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INT 539/1 17,204
Budget 1947
x Estimates
x call for Est

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, 25, D. C.

Aug 25 1945

My dear General Donovan:

The defeat of Japan means that the basis for the 1947 Budget suggested in my letter of July 17 must be revised. In this letter I am indicating the principles that should govern the 1947 Budget as the first postwar peacetime budget and also the criteria on which supplemental estimates for fiscal year 1946 should be based.

The 1947 Budget

It will not be clear for some time what military appropriations will be required in fiscal year 1947. The size of our peacetime military establishment has not been determined. It is also uncertain as to how long it will be desirable to retain some wartime controls in the interests of economic stability. In view of these uncertainties, no change is made in the time of the submission of the 1947 estimates as set forth in paragraph 2 of Budget Bulletin 1944-45:14.

Appropriations headed "National Defense" or "National Defense Activities" will be discontinued in fiscal year 1947. Activities which should be continued in 1947 and which are now financed from these sources, should be provided for under the proper regular appropriation.

Consideration will not be given to estimates for new activities for which no basis exists in legislation.

In reviewing budget proposals for 1947 the Bureau will be guided by the overriding consideration that the prime objectives of domestic policy are to set the stage for full employment after the war and to continue the trends of social and economic progress which were interrupted during the war. The following principles will therefore apply:

1. Estimates for 1947 should not contemplate the expansion of the present peacetime activities of the agencies unless such expansion can be fully justified as contributing to the reconversion process and the expansion of industry and trade.

2. Since deferred private demand will still be high in fiscal year 1947, estimates for authorized public construction and improvement programs should be limited to those for which there is the greatest civilian need, both from the standpoint of economic return and social benefit. Those projects which would impede the flow of materials and manpower to

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18

UNCLASSIFIED

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INT 539/2

-2-

private industry insofar as possible should be deferred until a later year. Consideration will be given to estimates for planning and investigations of authorized public works projects for future initiation.

3. Welfare and benefit programs may be increased in accordance with needs.

4. Necessary supplies and equipment should be acquired to the fullest extent possible from Government surpluses. Any agency having supplies and equipment in excess of its needs will be expected to declare that surplus promptly.

5. Estimates should be based on a 40-hour workweek throughout the Government.

Supplemental Estimates for 1946

The transition from war to peace may necessitate the submission of a limited number of supplemental estimates for 1946. Supplementary requests for the following purposes will be given consideration if authorized under existing legislation:

1. To provide for increased outlays for both benefits and administrative expenses under the various existing benefit programs - such as unemployment compensation, social security, vocational rehabilitation, and others relating to veterans.

2. To provide for the expansion of Government services where it can be fully demonstrated that such expansion is necessary to facilitate the reconversion of industry and the relocation of the labor force.

3. In the immediate postwar period estimates for authorized public works projects should be limited to those for which there is the greatest civilian need, both from the standpoint of economic return and social benefit. The volume of Federal construction during this period should not be permitted to interfere with the construction and conversion of facilities needed by industry which will provide postwar jobs.

4. To provide increased planning funds for authorized Federal public works.

5. To continue necessary Government functions which are now financed through funds which will cease to be available before the end of fiscal year 1946.

6. To provide for the liquidation of agencies created by Congress which expire before the end of fiscal year 1946.

243

19

UNCLASSIFIED

UNCLASSIFIED

INT 539/3

-3-

7. To provide for increased costs under the Federal Pay Act. Such requests should be deferred until December for action by Congress in the third quarter of the fiscal year.

I should also like to have included in your letters transmitting your budget estimates for 1947 and supplementals for 1946, statements which will outline and explain briefly the plans on which the estimates for your agency are based. These statements should cover the broad policies followed and explain why the estimates submitted are necessary to carry forward those policies. Such statements will give the Bureau a general picture of the objectives you seek to achieve and how you expect to achieve them. They will not take the place of the detailed justification for each estimate. Should you believe that certain activities required by statute should not be carried on, that fact should be brought out and drafts of appropriate legislation should be submitted amending the provisions of law involved.

Very truly yours,

s/ Harold K. Smith

Director

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Major General William J. Donovan
Director
Office of Strategic Services
Washington, D. C.

3083

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