to be integratable with what the Keynesian analysis offered. Kuznets's blueprint did not begin to offer a well-knit theoretical system; indeed, anyone familiar with Kuznets's work recognized his preference for empirical rather than *a priori* research.[8] Thus, with the appearance of a *theory,* certainly something easier to grasp than an endless literature of historical generalizations, the Kuznets-NBER influence among the national-income specialists first acquired a rival in Keynes and later lost considerable ground.

The third major factor entering the stage in this period was the obvious failure of the 1936 business revival, signaled by the business recession of 1937–38, an event that seemed to confirm the fear that the country faced a period of indefinite economic stagnation and large-scale unemployment. This fear so dominated the thinking of the period that the principal focus of the whole accounting system fastened on measuring consumer purchasing power as the means to economic recovery.

Federal peacetime deficit financing, though known to and employed by President Herbert Hoover, had also been well advertised as the principal hallmark of the New Deal recovery program, even before Keynes's book appeared. In Washington, "pump-priming" had become by 1937 a regular if not exactly a successful policy. This perception, later synthesized by Abba Lerner and others as a program of "functional finance," was at the time being

8. There was an exchange of correspondence (April through August 1936) between Kuznets and Keynes after the publication of Keynes's *The General Theory of Employment, Interest and Money.* The letters dealt with Keynes's mishandling of data on capital formation. (*The Collected Writings of John Maynard Keynes,* XXIX pp. 188–206).

touted in Washington by Professor Alvin Hansen of Harvard and Lauchlin Currie, assistant director of research and statistics at the Federal Reserve Board. In any case, the kind of economy for which Kuznets's 1933 blueprint had been drawn was less and less the actual case. By the mid- and late 1930s, the federal government's role in the economy had expanded, and whether the Kuznets 1933 perception could have been implemented is now a moot question. In practice, the government's various roles in the economy were held to be *sui generis,* and all its economic activities were segregated for accounting purposes.

As already mentioned, by 1937 monthly national income estimates were being made and published. Another change occurring during this same period was the disaggregation of national accounts by state. Duncan and Shelton report that this series attracted immediate and vast business interest, and by October 1938 the estimates included: (1) the addition of direct relief payments and the veterans' bonus; (2) the deduction of the workers' contribution to the Social Security funds; and (3) the addition of payments from these same funds.[9] What was now being emphasized was the frequent measurement of short-period changes of potential purchasing power by local area.

Emphasis on measuring purchasing power, the principal Keynesian key to unlocking the door to economic recovery, took other forms as well. After several somewhat unsuccessful efforts, the Commerce Department in 1941 began to publish reports on retail sales, manufacturers' inventories, orders, and shipments. The department also took into account Kuznets's own post-1934 work on commodity flows and capital formation. The goal here was further to improve the quality of the consumer expenditure data.

At this point two shifts could clearly be seen. The first was the rapid emergence of a wholly new set of economic problems. The characteristic Depression crisis of overproduction was replaced rapidly by the 1938–40 rearmament crisis of underproduction; chronic unemployment was giving way to the specter of price inflation. The other shift was more personal. Kuznets's one-time student, Milton Gilbert, took over the leadership of the whole national economic account effort.

For expository purposes I discuss the Gilbertian influence first. Gilbert, unlike his immediate predecessors, not only felt thoroughly qualified to take charge of the national accounts program; he also decided to change the focus of its presentation to make it readily adaptable to the incoming Keynesian macroeconomic mode. In brief, the new format was a standardized report meant to mirror at short intervals (not impeded by delayed preparation) the economy as it was actually operating, from the standpoint of both its immediate past and the quickly developing inflationary pressures. With the *tour*

9. Duncan and Shelton, *Revolution.*

d'horizon offered by the mirror, policies could be quickly modified as their shortcomings became evident.

It is important to stress that at about this time the British, under the leadership of James Meade and Richard Stone, were compiling for Churchill's war cabinet an accounts system that would reveal any possible slack areas that could be filled with orders for war material. In his biography of Maynard Keynes, Roy Harrod describes the origins of this wartime attempt to assess the economic capabilities of the British economy.[10] These origins, in Harrod's view, lay with E. A. G. Robinson's efforts to implement Keynes's *How to Pay for the War.* Robinson brought together Meade and Lionel Robbins, the former something of a Keynesian (although in truth many of the so-called Keynesian principles Meade had anticipated before 1936). Meade was then paired with Stone, and in the winter of 1940–41 the two rushed through an analysis of income and expenditure, published at the time of the 1941 budget.[11] The English developments influenced American events, but what was happening on the American side proceeded almost completely independently.

The American events of the period 1940–42 are remarkable for many reasons. Talent was quickly identified and employed; new concepts were quickly developed and discussed; and the national accounts system as we know it seemed to emerge almost overnight. True, in a general academic way, the British in some sense were leading the way; the publication in 1940 of John R. Hicks's "The Valuation of the Social Income" opened the eyes of the profession to the wholly new set of wartime "overconsumption" problems. Hicks's terminology was not completely new, although his use of the term *gross national product* (initially used in a slightly different sense by Clark Warburton in 1934) gave a completely different slant to the national income analysis routine. GNP was defined as national income plus business taxes plus depreciation and other capital charges. It included not only civilian economic activity but also government expenditures, which in wartime were particularly important. Hicks's paper introduced the basic equation:

$$GNP = C + I + G$$

where C stands for consumption, I for investment, and G for government expenditure.

10. Roy Forbes Harrod, *The Life of John Maynard Keynes* (New York: Kelley, 1969).

11. Stone (now Sir Richard) and Meade have individually recounted to me the skimpiness of the resources allocated to them by the Treasury in the first stages of their efforts. Initially denied even a calculator, they were able to proceed only because Stone, very much the junior of the two, owned a hand-operated model. Their stories of Meade's looking up the numbers and Stone's pushing the buttons and turning the crank, only to discover empirically that comparative advantage lay in the reversal of the assignments, emphasizes more than anything else the magnificence of their achievement.

While the British were making these innovations, developments in the United States led to the formation of the now-familiar national accounts system. Robert R. Nathan and Simon Kuznets, at that time both employed at the War Production Board, were responsible for estimating how quickly and to what levels the economy would be able to switch to war production.[12] The accomplishments of the Kuznets-Nathan group during the less than two years between 1941 and 1943 are awe-inspiring. The board had informed the White House that the maximum output goals for 1942 would amount to about 40,000 tanks and about 50,000 airplanes. The day after receiving these estimates, President Roosevelt informed the Congress that his goal was 60,000 planes for 1942 and no less than 125,000 for 1943. He "upped" the tank promise for 1942 from 40,000 to 45,000 and for 1943 he "promised" 75,000. And he revised the output of merchant shipping, which the board had thought would amount to 7 million tons in 1942, to 8 million tons for that year and an all but unbelievable 20 million tons in 1943. Such promises gave rise to two related problems: Were the plans *feasible,* and what would be their *inflationary* impact?

The effort by Nathan and Kuznets to work out the principles of American military procurement planning was to become one of the great technical triumphs in the history of the economics discipline. The Nathan-Kuznets group estimated how and where the American economy could summon the resources to meet the new targets. In effect, it was telling the armed forces

12. On January 16, 1942, the president created the War Production Board, with Donald M. Nelson as its chairman. Nelson set up several staff (advisory) bodies that reported directly to him and whose duties were to advise him with regard to the actual orders his office was issuing concerning production allocation priorities. One of these advisory committees was the Office of Progress Reports, headed by Stacy May. Another, set up in February 1942, was the Planning Committee, its chairman was Robert Nathan. In May 1942 Nathan asked Kuznets to join him. Kuznets had previously been working with the statistical group, an association he managed to continue. Somewhat earlier (before the Japanese attack on Pearl Harbor), the administration had felt the pressure, largely focused by a French refugee, Jean Monnet (who was an official on the joint Anglo-French purchasing commission), to formulate an overall production program designed to achieve military victory in Europe. By the end of September 1941, even before the United States was formally at war, the administration established a $150 billion Victory Program, which was targeted for achievement of its goal and invasion of the European continent by mid-1943. The Victory Program gave rise to the feasibility and the inflationary gap questions. The events of Pearl Harbor, of course, changed the previous plans. The goals were revised upward, thus exacerbating the twin problems of feasibility and inflation. In due course, Kuznets prepared and Nathan sent several memoranda to Nelson regarding the achievable limits. These memoranda were subjected to what eventually was harsh criticism. The history of the bureaucratic skirmishing is well detailed in John E. Brigante, "The Feasibility Dispute: Determination of War Production Objectives for 1942 and 1943" (Washington, D.C.: Committee on Public Administration Cases, 1950). In the end, there were several historically important results; the critical one was that the Kuznets-Nathan approach was accepted by the military not only for the prosecution of World War II but also for its future military planning.

that military procurement was a "science." To ask for too little was to prolong the conflict; to ask for too much was to inflate costs without producing significantly more. To look to the wrong sectors was to hamper technological innovation; to look to the right sectors was to minimize the pecuniary and nonpecuniary costs of the war. Anyone who thinks that the armed forces, particularly the army, were willing students has only to look at the narrative of John Brigante. But anyone who concludes that the lesson cannot be successfully taught has only to look at the record. The War Production Board, over violent opposition and at the cost of the physical and emotional exhaustion of Nathan and Kuznets, managed to show how the goals could be achieved. This they did by relying on the national accounts system, as then produced by the Commerce Department, and on the accounts for capital formation that Kuznets had developed. What they helped to accomplish for 1942 was the expansion of national output by $17 billion through (1) more intensive use of the existing plant (for example, lengthening the work week by eliminating overtime pay for anything less than forty-five hours per week); (2) the transfer to war-related purposes of $7 billion worth of resources normally devoted to civilian capital formation (for example, residential or commercial construction); (3) depleting accumulated inventories (mostly consumer goods) in the amount of $4.5 billion; (4) reducing consumer demand by $7 billion by increasing taxation (not a signal success) and by consumer goods rationing; and (5) a variety of other, somewhat smaller, shifts designed to release resources.

As mentioned, Gilbert had taken charge of the national income accounts program in 1941. His acknowledgment of Kuznets's ideas, added to his grasp of what Meade and Stone were doing in Britain, led to the development of a new blueprint. His plan reflected not only the omnipresent specter of American defense preparations but also the Keynesian macroeconomic theoretical system, with its emphasis on postwar full-employment, compensatory government investment if necessary, and a federal program of income redistribution. In 1942 Gilbert published two critically important expository articles, using the national income/gross national product approach to explain both the wartime production allocation problem and the likely impact of the proposed solutions. His "War Expenditure and National Production" is an educational *tour de force,* including a projection of gross national product to fiscal 1943 in 1941 prices. In December 1941, he had laid out much of this analysis in a paper read before the American Statistical Association. Both works drew heavily on "The Construction of Tables of National Income, Expenditure, Savings, and Investment," published by Meade and Stone in 1941. Gilbert made two major contributions to the program. First, he was integrating actual recent numerical estimates with a Keynesian theoretical analysis to answer such timely questions as (1) how the peacetime economy could be converted

to war purposes with the least inflationary impact; and (2) how the essential needs of the civilian economy could be successfully protected from wartime demands. Second, he was using the *Survey of Current Business,* with its fast printing turnaround time, to explain immediately the economics of the current war-production effort.[13]

National income accounting during these wartime years had as its avowed purpose the reallocation of productive resources and encouragement of certain areas of economic growth needed to win the war. But scarcely concealed by this purpose was Gilbert's continuing pedagogical effort to provide a set of national accounts mirroring the economy to show what government policy was doing and what, perhaps, it could do. War exigencies led the national accounts far from the types of objectives that either Spahr or King had had in mind.

One point should be added, indeed, stressed. The Commerce Department officials were greatly influenced by the English macroeconomic theory formulated largely by Keynes and the social accounting system worked out first by Meade and Stone and then largely refined by Stone. Hicks's *The Social Framework,* first published in 1942, helped to popularize national accounting. In 1945 the publication of an American edition under the adapted title, *The Social Framework of the American Economy,* capped the transformation of the discipline, which had so recently depended on Marshall's *Principles of Economics* plus the modifications regarding deviations from competition introduced by Edward Chamberlin and Joan Robinson.

The postwar growth of the American economy reinforced the economics profession's great confidence in the scientific basis of its discipline. That confidence reflected a well-grounded satisfaction that the newly developed expertise displayed by economists, achieved at forced draft, could make it not only possible but also almost easy to avert the economic disaster of the 1930s. The war experience had shown that economists like Gilbert and his associates, to say nothing of the more senior architects like Kuznets and Nathan, apparently could bring order out of chaos and organize quickly the material require-

13. In all, the *Survey of Current Business* published the new research results including articles on changes in consumer income and expenditure (Bangs, 1942); on the gross flow of finished commodities and new construction (Shaw, 1942); on surveying the gross national product, 1929–41 (Gilbert and Bangs, 1942); on quarterly estimates of construction (Klein, 1942); on corporate profits and national income by quarters, 1938–42 (Smith and Merwin, 1942); on the distributive costs of consumption commodities (Fowler and Shaw, 1942); on the distribution of income payments by state, 1929–41 (Creamer and Merwin, 1942); on reviewing the national income and the war effort for the first half of 1942 (Gilbert and Bangs, 1942b); on estimating national business inventories, 1928–41 (Hance, 1942); on consumer expenditures for selected groups of services, 1929–41 (Denison, 1942); on monthly dividend payments, 1941–42 (Smith, 1942); and a general recapitulation of the 1942 national income and national product (Gilbert and Jaszi, 1943).

ments for victory. If the war gave the medical profession antibiotics, it gave economists new tools and techniques and comparable optimism about what their future role would be. Immediately at the war's end, the American group on national income accounting turned to preparing an integrated set of accounts. It appeared in a supplement to the July 1947 *Survey of Current Business* under the title, "National Income and Product Statistics of the United States, 1929–46." Its publication seemed like the keystone to the economists' arch—theory and observation now fit neatly together.

The 1947 publication drew heavily on Richard Stone's systematizing of social accounts. Using the form of traditional double-entry bookkeeping, it introduced several elements that were not strictly a debit-asset comparison. The supplement was a lengthy document with forty-two annual tables (covering more or less completely the data for the years 1929–46), five quarterly tables for 1939–46, and a monthly table for 1929–46. An industry breakdown included twenty tables in manufacturing and an additional thirty-seven in other areas. Care was taken to explain thoroughly the sources of the data. In addition, the data were presented so that for the first time it was possible "to compare corporate profits with wages, salaries and supplements paid by corporations." The whole was displayed in six basic tables, called (in the tradition of double-entry bookkeeping) "T-accounts": National Income and Product Account; Consolidated Business Income and Product Account; Consolidated Government Receipts and Expenditures Account; Rest of the World Account; Personal Income and Expenditure Account; and Gross Saving and Investment Account.

The 1947 study was widely hailed and extensively reviewed. But it met with serious criticism from the original architect, Kuznets. In a lengthy critique published in 1948, Kuznets repeated his position that any "view of national income as a *net* product total . . . can be defined only in relation to *some end-goal of economic activity.*" But the Commerce Department did not clearly define the end-goal.

Kuznets's approach is characteristically historical. From the time of Quesnay the conventional approach had been to perceive a country's economy as an aggregation of component sectors connected by continuous flow relationships. Kuznets writes:

> One may therefore ask, what is the specific advantage of the approach via a system of economic or social accounts? How does it help a student who is already aware of the desirability of presenting not merely single national totals but of articulating them by significant components at different stages of economic circulation? Does a system of accounts help the student deal with the vexing problems of scope, netness, and consistency of valuation that must be resolved when national income is defined as a measure of an economy's *net product?*[14]

Having thus put the question, Kuznets finds that a simple answer, given what the group has done, is improbable. The difficulty is the ambiguity of their use of the term "account." On some occasions they have used it in the conventional, narrow sense of debits contrasted with assets; on other occasions, they have used it to "connect" two separate estimates of some entity like gross national product. In the end he concludes:

> There is little in the technique of the system of accounts in and of itself to help us determine the proper scope of national income and the observable flows that represent net yields and those which, from the standpoint of the national economy, represent costs; . . . and the significant sectors to be distinguished at any level of economic circulation. Indeed, examination of the report fails to convey the impression that the setting up of the accounts assisted in any way in solving these problems of definition and distribution. On the contrary, the impression is that these problems were solved without benefit of the system of accounts, and that the system of accounts was constructed to fit the solutions. Consequently, the statement in the report that "the accounts . . . show . . . how the whole is derived as the sum of the parts" . . . cannot be intended to imply that the cast of the accounts determined in any way either the parts or the whole.[15]

Kuznets is clearly not overwhelmed by the technique of setting up T-accounts. They are at best a neutral means to illustrate what one wants to show:

> Providing one exercises full freedom in deciding what is a transactor group, what is a transaction, and what the economic meaning of a transaction is from the viewpoint of the economy at large, a set of accounts is like a blank notebook: One can write in it anything one wishes. And this is in fact what the report does: It recognizes families living in their own houses as transactor groups, although it excludes illegal firms which are more obviously a group of transactors; it classifies retention of product by farmers as a transaction, but does not classify tax collection by government as a transaction representing charges for services rendered. One

14. Kuznets, *Income*, pp. 151–152.
15. Kuznets, *Income*, p. 153.

may agree with these decisions or not; there is no sign that the system of accounts affected them in any way.[16]

I read the Kuznets review principally as the assessment by an economic institutionalist about the Procrustean effect that economic theory seems always to have had. And it is precisely this point that must not be buried as the data collection and data presentation processes proceed.

> My conclusion would be different were the system of accounts to stand not for merely another way of casting statistical tables, but for something more substantial—the corpus of accounts as they are *in fact* formulated and used by business enterprises and other economic institutions. If one were willing to accept the judgments of the various economic units as to what they think their net income or product is, as expressed in their accounts, one could resolve many conceptual and classification problems. *But obviously no such acceptance is feasible when the definition and distribution of national income is governed by some theoretical concept of the operation of the economy.*[17]

Withal, however, Kuznets has to admit that the national income experts cannot in fact accept the businessmen's estimates; they have, instead, to try to fashion more stable measures than the latter would give them. What seems to bother him is that what these experts have fashioned relied too heavily on the Keynesian *a priorism*, and too little on their own independent work. This is a matter of judgment. Kuznets's unchanging essential definition remains:

> The final goal of economic activity is provision of goods to consumers, that final products are those turned out during the year to flow either to consumers or to capital stock (for the ultimate benefit of future consumers), and that everything else, by the nature of the case, is intermediate product whose inclusion in the output total would constitute duplication.[18]

But Kuznets makes his complaint most strongly about the way that Gilbert et al. have handled the governmental account, something so complicated that it should not be swept under a single rubric (or carpet). He argues that inclusion of government goods "that are to be consumed either by business enterprises or by society at large for shoring up its own organizational

16. Kuznets, *Income*, p. 153.
17. Kuznets, *Income*, p. 153. Emphasis added.
18. Kuznets, *Income*, p. 156.

structure . . . involves duplication. . . . The total we are seeking is that of *product*, of the end-result of activity—not of the volume of *activity* itself."[19]

Kuznets's review then treats in detail the handling of product totals and the national income total. He stresses the changes that this report introduces from his earlier 1934 Commerce Department work. He notes his differences from the English group's work and also takes care to identify how much of the deviation of the 1947 practice was introduced to handle the special case of a war economy. Both of the factors had, he allows, their one-time reasons. His point is, however, that those reasons impede rather than contribute to the understanding of the growth and operation of the economy under more normal conditions. In the end, Kuznets's position is that many of the changes are matters of arbitrary judgment, and what has been lost is the connective link with the history of the efforts to measure the dynamic qualities of national economic growth; who bears the burdens and why; and the many efforts made in the 1920s at the NBER to determine whether different approaches would lead to substantially different answers. In his assessment, the new system veiled the real pecuniary transactions in the economy. The institutionalization of the accounting system was purchased at the expense of considering the ever-changing philosophical underpinnings that constituted the essential purpose for the exercise.

Thereafter, Kuznets turns to discussing the impact of the group's revisions from the figures he had earlier derived in order "to show the changes in the magnitudes of major components of the national totals both on the income flow and the final product approaches" and to make some comments about the margins of error associated with the new figures.

And what was their reply? Gilbert and his associates open by agreeing with Kuznets that no system of accounts will in itself answer all of the questions that rightly should be asked. But they go on immediately to assert that what they have produced is superior to anything previous (including specifically Kuznets's own 1941 *National Income and Its Composition*). They justify their work on pragmatic grounds, which they appear to believe is a criterion that Kuznets would accept. There are five reasons for what they have done: (1) their system reveals clearly the structure of the economy; (2) it forces consistency and thus aids in the handling of socioeconomic policy problems; (3) it parallels pedagogical material currently in use; (4) its framework is sufficiently flexible to permit further improvements; (5) it provides material in such a way that most conclusions can be achieved by alternative routes, thus making checking possible.

From the standpoint of our original question, the Commerce group's objectives seem far more short-run and ahistorical than the kinds of things that

19. Kuznets, *Income*, p. 156–157.

had earlier attracted Spahr, King, and Kuznets. Specifically, Gilbert and his colleagues, as Gilbert wrote in 1945, were "not trying to measure welfare but the value of production from a business point of view." And while there have been many changes in the national accounting system since 1948, the changes have occurred within the framework of the 1940s.

Kuznets's criticism reflected an articulated doubt about the implicitly Procrustean nature of the Keynesian theoretical system. Most economists, trained along Keynesian lines, would not have shared Kuznets's reservations, at least not until the early 1970s, when the era of fine-tuning was over along with the general belief that the Keynesian system contained the solution to all important macroeconomic problems.

But it is not the loss of supreme confidence in the perfection of macroeconomic theory, as worked out since the 1936 Keynes formulation, that explains the shifts in the national accounts since 1947. In the ensuing years, the accounts underwent refinements as well as extensions into new areas, or, more precisely put, began to include the careful measurement of additional national economic phenomena, such as income distribution by size of share and changes in labor and total factor productivity.

While several committees from time to time have advised the national income unit on how and why it ought to change its procedures, the unit has largely pursued its 1948 pattern. From the standpoint of the set of questions put at the beginning of this chapter, the point is clear. We have institutionalized and expanded a national accounting system to offer us answers to many of the various questions that prompted work in national income measurement. We have surely improved the coverage of data as well as their quality, but whether the project can ever be properly finished remains a moot point. Kuznets's original view, that the end-goals essentially determined the statistical means, remains viable. Surely the failure in recent years of our capacities to measure the benefits of pollution control, affirmative action, and better occupational safety standards, to say nothing of controlling the costs of entitlement programs, suggests that we know a good deal less than we thought. The loss of confidence in macroeconomic forecasting, even in the relevance of macroeconomic descriptions, is evidence of this judgment. On the other hand, there are those like Richard and Nancy Ruggles who are confident that a unique social accounting system will produce answers to all of the questions:

> It is now generally recognized that national accounts have three major functions: They serve as the coordinating and integrating framework for all economic statistics; they give timely and reliable key indicators on the performance of the economy; and they illuminate the relationships among the sectors of the economy that are fundamental to an understanding of its functioning. During the past two decades, both the availability of data for national accounting systems and the uses of these systems have grown. . . . At the same time, the increasing complexity of economic and social problems has led to more sophisticated types of analysis. . . . The emphasis of policy and analytic interest has changed for an exclusive focus on aggregate output to questions of distribution, and to social, as well as purely economic concerns. This changing emphasis has significantly broadened the range of data for which national accounts can serve as a framework, while the rapidly increasing and complexity of the data have intensified the need for a broader framework.[20]

In sum, if there is a lesson to the history of the national accounts, it is that much is to be gained by looking not only at the finished product but also at the original architectural plans. The building process, by its very nature, modifies the original vision. Whether these modifications, created by choice or by the exigencies of the moment, should remain as dominant decisions may be the real question. If so, it can be answered only by the appearance of a new master architect, conscious and capable of perceiving and designing new answers not only to the old questions but also to those that are emerging.

20. Richard Ruggles and Nancy D. Ruggles, "Integrated Economic Accounts for the United States, 1947–80," *Survey of Current Business* (May 1982), vol. 62.

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GNP and military mobilization

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Abstract. The remarkable shift from a limping United States recovery from the Great Depression of the 1930's to the relatively rapid and immensely successful World War II mobilization of the 1940's was far from an easy and orderly transition. The first official national income estimates in the United States were prepared in 1933 and were valuable in monitoring the recovery programs. They were especially helpful in determining the maximum potential resources for the wartime mobilization. This information was essential in setting goals that were both ambitious and feasible. Many difficulties were encountered in a feasibility dispute between civilian and military organizations and leaders. Changes in personnel, reorganizations and top level coordination led to massive production of armaments and truly making the United States the "Arsenal for Democracy."

Key words: National income accounting – Maximum feasible goals – Conversion controls

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It was nearly 65 years ago in 1927, when I entered the Wharton School and thus observed, as a student of economics, the tail end of the speculative Twenties and the approaching steep decline of the Great Depression. At Wharton I had the great privilege of taking graduate courses with Dr. Simon Kuznets.

I learned to always sit in the front row because I had trouble hearing his lectures – he mumbled, and he chewed his words. One had to listen carefully to put it all together. But he was an excellent teacher, and his brilliance revealed itself from the first day of his classes. I thoroughly enjoyed my two graduate years with him.

In the spring of 1933 I told him I was leaving the University of Pennsylvania and going to Washington. He was rather critical and said I was foolish, that I should stay and get my doctorate. I replied that I was not really interested in teaching or just in theory, but I was interested in the Depression and in public policy. Besides, I told him that I planned to go to law school at night and probably become an attorney. I went to Washington in June 1933.

I had been advised by Professor Fred Dewhurst of employment opportunities in Washington. Dewhurst was a prominent economist who had left the Wharton School to become Chief of the Division of Economic Research in the Bureau of Foreign and Domestic Commerce in the Department of Commerce. He offered me a job in that division.

I arrived in Washington on a sultry day (there was no air conditioning in government offices in those days). The Department of Commerce building was part of the Hoover legend. Herbert Hoover had, as I recall, turned over the first shovel of dirt when he was Secretary of Commerce in the Coolidge Administration. Hoover dedicated the completed massive building when he was President of the United States. It was then reputed to be the largest office building in the country, if not the world.

First United States national income statistics

In the Commerce Department I looked for the Division of Economic Research. Having found it on the third floor, just inside the door I saw Simon Kuznets. He said to me, "What are you doing here?" I replied, "Well, what are you doing here?" I reminded him of having told him I was going to leave Wharton for a job in the federal government.

He said he was helping to develop the nation's first official national income estimates and that he was in Washington only part time. He was continuing to teach at the University of Pennsylvania as well as to work in New York at the National Bureau of Economic Research.

That afternoon Fred Dewhurst called me to his office and said, "Kuznets would like to have you assigned to him. Would you be willing to do that?" Indeed I would have given anything to have that assignment. And so, starting on my very first day of government service in June 1933, I had the good fortune to work with Kuznets. The Senate in 1932 had passed a resolution, sponsored by young Robert LaFollette calling on the Department of Commerce to prepare the first official national income estimates for the United States.

I am no so sure how much the leaders of the Department of Commerce understood what they were getting into or what had been asked of them, or the great significance of these estimates in future economic analyses and economic policy formulations. In response to the request made by the Senate, the Department of Commerce top officials were smart enough to ask Wesley C. Mitchell, president of the prestigious National Bureau of Economic Research, to suggest the best possible candidate to do the job. He recommended Simon Kuznets who became totally responsible for those very first official estimates.

The remarkable thing was the somewhat limited staff available to Kuznets. It had one professional person, Robert F. Martin, who, I would guess, was a grade P3 or P4. In those days the annual salary of a P1 was $2,000, a P2 was $2,600, a P3 was $3,200, a P4 was $3,800, and a P5 was $4,600. (The "P" stood for "Professional") The top professional salary for civil servants in the government was $5,600. A couple of statistical clerks assisted Martin. Kuznets did use two very competent women

from the National Bureau of Economic Research staff in New York. They came to Washington from time to time. The work went along quite well.

The concepts and methodology had been clearly formulated by Kuznets in some of his papers prepared at the National Bureau of Economic Research. It is hard to believe how limited was the availability of meaningful statistics and basic information in many sectors of the economy. In the 1990's there is almost an overabundance of statistics, but we still find gaps in series. Many economic activities are not yet subjected to needed measurements and analyses. In the 1930's there were only three censuses: the Census of the Population every 10 years, the Census of Manufacturers (which was undertaken, I think, every 5 years), and then the Census of Agriculture. And that was it!

Nor were there many surveys. We did not have the sophisticated sampling techniques of today or what passes today as the simplest of computers. We did have Hollereth sorting and counting machines with their punch cards. But there were serious gaps in basic information. I had become well aware of data limitations when I was working at the Wharton Industrial Research Department. During the summer of 1930 I conducted, under Dewhurst's direction, an unemployment survey in the city of Philadelphia. We had applied simplistic sampling concepts. I verified some of the schedules turned in by some enumerators. Checking on the enumerators was necessary, because we had learned from experience that some enumerators fabricated their reports. At least one enumerator filled out the forms at home. Sometimes the results were much more interesting and dramatic and varied than what we learned from the follow-up interviews. The important point is that it was a rather primitive time in terms of the availability and quality of data compared with what we have today.

We were rather fortunate in that the Kuznets staff, though limited, was capable of doing a good job with the census data. But they knew considerably less about what to do in economic sectors not covered by a census. From the population census we knew how many medical doctors there were in the United States. But there was no information on how many doctors were private practitioners, how many were professors, how many worked in city and federal hospitals or in private hospitals as employees, or in public health services. The same condition existed for lawyers. The Census of Population did provide occupational information, but how many lawyers were in government, how many in private practice, how many academicians were unknown. We had to do our own quickie-surveys. We found a survey here, a master's thesis there, or a Ph.D. dissertation somewhere else. Bit by bit we assembled bases for estimates from scattered studies and reports to develop reasonable estimates.

As we look back at those first estimates, published as a government report entitled "National Income of the United States, 1929–1932," I am amazed that subsequent revisions did not bring about major changes. The validity of our findings was attributable to the fact that Kuznets laid out the work in a remarkably articulate manner, and he got the best out of us. On the whole the results were remarkable. Historians have been and will continue to be interested in reading the extensive notes in the report, which described sources and methods of estimation in great detail. The later comprehensive report "National Income in the United States, 1929–35" also included a detailed description of the methodology and source materials underlying the estimates.

When that job was over, and Kuznets went back to teaching at the University of Pennsylvania and to undertake research at the National Bureau of Economic

Research, the task of continuing the estimates was turned over to Bob Martin. I liked Martin very much, but after working with Simon Kuznets, Martin was not a very inspiring or challenging leader. I had an offer of another job so when I finished my first year of evening law school in June 1934, I moved to Harrisburg to work with the Pennsylvania State Emergency Relief Board as Associate Director of Research and Statistics. Another former associate at the Wharton Industrial Research Department, Emmet Welch, was the Director. Eric Biddle was head of the organization.

Relief and social security assignments

Late in the summer of 1934 I was invited to work part-time as a consultant to the President's Committee on Economic Security, which played a key role in formulating the Social Security system enacted in 1935. They needed data on unemployment for determining levels of assessments employers would be required to pay in order to finance benefits to the unemployed. Through my work on national income I had developed unemployment estimates which I kept up to date. For about 3 months I spent 3 days a week in Washinton with the President's Committee on Economic Security and 4 days a week in Harrisburg with the State Emergency Relief Board.

Back to national income

In December 1934, I was asked to come back to the Commerce Department as Chief of the National Income Section. It had been decided to establish the section within the Division of Economic Research to carry on the national income work. In 1936 it was made into a Division.

In the years from 1934 to 1940 we developed a variety of new databases through sample surveys and more extensive searches for relevant data. We asked different governmental departments to make special runs of available data and to undertake studies of help to both them and to the national income estimates. From the Department of Agriculture, we succeeded in getting new kinds of data collected in their Census of Agriculture. We worked with the Internal Revenue Service (IRS), which had a most cooperative statistician named Tom Atkeson. We began to get useful data from special tabulations of income tax returns. The IRS knew how to collect taxes reasonably well, but it had not been greatly interested in providing and analyzing statistical data. In the New Deal years, many studies were undertaken to shed light on various economic issues and data were compiled not only by the Federal Government but also by trade associations and research organizations. By the end of the Thirties, the quality and scope of quantitative information had been greatly improved, making possible more reliable and more useful estimates of national income.

We did other things, as well. We developed income estimates by states. Also we initiated quarterly national income estimates. The figures began to be released on a more timely basis. Dr. Kuznets continued his interest in national income and played a key role in organizing the National Conference on Income and Wealth, which celebrated its fiftieth anniversary in the late 1980s. It published many books on concepts and measurements of national income.

It was difficult to get people to understand what national income was. Many thought it was the total of all economic or money transactions, such as how much

money changed hands, who bought what, and who sold and who paid. Others thought of it as the total of retail sales. When we explained how we could develop a measure of national income by using value-added data, that was like speaking in a strange language. Yet, there was a great and growing interest in the subject, even though there was a great lack of understanding the concept. Even in the Department of Commerce there were division chiefs who did not comprehend what we were doing. We were, however, particularly fortunate to have Willard Thrope as the Director of the Bureau of Foreign and Domestic Commerce. He was exceedingly competent as an economist and as an administrator. As the years went by, we improved on the data and helped many policy makers use the figures correctly and fruitfully.

In retrospect, one of the most interesting tasks of the 1930s was to explain conceptually and clearly what national income measured and the uses to which it could be put. Let me offer one interesting example. One day early in 1937 there was a call from Secretary of Commerce Dan Roper's office. Roper had been chosen by President Roosevelt because of Roper's South Carolina strong political connections. (It is probably true that Roosevelt had not wanted to make the Department of Commerce into a highly important department if for no other reason than that it had been Herbert Hoover's Department for many years before he became President.) I was asked to go to the Capitol and see Senator Claude Pepper, who had been elected in Florida in 1936. He was later defeated in a Senate race and came back as a congressman, in which position he served for many decades. He wanted to know what the national income was all about. I tried to explain to him about the total value of all goods and services and how we got it by totaling net values added and how we broke it down by sector and by types or categories of income. He listened for a few minutes, stopped me, and made a dramatic New Dealer political speech. He walked around the room with his arms waving as though he had an audience of 500 people. Suddenly he would stop and say, "Oh! national income, tell me more." And later he would interrupt with some questions, usually followed by more policy orations. I always enjoyed seeing him, and we had a friendly relationship until his recent dying day.

It was my great fortune to have been a student of Simon Kuznets and my timing was lucky in taking an assignment in the Department of Commerce just when Simon needed assistance in carrying out his historic task of preparing the first official national income accounts in the United States. The opportunity to carry on that work from late 1934 to mid-1940 provided me with the privilege of knowing and working with some of the best minds and highest officials in the Roosevelt Administration. My position involved no policy responsibilities. But there were opportunities to meet with important policy makers and their close economic advisers when they sought data on the state of the economy and wanted to discuss the meaning and application of the national accounts figures. It was exciting to be involved with the top bureau chiefs and assistant secretaries and even Cabinet Officers and FERA and WPA Administrator Harry Hopkins. These contacts proved invaluable in my services during World War II.

National income and defense requirements

The most dramatic applications of national income and gross national product data relate primarily to their use and application during World War II, especially in the War Production Board and its predecessor agencies as the Government encountered problems in planning ahead for wartime mobilization.

In 1940 President Roosevelt was campaigning for an unprecedented third term. Roosevelt told the American people that he was committed against any American troops getting involved in the war. But, it was quite clear that he was increasingly distressed about Hitler's and Mussolini's successes. Although Roosevelt was committed against any active form of American participation, he was clearly in favor of helping Great Britain and France and other democracies whose freedoms and independence were seriously threatened. France fell in the early summer of 1940, about the same time President Roosevelt created the National Defense Advisory Commission. That was 6 months before the 1940 presidential election. The President was deeply concerned with what was happening in Europe but he was still against direct United States involvement. The America First leaders, especially Charles Lindbergh, protested strongly against any support for our European friends, contending that any such aid would inevitably lead to our active participation. Lindbergh did not regard Hitler as a menace or a threat to democracies.

The first mobilization agency was an advisory body. It was not a well-organized entity. The National Defense Advisory Commission was assigned the task of laying the groundwork for the mobilization of America's military resources for defense. It was headed by two co-chairmen. One was William Knudson, president of General Motors; the other was Sidney Hillman, president of the Amalgamated Clothing Workers' Union. They got along very well, but not a great deal was accomplished. In the course of the 1940 Presidential campaign, I remember the use of the slogan, "Clear it with Sidney" by Roosevelt's political opponents, which implied that Roosevelt was clearing everything with labor. Knudson was not politically nor broad policy oriented. He was a very dedicated, loyal, and patriotic person. Hillman did not know much about either defense mobilization or the problems involved in the conversion of the peacetime economy to war production. Another member was Leon Henderson who was a dynamic and unrelenting enemy of fascism. He later headed the Office of Price Administration during most of the World War II years.

The National Defense Advisory Commission was formed in May of 1940. In June I was asked to serve as Associate Director of Research and Statistics, working with Director Stacy May, an economist whom I had not met before. I developed a great respect and affection for him. He was a very good operator and deeply committed to the assignment. He had good sense, and was very effective. I was put in charge of studying military requirements, and soon found that assignment to be nearly hopeless.

We were trying to find out what military requirements would be under varying assumptions and circumstances so we could have a basis for planning what raw materials, what factories, what machinery, what tools, and what components we would need for the production of armaments. First, I went to the Army-Navy Munitions Board, which was a planning organization for the Army and the Navy. When I asked them about military requirements, they asked "are we preparing for a land war, a sea war, an air war, a European war, a defensive war on the U.S. continent?" I was not in any more position to tell them what kind of war to prepare for than I was to tell them how to build a bomber or a tank. There seemed to be no way we could get those requirements because they indicated that such numbers did not exist.

I remember asking them: "What are your varying assumptions about defense? You must have some assumptions and some lists of quantities of weapons and planes and ships needed under varied assumptions." They said "We have no estimates of requirements under varying assumptions. If you will tell us how many tanks you want, we have tables of allowances and can tell you how many tons of steel, or how many pounds of this or that go into a tank, but we do not know whether there is to be a one-million-man army or a ten-million-man army. Only then can we tell you what our requirements will be." I then said, "Give us the requirements for a one million-man, and a five million-man, or a ten million-man army." Their reply was: "We are not going to do all that work unless we have some indication of what kind of prospective hostilities we will face."

To this day I have a feeling that requirements for alternative scenarios could have been assembled rather quickly with reasonable rough approximations that could have been useful. Personally, I did not have the clout to break that bottleneck. But many high level government officials were aware of this issue and there seemed to be no authoritative civilian who could get such data.

It was very frustrating, and we got nowhere. Therefore, in the second half of 1940 much of my time was devoted to figuring out what the United States Gross National Product would be at full employment. (The government did later publish statistics of the GNP at full employment. But that was stopped some years ago.) Richard V. Gilbert, who later served with Leon Henderson at the Office of Price Administration, and who had joined the policy staff at the Department of Commerce when Harry Hopkins became Secretary of Commerce, was among those working with me on the full employment GNP concept. Stacy May was very supportive. Some military officers encouraged these efforts. I do not recall when I first met Colonel Henry S. Aurand, but he was always cooperative. I think he never rose above the rank of Major General, though he had the talent to be a four star general.

In 1940 there was still considerable slack in the economy. Unemployment was around 13 or 14% of the labor force. We were seeking to determine how much the economy could produce when all who were able to work, willing to work and actively seeking work had jobs. In essence we projected the GNP in real terms in a full-employment economy. We made rough estimates of addition needs for critical materials to take into account wartime full employment as compared with peacetime full employment.

We knew we could not produce airplanes without aluminum. So aluminum was one of our critical determinants. We knew tanks and ships and guns could not be produced without steel, so steel was certainly another limiting factor. The third was copper, which was essential for ammunition. The fourth was the largest portion of total GNP in real terms at full employment available for mobilization purposes. We concluded that the war effort could, at maximum, absorb about 40 to 45% of the GNP, which approximated the British experience. Based on intelligence from Germany that country was dedicating less than half of its total output to wartime purposes. Even if we were to ensure an all-out functioning economy that would supply maximum materiel for the military, we would need something over 50% of GNP for essential civilian activities. We were then able to project at what levels of GNP there would be shortages and what would have to be done about stockpiling and conversion of existing plants and the building and equipping of new plants and curtailment of civilian production. These analyses laid the foundation for early and sizable expansions of capacities to produce domestic bottleneck materials and stockpiles of critical materials well before Pearl Harbor.

In the fall of 1940, the Division of Research and Statistics sent to the National Advisory Commission a report stating that for an all-out defense effort the United States would need at least a 10-million-ton steel expansion. The steel industry's response was, in essence, "This is absurd, only 6 years or 7 years ago we were functioning at only 15 to 20% of capacity." That was true. Even in 1940, the American steel industry was producing at about 60 to 65% of capacity. The steel industry's view was that we should not build new capacity because at the war's end there would be another depression or recession and the industry would be left with even more idle capacity than in the Great Depression. They favored deep cuts in steel supplies for the civilian sector rather than adding new capacity. We pointed out that steel capacity had to be enlarged even if consumer uses were drastically reduced.

Fortunately, this became a high-level issue. The government decided to offer attractive incentives, and we did get a 10-million-ton steel expansion. By the time Pearl Harbor war attacked, United States steel capacity was approaching 80 million tons rather than the 70 million tons of capacity that existed in mid-1940.

We pushed hard for much more aluminum capacity expansion than was under way. At that time the only aluminum producer in the United States was Aluminum Corporation of America (Alcoa). Henry Kaiser and the Reynolds Company were given incentives and support for building new plants to produce aluminum. Also, Alcoa greatly expanded its capacity. Later another company entered the field. The United States had four aluminum producers instead of one. This was of great importance because the United States had been producing airplanes for military use only at the rate of a few hundred a year. Within one year after Pearl Harbor we were producing over 1,000 a week and by the end of 1943 the production reached about 2,000 a week.

The national income-at-full-employment analysis, made it possible in the last half of 1940 and early 1941 to expand capacity and stockpiles so that when the full mobilization effort was initated by the attack on Pearl Harbor, we were able to accelerate arms productions at phenomenal rates. That analysis helped achieve not only expanding supplies of raw materials and common components, but also increased supplies of machine tools and other processing facilities. These expansions made a great contribution toward rapidly increasing armaments flows to our allies after Pearl Harbor.

It is important to emphasize that the political environment in 1939 and in 1940 was an obstacle to early mobilization. No president had served for more than two terms. Roosevelt's campaign for a third term may have seemed to lots of people as unlikely to succeed. But Roosevelt felt that he could be reelected. Many Americans were adamant about keeping the United States out of the war. Charles Lindbergh, the national hero who was the first to fly the Atlantic alone in a small plane was dead set against rearming the United States and absolutely against helping Britain and France. He was beating the bushes against American involvement. Even Chester Bowles, later a leading liberal, was active in the America First movement. These opponents contended that Roosevelt knew that help to Europeans fighting Hitler would get the United States into the war. Roosevelt openly promised to keep America out of "foreign wars." But he was clearly in favor of helping the countries at war with Germany and Italy. He arranged an exchange of American destroyers for bases in the British Caribbean during the summer before the election. He opened and strongly called for the Lend-Lease Program to help the democracies. He was nominated for a third term and in November 1940 his victory broke the generally accepted two-term limit that had prevailed for more than a century and a half.

Long before Pearl Harbor the British had used up their financial reserves for purchasing American arms. The situation was looking more and more critical. In order to ensure further aid the White House, strongly supported by Harry Hopkins, devised the famous Lend-Lease Program to increase the flow of arms to Britain. But it was a modest program. The British were not getting anywhere near the quantities of armaments they desperately needed.

Jean Monnet and military requirements

Toward the end of 1940 I first met Jean Monnet. I recently wrote a chapter for a book on Monnet. The chapter is entitled "The Unsung Hero of World War II." After World War II Monnet planned the reconstruction of the French economy and then became the architect and leader the the European Community. He became "Mr. Europe." He was the one who conceived the Schumann Plan. The European Economic Community, as we know it today, is 100% pure Monnet. He was a brilliant strategist. He was a master maneuverer and operator at a critical time, when his rare talents were desperately needed.

After France fell, Monnet, a French citizen, was sent to Washington by Churchill. I think his title was Deputy Director of the British Ministry of Supply. Monnet said he had but one thought or goal, namely that American production was needed to win the war against Hitler. He did not talk about active participation in military operations by the United States. He never mentioned the possible need for American troops. The greatest and most urgent need was the mass production of armaments which the American economy was capable of producing.

The remarkable thing about Monnet was that he formulated issues and solutions in ways that evoked constructive and positive responses. His statement that American production was needed to win the war attracted much support. Nobody had previously stated that problem in just those terms. Monnet's operating and maneuvering were unbelievably creative, persistent, and ultimately effective. He would send cables from Roosevelt to Churchill or vice versa, and then he would prepare the answers. Monnet worked closely with Robert Patterson and Jack McCloy, then Deputy and Assistant Secretaries of War. He knew Supreme Court Justice Felix Frankfurter, himself not an amateur manipulator, who served as an important Roosevelt adviser. Monnet once said that in a meeting with Frankfurter the words "arsenal for democracy" popped out of his mouth. Frankfurter immediately asked him "never to use that phrase again." Monnet asked, "Why?" Frankfurter said, "I want that phrase for President Roosevelt." And sure enough, Roosevelt later said "The United States would be the Arsenal for Democracy."

How Monnet and I happened to meet I do not recall, but he had heard that I was working on military requirements. We began to work closely, concentrating on how to get some indication from the military establishments of requirements that would allow some meaningful forward planning. I told Monnet of my frustration in being unable to get any numbers from the military establishment. He said he also was making little progress in trying to promote his basic concept that America's production of substantial levels of armaments were critical for defeating the German and Italian aggressors. He often told me about his strategies in working with and through Harry Hopkins, Jack McCloy, Felix Frankfurter and others, and of his efforts to keep Winston Churchill fully informed on the frustrating situation in the United States. Even with Roosevelt's support of Lend-Lease, it was difficult for the President to achieve major increases in the production of armaments for our friends. The commitments he made in the 1940 election to keep us out of the war compounded the difficulties of achieving large-scale armament outputs. Congress would not appropriate tens of billions of dollars to produce massive supplies of arms for Britain and, later, Russia. After the fall of France in mid-1940, Great Britain bore the brunt of German bombing and heavy losses of British ships. Even after Germany attacked the Soviet Union in the summer of 1941, Great Britain continued to suffer from intensive and sustained bomb and missile attacks. Until the attack on Pearl Harbor, America's industrial power contributed only modestly to the war against the German and Italian aggressors.

Military requirements and the "Victory Program"

Finally, in June of 1941, President Roosevelt sent highly secret messages to the Army, the Navy, and the Maritime Commission asking what they would need to win the war if we got into the war. He also sent William L. Batt to Moscow to get the Russian needs and Averell Harriman to London to get the British needs. The military obviously could not say, "Mr. President, what kind of war?"

Within a month or two huge statistical aggregates of requirements were submitted, but without annual or semi-annual or quarterly schedules. The British called for large numbers of planes, merchant ships, tanks, artillery, and other armaments. The Russians also responded with large requests. We took those numbers of major categories of military requirements and converted them into quantities of steel, copper, and aluminum, as well as dollars. The Army-Navy Munitions Board provided tables of allowances which indicated the quantities of critical materials needed for each tank or fighter plane or bomber or battle ship or destroyer. Also they suggested measures or ratios for taking into account critical raw materials required for military needs for other than major items or categories.

We had evidence of how much aluminum would be available given the expansions in capacity underway and in prospect. We also knew the scheduled supplies of steel and copper available for 1942 and 1943. All of these figures were measured by tons as well as dollar terms for GNP analysis. We scheduled supplies semiannually. The data on raw materials and components needed for major items or categories were regarded as quite reliable. But the estimates to take account of endless lesser categories of requirements were much less precise. All of this information resulted in what was to be termed the "Victory Program". No attempt was made to develop specific priority schedules based on strategic military plans. Nor was it possible to take into detailed account the time schedules needed for converting existing plants and equipment or building new plants for war production. Implicit in the goals was the assumption that the three critical raw materials and the overall productive capacity of the economy would be the principal limiting factors in the wartime mobilization.

The goals on major items for 1942 and 1943 went to the White House in, I believe, September or early October 1941. Unfortunately, some people pressed FDR to increase the numbers. Lord Beaverbrook (a large newspaper publisher in England and a close advisor to Churchill) was visiting Roosevelt and urged higher goals. I am sorry to say that my friend Jean Monnet also urged FDR to push up the numbers. When these numbers came back, we tried to reduce them somewhat and sent the revisions back to the White House. It was our view that the originally submitted numbers were already very ambitious. We believed unrealistically high goals would be counter productive, slowing the level and pace of increase in the production of finished armaments. Roosevelt spoke to the nation about the Victory Program and the scheduled goals soon after Pearl Harbor. Of course, the attitude of the country changed in major degree when Japan attacked Pearl Harbor on December 7, 1941. Roosevelt announced publicly what the Victory Program would accomplish, calling for production of 60,000 airplanes in 1942 and 125,000 in 1943; 8 million tons of merchant shipping in 1942 and 20 million in 1943; and very large goals for a list of other key items. All these numbers were supposed to be firm and doable goals, creating much public excitement. The general response of the people, the media and national leaders was one of ardent support and all-out commitment to win the war, but considerable skepticism about the possibility of achieving such phenomenal goals so quickly. The United States produced nearly 45,000 planes in 1942, which was a truly great achievement. But the President's promise to do considerably more than really could be done posed many problems, especially with respect to implementing an effective and orderly and complex and rapid economic wartime mobilization. The whole system of priorities, allocations, scheduling, inventory limitations, control over building new facilities, and the like was jeopardized by excessive goals.

The War Production Board soon began to have serious trouble with the military. Some high officers in the various military agencies felt the civilians did not have any understanding of strategy (and I am sure that was true from a military tactical standpoint.) The War Production Board never sought to play any role in military operations. But, clearly economic mobilization of the nation's resources for war production was largely a civilian responsibility. The seriousness of the underlying problem of unrealistic goals became evident quickly, especially because of jurisdictional disputes, limited coordination among the military agencies, and, in time, personal animosities.

I was named Chairman of the Planning Committee of the War Production Board by Donald Nelson a few weeks after Pearl Harbor. Soon thereafter I expressed concern of Nelson about serious emerging problems. There was early evidence of a lack of programmatic coordination both within and between the Army, the Navy, the Maritime Administration, and the Lend-Lease Administration. The Quartermaster Corps evidenced no concern about Ordnance, nor did Ordnance care about Chemical Warfare. Each seemed to be going off on its own to the Congress where each asked for massive appropriations with limited details and breakdowns, especially by time periods. Congress, critically aware of the need for fast mobilization, raised few if any questions. The Congress was all too aware that we had suffered serious losses at Pearl Harbor and the United States faced strong Japanese forces in the Pacific and the German and Italian successful armies in Europe and North Africa. There were large and urgent needs from Great Britain and Russia. Our production of armaments had been increasing at only a modest rate and now that we were actively involved all-out efforts were absolutely essential. Certainly the Congress was in no position to question the mobilization strategies. That was principally the responsibility of the Executive Branch of the Government.

The war material orders, almost before we knew it, called for more steel than could be supplied quickly and much more aluminum that was yet available or in prospect. There remained many urgent demands for raw materials and components that could not be filled even by bringing America's raw materials and common component production to full capacity. Further expansion of productive capacity was essential but materials for expanding productive capacity came into competition with scarce materials need for armament production. The War Production Board tried very hard to get production programming under control so that ambitious programs could be achieved. But, many goals were well beyond feasibility. This precluded maximum and early production of finished priority military weapons.

The Planning Committee and the Feasibility Dispute

The feasibility fight was a critical issue in the whole mobilization effort. It is spelled out in detail in *The World War II Feasibility Dispute*, written by John Brigante and published by the University of Alabama Press in 1951. Also available are the Minutes of the Planning Committee of the War Production Board as well as the History of the War Production Board. These documents reveal a great deal about the military-civilian problems encountered in 1942 and 1943. Overall, the World War II mobilization achievements of the United States were magnificent. But faster and larger outputs of armaments could have been achieved with better cooperation, coordination and commitment as well as more realistic goals.

It became evident in the very early months of 1942 that the United States was not producing or increasing armament output as large and as fast as it could if materials and components supplies were in better balance with demands. Unless the building of airplane engines was coordinated with the production of propellers and landing gear, to say nothing about bombs and firing equipment, we would have extra pieces lying around while critical airplane shortages existed. Despite the War Production Board's authority to control priorities and allocation of resources and even to determine procurement policies, as spelled out in President Roosevelt's Executive Order creating the War Production Board, jurisdictional and personal disputes made it difficult to achieve maximum production. Orders stopping completely the production of passenger cars and consumer appliances helped greatly. But priorities and other control systems could not fully overcome the problems posed by unrealistic goals, inadequate procurement coordination and limited scheduling of delivery of finished armaments. Production of military items did rise rapidly, but not as rapidly as could have been achieved with better coordination and cooperation.

Simon Kuznets came to Washington in early 1942 and became chief economist of the Planning Committee soon after the committee was created. He also served as Associate Director of Research and Statistics of the War Production Board. He soon became very helpful in the feasibility dispute. I reviewed with him the work that had been done in developing the Victory Program, especially the use of national income data for determining overall magnitudes of production for military purposes. He proved to be invaluable in the preparation of highly classified memoranda on how much more could be produced with ambitious but achievable goals as compared with unattainable goals. The Planning Committee took a strong stand on the feasibility issue because each claimant agency (Army, Navy, Maritime, Lend-Lease) and sub-claimant agencies seemed to operate on the assumption that under a sort of free-for-all environment each could get its optimum share. The Planning Committee was convinced that the war effort would suffer from such an approach.

General Somervell – the warrior against civilians

The Committees' reports went to all of the members of the War Production Board, including high level military officers, among whom was General Brehon B. Somervell, the Chief of SOS (Service of Supplies). He became a four star general. He came to be the most disruptive and combative opponent of the War Production Board. When he read our report he blew his stack. With a few days after our initial feasibility study was distributed Donald Nelson called me to his office and handed me Somervell's written reaction. He complained that certain "theorists" had been pushing the military for a year or two to get higher goals, which was certainly true, but that now such goals had been set they wanted to cut back the objectives. He said that if the 1942 goals could not be achieved in 1942 they could be achieved in 1943 and beyond. He ended up by saying "I have studied this report, I am unimpressed with it, and therefore it should be kept from the eyes of thoughtful men."

I asked Nelson if I could write the reply. He said yes without hesitation. Simon and I worked on the reply letter. We patiently pointed out how unrealistic goals would cause distortions in the production process. We again emphasized that the complex production and distribution of various materials and parts could not be effectively controlled when demands exceeded supplies by substantial proportions and when there was limited coordination in scheduling supplies and output. We stated that precious time would be lost because of the chaos associated with this problem. We ended up by saying that "your statement that you are not impressed with the report and therefore it should be kept from the eyes of thoughtful men is a non sequitur." I signed the letter. I am sure he would have had me shot if he could have gotten away with it.

We had other battles with Somervell but top military leadership did come around and subsequently cut back some of its programs and pursued more realistic schedules. Robert Patterson at a War Production Board meeting late in 1942, accepted the principal of feasible goals. At one time in mid-1942 Somervell's deputy, General Lucius Clay even suggested that the War Production Board try to get President Roosevelt's acceptance of a lower goal for tank production. General Clay was competent and tough, but unlike Somervell he was fair and more open minded.

General Somervell never ceased to attack the War Production Board and undermine the authority of Donald Nelson. He truly was a constant thorn in Nelson's activities. Nelson was an intelligent, dedicated and committed leader. But, he was not tough enough to cope with Somervell's maneuvers and manipulations and dubious scruples. Nelson was not the only target damaged by Somervell. The highly competent General Aurand was another victim whose level of contributions to the war effort were diminished by Somervell's dominating demeanor.

There was another serious problem in the feasibility dispute. Roosevelt was hesitant to admit that the Victory Program goals he had dramatically announced soon after Pearl Harbor were impossible of achievement. Harry Hopkins was in the White House as the President's Personal Adviser on mobilizing War Production, and Isador Lubin was Hopkin's representative at most of the War Production Board meetings. They certainly understood the problem but it was difficult for them to convince Roosevelt that although he had said 60,000 airplanes were going to be produced in 1942, the maximum would be around 45,000. Other Victory Program goals also could not be fulfilled. But, nonetheless, the 1942 mobilization results were spectacular. They could have been even better with feasible goals and better coordination.

World War II was by a wide margin the most fully mobilized dedication of economic resources for military purposes in recorded American history. In 1939 less than 2% of the gross national product was devoted to defense. In 1944 between 40 and 45% of GNP was dedicated to the war effort. In 1939 less than 400,000 persons were in uniform. In 1944 nearly 12 million American men and women were in the armed forces. The GNP in 1944 was about 20% larger than in 1939. Yet, much precious time was lost because of unnecessary and wasteful jurisdictional disputes, personal vendettas, and often bitter and costly attacks on civilian agencies and leaders by a tiny number of powerful military officers. General Somervell was the most aggressive and disruptive and harmful antagonist against civilians throughout the war years. But there were other officers and officials hostile to the War Production Board and its authority.

The Defense Advisory Commission and the Office of Production Management never could get comprehensive requirements from the military agencies until mid-1941 when Roosevelt asked what they would need in order to win the war if the United States became an active participant.

Unfortunately no time schedules whatsoever were provided along with the huge aggregate requirements. Only on the basis of projected levels of maximum GNP and the maximum estimated portion of total GNP that could be dedicated to military needs and the availability of peak supplies of copper, aluminum, and steel were we able to project maximum production of military items by time periods. Even with the excessive increases in the Victory Program by President Roosevelt, the ensuing difficulties would have been more manageable had the procurement processes been better scheduled and more effectively coordinated.

Mobilization problems compounded

It was unfortunate that the proposed goals were increased at the White House because this led to three problems. First, the controls over the flows of raw materials and components and new plants and equipment were rendered much more difficult to implement than had there been both ambitious and feasible goals. Second, the concept of ambitious and feasible goals was not accepted or implemented by the supply branches of the Army and the Navy. There appeared to be no effective coordination between requests for appropriations and placement of orders for material or the scheduling of new plants and equipment within each military agency, let alone between the Army, Navy, Maritime Administration, and Lend-Lease. Third, when it became clear that the 1942 goals could not be achieved, it was difficult to convey that message to the President and to get him to announce lower goals.

There was enormous credit and honors to be shared among endless numbers of agencies and personnel in the armed forces and in the wartime civilian agencies for the success of America's World War II performance. But there was too much petty maneuvering and manipulation and conflicts that certainly caused costly delays in production and required constant changes in the policies and mechanisms for controlling and coordinating procurement and production and supply activities along with curtailment of civilian consumption. It was mainly in 1942 when our merchant vessels were being sunk in large numbers and the British and Russians were on the defensive and when American armament production was so desperately needed that effective scheduling and programming and coordination were far from ideal.

The executive order creating the War Production Board, issued soon after Pearl Harbor, gave to Donald Nelson, its chairman, power over practically the entire economic mobilization effort, including procurement. Nelson was commonly referred to in the press as the Economic Czar because of the authority delegated to him by the President. But Nelson never had the slightest intention to take over and operate the procurement function. He was overburdened with endless high-level functions to become involved in procurement activities. He was a practical man with lots of business experience and was sensitive and sensible about the essential role of government in the mobilization challenge. He was fully aware of the adverse consequences of divided and uncoordinated functions and responsibilities.

The same cannot be said of General Somervell. He seemed to believe there were two enemies. One included Germany, Italy, and Japan on the military front and the other included civilians on the home front. He felt that the civilian population was being coddled. But his principal enemy was the War Production Board and other nonmilitary agencies in the government. Nelson agreed that procurement for military purposes should be in the hands of the military. But Somervell never ceased to demand expansion of that function to embrace practically every aspect of war production. He never acknowledged or accepted any responsibility for delays or failures or problems attributable to his endless manipulations. Historians can find innumerable documents on Somervell's activities which verify these views. I used to say that Somervell would come into a meeting with a knife in his hand, which he would stick into Donald Nelson's back; Nelson would pull it out, and say, "Pardon me, General; isn't this yours?" and Somervell would reply, "Yes, Don, thank you." Immediately Somervell would put it in his other hand and stick it into the other side of Nelson's back. And Nelson would repeat the same response.

Somervell was smart and tough as well as manipulative. He had worked in New York during the Great Depression with Harry Hopkins. This relationship was, I am sure, of value to him in his attacks on Nelson. However, I knew Harry Hopkins and was especially close to Isador Lubin who was associated with Hopkins in the White House and who attended most meetings of the War Production Board as Hopkins' alternate. I had a long meeting with Hopkins and Lubin in 1942 and soon thereafter the principle of "Ambitious But Feasible" was adopted and prevailed thereafter. Also, Leon Henderson, head of the office of Price Administration, was a member of the War Production Board and a strong and open critic of Somervell's disruptive role in the feasibility dispute.

My work during this period was both challenging and gratifying. But as the production of armaments soared and the outlook for victory brightened, there was increasing dissension within the War Production Board. It was not only Somervell who jockeyed for power. The brighter the war prospects became, the more pervasive was the bitterness and infighting. Nelson was losing control.

Charles Wilson of General Electric became Executive Vice Chairman of the War Production Board. The Planning Committee was to report to him. Wilson was tough in appearance and manner, but not in performance. He was not nearly as competent as Nelson. Nelson was exceedingly bright and had a wonderful perspective. He had done a truly great job but he was not inclined to engage in alley fighting. I think Nelson was tough but not rough, as were Somervell and some other high officials.

I submitted my resignation to Nelson early in April 1943 and the other members of the Planning Committee also resigned, bringing to an end the 15 month life of the Committee. I entered the Army as a private and went through basic training wearing a brace and swallowing lots of aspirin each day because of a bad back. I was assigned to OSS (Office of Strategic Services, forerunner of the CIA). My back ailment worsened and after several months in Walter Reed Hospital I received a medical discharge.

Kuznets – a peaceful warrior

Let me just add one or two more words about Simon Kuznets. If I were to pick out one person who symbolized peace and peaceful activities I could not find anybody who would fit that pattern better than Simon Kuznets. But he was also a magnificent warrior in the tremendously challenging job of mobilizing the American economy for winning World War II. When he came to Washington he was an "all-outer." He was truly a tremendous contribution.

The war-time experience of the 1940's can be seen in considerable degree as an extension of the war against the Great Depression in the 1930s. What happened in the 1940s benefitted from experiences and lessons learned in the 1930s. Of course the War Production Board accomplishments did not depend only upon what had been done during the recovery of the 1930's. It also encountered a whole new set of problems and required new levels of cooperation and talents. What helped achieve wartime success on the production front was the working together of many types of professionals and businessmen (including myriads of "dollar-a-year" talent) and politicians and economists and scientists, and also "bureaucrats."

All this happened 50 years ago. It was an exciting and challenging era of economic recovery, of new economic policies designed to achieve more moderate cyclical fluctuation, for unprecedented American wartime economic mobilization, followed by vigorous economic growth and greater economic cooperation internationally. The ensuing 50 years have been exciting too, domestically and especially internationally, with performances benefiting from the Depression and World War II experiences.

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Journal of Evolutionary Economics

Aggregate convergence and sectoral specialization in innovation

Daniele Archibugi and Mario Pianta

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Abstract. Over the last 20 years OECD countries have converged in terms of their innovations, in parallel to the process of economic convergence and catching up in technology. However, this has not led to a similarity in the sectoral strengths of the majority of countries. Applying a measure of 'technological distance' between pairs of countries based on patents, it is shown that nations have increased their technological specialization (i.e. their sectoral differences) over the 1980s. An apparent paradox is pointed out, as countries converge by becoming more different and grow by becoming more specialized.

Key Words: Technology – Convergence – Specialization – Catching up

JEL-classification: 030–033–040–043

1. Introduction

Technology contributes to the growth of national economies in two apparently contradictory ways. Firstly, technology is a powerful engine of 'disequilibrating' growth for countries able to develop innovation-based competitive advantages. Secondly, technology plays an 'equilibrating' role as the know how spreads from innovators to imitators allowing laggard countries to catch up. While the former role leads to diverging economic positions of individual countries, the latter contributes to a growing convergence of national performances.

For the relatively small group of advanced OECD countries, economic indicators show that over the past decades a strong convergence has taken place. Among the factors contributing to convergence in income levels, technology plays

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11-6-98

Copied
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Steinberg
Sperling
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THE WHITE HOUSE
WASHINGTON

November 5, 1998

MR. PRESIDENT:

Attached is a memo from Todd, Jim Steinberg and Gene on the two-week Buenos Aires climate change conference, which opened Monday. I understand you and the Vice President discussed this at your lunch. The memo is mostly informational, but there are two decisions in it -- both concern issues of timing.

The first decision concerns whether to sign the Kyoto Protocol during the Buenos Aires conference. All of your advisors agree that Stu Eizenstat should announce next week that the U.S. is signing the Protocol during the conference. *John Podesta concurs.*

The second decision concerns the end date for completing the rules on international emissions trading. Todd lays out three potential options (late 1999, early 2000, late 2000), but all of your advisors agree that the U.S. should seek an end date of December 2000, with the understanding that we would press to resolve as many issues as possible next year. John didn't have a view on the timing of this issue.

Todd, Stu and the State Department team leave for Buenos Aires on Saturday, so they'd appreciate feedback from you at your earliest convenience.

Phil Caplan
Phil

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THE WHITE HOUSE

WASHINGTON

November 4, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
JIM STEINBERG
GENE SPERLING

SUBJECT: Climate Change

The Buenos Aires climate change conference opened Monday. This memorandum is intended to brief you on relevant issues and to seek your approval on two issues of timing.

Background

Kyoto was an historic achievement, but remains, as we have all recognized, unfinished business. As a practical matter, we will need satisfactory resolution of four key issues in order to have a legitimate chance of ratification in the Senate: developing country participation; the rules and regulations for the so-called flexibility measures (international emissions trading and the Clean Development Mechanism (CDM)); further refinement of the provisions on carbon-absorbing sinks; and compliance.

In general, we expect the Buenos Aires meeting to produce incremental progress rather than breakthroughs. The principal outcome is likely to be a work plan with specific time lines for completing work on trading and the CDM. The issue of sinks -- important to forest and farm state Senators -- is on a schedule that contemplates resolution in late 2000 (a scientific review on the subject by the International Panel on Climate Change (IPCC) will be completed in May 2000), so it probably won't figure prominently at Buenos Aires. There will likely be some discussion of compliance, but, again, focussed more on the process for working out a compliance regime rather than on the substance of such a regime.

Regarding developing countries, we expect no broad-based progress. Indeed, leading developing countries, including China, have already blocked Argentina's attempt to include on the Conference agenda a discussion about how developing countries could voluntarily assume commitments. On the other hand, Argentina is still considering an announcement that it has decided to take on a target in the 2008-2012 period, with the precise number to be specified after a few more months of analytic work. Such an announcement would be the biggest news of the

Conference. You raised this matter briefly in your pull-aside with President Menem several weeks ago, and we may ask you to follow up with a call in the next few days. Should Menem go forward with this announcement, it could provoke loud protest from China, India, Brazil and others, as well as some unhappiness in the EU. But it would be a big step forward.

Signing the Protocol

As you know, we have not yet signed the Kyoto Protocol. Our current plan is for Stu Eizenstat to announce at the beginning of the second week of the Buenos Aires conference (November 9 or 10) that we are signing. (The actual signing would be carried out by a USG official at the UN in New York.)

There are pros and cons to signing while we are in Buenos Aires, but the consensus view of your advisors (including NSC, State, NEC, CEQ and OVP) is that this is the best time and place to do it. First, it will enhance the credibility of the U.S. and strengthen our negotiating hand. More than 55 nations have signed the Protocol, including all major industrialized countries except the U.S. Second, since we have already said on many occasions that we are going to sign during the one-year signing period, which expires March 15, 1999, it makes sense to choose a moment when it can do us some good. Third, it would be preferable for us to have signed the Protocol when you travel to Japan the week of November 16, on the eve of the one-year anniversary of Kyoto, particularly since NSC is working on an environmental event there that would feature climate change.

There are two potential downsides to signing during the Conference. First, given the press attention in Buenos Aires, critics like Senator Hagel will have a platform from which to attack us. However, even if we wait to sign until after Buenos Aires, we will still get attacked and will still face possible congressional resolutions of disapproval.

Second, signing could arguably jeopardize the release of funds for the Global Environmental Facility (GEF), a multilateral development facility that funds clean energy and other environmental projects in developing countries. You will recall that, in the budget endgame, we did very well on GEF funding, getting the full $192.5 million needed to clear our GEF arrears. However, the funding was made subject to a notification requirement which, as a practical matter, gives the foreign ops. subcommittee the power to hold up funding. At the time of the budget deal, the House leadership promised to help us secure the GEF funds. But OMB believes anger over signing the Protocol could damage our ability to get the funding released.

Your advisors (including Treasury) believe that the GEF issue should not deter us from signing. As noted, we have always said we were going to sign during the one-year signing period, and signing during the Buenos Aires Conference makes sense for the reasons discussed above. Second, by rights, the assurances we received from the House leadership on GEF shouldn't be undermined by our signing, since we had declared our intention to sign months before those assurances were given. Third, whether we sign now or not, the GEF fight is going to be difficult, with GEF opponents quite capable of making anti-climate change demands as the price for approving the release of GEF funds. In fact, deferring signing could backfire if GEF opponents decide to hold the GEF hostage unless we agree *not* to sign.

In short, your advisors recommend that you approve signing the Kyoto Protocol during the Buenos Aires Conference.

Approve✓ **Disapprove**___ **Discuss**___

<u>The Work Plan Agenda: Caps on Emissions Trading</u>

The EU pressed vigorously at Kyoto for a hard cap on trading -- language making clear that countries had to achieve at least 50% of their emission reductions through domestic measures. They lost on this issue; the Protocol says simply that trading is to be "supplemental" to domestic measures, a qualitative term that doesn't impose a hard cap. Nevertheless, the EU continues to press the issue, arguing that the parties must now define "supplementarity." In particular, they are demanding that "concrete ceilings" on emissions trading, expressed in both quantitative and qualitative terms, be included as a specific agenda item in any work plan.

We have taken a strong position against caps in international negotiations and Congressional testimony. According to our analysis, caps on emissions trading would increase inefficiencies in a trading system, raise the cost of meeting our target, and be difficult to administer. (Ironically, caps could increase costs for the Europeans even more.) We argue that we are committed to aggressive action at home *and* to an efficient international trading system. And we cite the results of our own SO2 (acid rain) trading system as evidence of how important trading can be environmentally as well as economically.

Our concern is that if the cap issue is included in the work plan agenda in the wrong way it could prejudice the work plan against us, leading to a discussion not of whether a cap is appropriate, but of how tight the cap should be.

U.S. business groups -- even moderate ones, who are open to supporting the Kyoto agreement -- strongly oppose caps. And Members of Congress would undoubtedly be concerned about caps, given our reliance on trading to moderate the cost of addressing climate change.

At the same time, most domestic environmental groups either support caps or believe this an issue of secondary importance, and would blame the United States if a debate on caps slowed overall progress in making the Kyoto Protocol a reality. They tend to join the EU in characterizing our opposition to caps as proof that we intend to buy our emission reductions from abroad and not take serious domestic action to reduce greenhouse gas emissions.

We are currently exploring whether we can find a means to resolve the work plan agenda in a way that avoids a collision with the EU. But it is still possible that we will face a decision in Buenos Aires either (1) to accept a work plan that undermines our position on caps, or (2) leave Buenos Aires with no work plan and a perception that the Kyoto process had suffered a setback. Should it come to that, we will seek your guidance.

Timing of the Work Plan on Trading and the CDM

The work plan will set an end date for completing the rules that will govern emissions trading and the Clean Development Mechanism. There are, in principle, three options for end dates: late 1999 -- the next scheduled meeting of the Conference of Parties (COP-5); April 2000 -- which would require delaying COP-5 for six months; or late 2000 (probably December) -- the regularly scheduled meeting of COP-6.

Your advisors favor an end date of COP-6 in late 2000, with the understanding that we would press to resolve as many issues as possible at next year's meeting. This outcome makes sense for several reasons. First, the earliest end date, late 1999, is almost certainly unrealistic given the complexity of the issues and the time it takes for the 160-nation Conference of Parties to make decisions. Most of our negotiating partners will assume that these issues can't be resolved in just one year. Second, the moment for resolution of the flexibility issues could be highly contentious and confront us with decisions that, for domestic reasons, we think would be better confronted in late 2000 than before. In particular, on the toughest issue dividing us and the EU -- whether a country's right to trade or use the CDM should be subject to a cap -- there are three possible outcomes: the EU could accept something short of a hard cap (e.g., qualitative language regarding the obligation of all countries to pursue domestic measures); we could accept a hard cap, provoking sharp criticism from the Hill and from business; or we and the EU could collide head-on, leaving the negotiations at least temporarily derailed. The last two of these outcomes would be quite undesirable.

While it is possible that a few may criticize a COP-6 end date as a go-slow approach, it appears that most business and environmental groups are already expecting such an end date. And we can mute potential criticism by underscoring in the work plan that we will strive to finish as many issues as possible by COP-5.

The UK has floated a different approach on timing -- an end date of April 2000, premised on delaying COP-5 until that time. We don't think this is a good idea. First, it could force a showdown on the trading issue at an unattractive moment in the domestic calendar. Second, it would result in at least one issue of importance for ratification -- sinks -- not being resolved until after your term. (The sinks issue won't be ripe for decision until some months after the IPCC's May 2000 scientific report. If COP-5 were delayed until April 2000, COP-6 would not occur until April 2001 at the earliest.)

Assuming the work plan sets an end date for COP-6 in late 2000, COP-6 would then loom as the next major Conference of the Parties, where the rules on flexibility mechanisms and sinks would be completed. If adequate progress is achieved between now and then on developing country participation, the stage would be set for submission of the treaty to the U.S. Senate in 2001.

There is one last timing issue. The UN climate change secretariat has tentatively suggested that COP-6 be held October 16-25, 2000. Since this would obviously be a bad time for us, we will press to have the date moved. We think it makes most sense to seek an early December 2000 date, after our election but still during your term in office.

Agree on December 2000 end date for work plan ✓ **Disagree____** **Discuss____**

THE PRESIDENT HAS SEEN
11-6-98

LEACH & GARNER

November 2, 1998

Gnus
We need a
reply on this
BC

President William J. Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

I am writing to you as the representative of the American Jewelry Industry on Jack Smith's Task Force at the National Center for Asia-Pacific Economic Cooperation. Jewelry is one of the nine industry sectors chosen at the Vancouver-Pacific Rim Economic Summit for voluntary early sectored trade liberalization. After a positive start to negotiations with industry leaders in other APEC and European nations and their respective national trade ministries, China is derailing the negotiations. We need your help.

The American jewelry industry, highly significant to the economy of both Rhode Island and Massachusetts from the time of the American Revolution, has lost 30% of its jobs since 1977. We suffer from a one-sided reduction of trade barriers into the U.S. under GATT. A labor intensive, craft-based industry such as jewelry experiences enormous competition from less-developed nations with low labor and environmental compliance costs. We continue to try to grow our industry through investment in research and development, automation and creative design. Our goal is to replace our lost domestic market caused by the influx of foreign goods with our economically competitive, world class products exported to developing markets such as China, now the world's largest consumer of gold jewelry.

Mr. President, your assistance along with inroads being made by the Honorable Charlene Barschevsky is crucial. We ask only for a level playing field of mutually reduced tariff and non-tariff measures. Consider these facts:

- The Chinese export approximately $1 billion in jewelry and gems to the U.S. and pay little or no duty.
- We pay 110% duty on our imports of gold jewelry and jewelry related products from China.
- The Chinese have non-tariff measures including a "Catch 22" requirement demanding that Chinese companies secure import licenses from the Bank of China which rarely grants them.
- China's intransigence regarding trade negotiations has led to a weakening of the determination of other countries notably Malaysia and Indonesia to move forward on trade liberalization.

We ask you to advocate for early sectored trade liberalization. Interestingly, easier access to U.S. and European jewelry materials and parts (findings), combined with Chinese craftsmanship on decorative jewelry elements would enhance China's own export potential. It is a fact that these materials are already highly sought after by the burgeoning Chinese jewelry industry. With your firm action in support of trade liberalization with APEC, the jewelry sector would be the model for how the world could move toward more open trade and China could demonstrate joint leadership with the United States in the Pacific Basin.

My colleagues and I on both sides of the Pacific urge you at the summit level and U.S. Trade Representatives at the ministerial level, to make this a high priority at the Economic Summit this week.

Respectfully yours,

LEACH & GARNER COMPANY

Ted Leach

Edwin F. Leach II
President

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Burkhardt

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