GENERAL RECOVERY PLAN

for

N O R W A Y

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ARNE QUISLING

1934.

GENERAL RECOVERY PLAN FOR NORWAY.

To:

1. Abolish unemployment
2. Reduce debts and taxes
3. Create new wealth
4. Increase national income and well-being
5. Establish a scientific money system

INTRODUCTION.

It must be evident by now that a modern society can not live and work under its present antiquated and absolete financial system which is based mainly on debts, leads to more and more debts, and carries with it, as an unavoidable result, periodic depressions with all their misery and suffering, and which, if permitted to go on, may end in catastrophe.

The existing depression has the mystifying and unprecedented aspect, that large numbers of people are exposed to starvation and want in the midst of super-abundance of food and other necessaries of life, because they lack the money to pay for them, and in their helplessness do not have a chance to earn it by useful work, of which there is no end, if properly organized.

The tremendous material progress of mankind during the last hundred years - in spite of devastating wars, political and social upheavels -, brought about by the application of science to agriculture, industry, transportation and communication, would permit people to enjoy a veritable abundance, if it were not for the backward monetary system.

Money can be conceived as consisting of a certain portion of the national wealth, represented in liquid form for the purpose of lubricating trade as a medium of exchange, and as working capital. For prosperity there must be an abundance and cheapness of both. There is now a severe scarcity and dearness of both.

There can be no doubt, that the present miserable conditions are due to a faulty financial system, and, therefore, could be greatly ameliorated by honest and wise reforms in the money and banking system.

PRESENT CONDITIONS.

LARGE UNEMPLOYMENT, 50 to 100,000 or more, wholly or partly without work, resulting in heavy relief burdens, 1/6 of the local communities' budgets being spent for that purpose alone.

EXCESSIVE DEBTS, private as public. National debt Kr. 1,500.000,000, communal debts Kr. 1,400,000,000; a total public debt of Kr. 2,900,000,000 for a population less than 3,000,000, equal to round Kr. 1,000 pr. capita. In addition, large corporate and private debts, mortgages on farms alone amounting to Kr. 1,200,000,000, equal to an average of more than Kr. 5,ooo pr. farm.

Particularly burdensome are the debts on farmers - 1/4 of them owing more than 75% of the value of their property - and fishermen, and the public debt of smaller communities; several of these have already defaulted and had to be placed under government administration.

OPPRESSIV TAXES, specially local taxes, the average cummunal income tax, after small exemptions, being almost 17%, in addition to real estate taxes, taxes on fortunes, and all taxes payable to the state.

The public budgets, state and local, total approximately Kr. 700,000,000 out of an aggregate national income of round Kr. 2,000,000,000; in other words, more than 1/3 of the nation's income is spent by the governments.

REMEDIES.

The first step should be a reduction of interest on public and private indeptedness, voluntary or by law, to ease the crushing debt burden and ameliorate the distress from foreclosures and bankruptcies.

The public debt, state and local, has reached its present outrageous height, partly from reckless, irresponsible and bad financial management and partly from extravagant social schemes, which fine in themselves, should be held down to a scale commensurate with the national income; else they only result in piling up of ruinous debts and unbearable taxes. Particularly should the educational system be drastically reformed and the expenditures thereon reduced. Likewise, extensive rationalization and simplification of all government, national as well as local.

A: NATIONAL DEBT, amounting to Kr. 1,500,000,000 to be converted as rapidly as possible to the lowest rate of interest obtainable - which should in time not exceed 2% per year - and to be reduced and amortized as speedily as possible, partly from taxes and partly from returns on undertakings, financed through government issued certificates, as described later on.

Almost 30% of the national budget now goes for debt service, interest alone requiring about Kr. 75,000,000 pr. year, equal practically to the total amount received in direct taxes. If the interest, therefore, was brought down from the present average of 5% to a reasonable rate of 2% to 3%, those taxes could be cut in half; or, if deemed more desirable, other taxes and levies might be reduced accordingly.

B: LOCAL PUBLIC DEBTS, amounting to more than Kr. 1,400,000,000 would require, at an average rate of 5%, Kr. 70,000,000 pr. year in interest alone. The actual payments, however, on this account are at present only about Kr. 30,000,000 with another Kr. 30,000,000 for amortization, showing that these debts to a large degree are already in default, resulting in forced liquidation with heavy losses to the investors.

Therefore, to assist both creditors and debtors over the crisis, and to end once for all the unwise plunging into debts of communities, the government should take over all local public debts on the following mandatory conditions:

1. Interest paid by communities to the government to be at the rate of 2% with 1½% for amortization, plus ½% of the original amount each year for administration expenses and as insurance against losses; altogether 4% pr.year, amortizing the debt in about 42 years. Faster amortization, if it could be afforded.

2. Communities to assume no new debts, except on special permission by the government, and only through the government, and approved by 3/4 of the duly authorized representatives of the communities.

3. Communities to remain under strict government supervision until the debt was fully paid.

4. Communities to abolish the present party-rule and adopt a system of truly representative and efficient government, as outlined in appendix "A" and "B".

Due to reduction of taxes and relief expenses, made possible by the government's recovery program, this total annual debt payment of 4% pr. year would constitute no unreasonable, nor unbearable burden on the communities, who should, therefore, not be allowed to evade, by more or less arbitrary bankruptcies, their obligations, when scaled down as indicated.

In cases where some communities had been so impoverished that they could not meet their full obligations right away, they might be permitted to defer amortization payments, until recuperated. They would then, to begin with, have to meet only the 2½% pr. year for interest and handling charges.

Communities who so far had been able to meet their obligations in full, would, of course, be those to benefit most, at least to begin with, from this debt arrangement; but that would be largely counterbalanced by the fact that they would also, generally speaking, be those to pay the greater part of the state taxes.

The investors in local public securities would have them exchanged for government obligations on conditions to be a matter of negotiations in each case, settled along the following general lines:

a) Securities already in default both on interest and principal, to be exchanged for government bonds carrying no interest, and in amounts not exceeding the par value of the original issue at the time it was taken over.

b) Securities in default on interest, but not principal, to be exchanged at full value for government bonds, carrying interest not exceeding 2% pr. year.

c) Securities in good standing to be exchanged at full value for government bonds, paying less interest - preferably not exceeding 4% -, than the original ones, justified by the greater safety.

d) The government obligations to be exempt from all taxes, state as well as local, inheritance taxes, however, not included.

The following table shows the approximate cost to the government of taking over the local public debt, for different rates of interest and based on amortization in ca. 42 years.

Average rate of interest on Government Obligations exchanged for local Securities.	Total Debt Service for Interest and Amortization.	Received by The Government from the Communities.	Excess Cost to Government from taking over local Public Debt of Kr. 1,400,000,000	
% pr.year	% pr. year	% pr. year	% pr. year	Kr. pr. year
2 %	3.5 %	4 %	0.5 %	Kr. 7,000,000
2.5 %	3.8 %	4 %	0.2 %	Kr. 2,800,000
3 %	4.2 %	4 %	0.2 %	Kr. 2,800,000
3.5 %	4.5 %	4 %	0.5 %	Kr. 7,000,000
4 %	4.9 %	4 %	0.9 %	Kr. 12,600,000
4.5 %	5.3 %	4 %	1.3 %	Kr. 18,200,000
5 %	5.7 %	4 %	1.7 %	Kr. 23,800,000
5.5 %	6.1 %	4 %	2.1 %	Kr. 29,400,000

The average rate of interest on government obligations exchanged for local securities, would probably be around 2½% to 3% pr. year, so the aggregate cost to the government, resulting, from this debt operation, should not be much in excess, if any, of payments received from the communities on that account; the deficit, if any, to be covered by taxes, thus transferring the burden to those better able to carry it.

By issuing these exchange bonds on relatively short terms, say 5 to 10 years, the government should be able to obtain very low rates, which, for several years at least, would be considerably less than those on its present debt. Therefore, by renewing the cheaper loans as they fell due and applying payments received from communities, in excess of interest requirements, to the retiring of its more expensive loans, the government would noticeably reduce the cost of taking over the local debts.

Assuming an average rate of interest of 3% on the new bonds, that would permit Kr. 14,000,000 of higher interest-bearing loans to be retired each year, resulting at 5% in an annual saving of about Kr.300,000.

The communities would hereafter not be allowed to borrow in the open market from private sources, but would obtain their loans, if needed, only through the government, thereby securing them at a low rate.

In the future, therefore, there would be only <u>one</u> kind of public securities outstanding, namely governments bonds, backed by the entire wealth and taxing power of the whole nation.

In line with this debt policy, the government should also take away from the communities their taxing power - except for local real estate taxes, to be fixed within a rather narrow range - and establish national direct taxation, uniform over the entire country; that is, the basic tax rate and surcharges should be the same, while the exempt amount might vary for the different localities.

The taxes to be collected by the government, who would retain for its own purpose a certain part, charged the communities in proportion to their ability to pay, or rather, according to their taxable incomes, and based on uniform rates. Then, after deducting for debt payments due, it would turn the rest back to the communities, thus giving them, in addition to their other revenues, a definite income, within which they would have to manage.

With no exceptions tolerated on this point, the result would be to encourage and even compel economy and efficiency in local government. Communities with heavier taxes than the average, would have to bring their expenses in line with the smaller income, which, by the way, should not mean any hardship, because of reduced relief - and debt - expenditures, resulting from recovery. Communities, better situated than the average, would have a surplus, which they could invest in a reserve fund or return to their taxpayers.

Considerable savings to all communities might be expected from simplification of the fiscal system, with the government as the only tax collector.

The direct taxes would be gradually reduced, until they were brought well below an average of 10% of the taxable income, which could probably be achieved in 5 to 10 years.

C. PRIVATE DEBTS: Mortgages and other loans on farms, homes and also on fishermen's boats and equipment.

The government should lend its assistance to lighten the heavy debt burden and alleviate the distress from the crisis by encouraging and doing everything in its power to bring about a lowering of interest rates.

To further promote this, the government would :

a) guarantee principal on loans, where payments had either stopped completely or totalled less than 2% pr. year, provided the creditor relinquished all past and future interest claims.

b) guarantee interest as well as principal on loans, where total payments exceeded 2% pr. year, but less than stipulated in the contract, provided the creditor accepted a rate of interest of 2% or less.

c) guarantee part of interest and principal on loans in good standing, provided the rate of interest was cut. Loans to be guaranteed in full, if the rate was reduced to 2½% pr. year, and not guaranteed at all, if the rate was kept at 5% or more. For rates in between, the guaranteed amount to be in proportion.

In extending this guarantee the government should insist on the following conditions:

1. Each case to be settled on its own merits and wholly voluntarily, with the consent of both creditor and debtor, on terms submitted to the approval of the government.

2. The debtor to pay the government for handling charges and as insurance against losses a fee of ½% of the original amount for each year, if the loan was fully guaranteed, and less in proportion if only partly guaranteed.

3. Amortization payments to be already from the beginning, large enough to retire the debt in 40 years. Faster amortization later on, when it could be afforded, as it would be to the debtor's interest to pay the debt off as quickly as possible, thereby saving the fee payable to the government.

4. The debt not to exceed 3/4 of a conservative value of the property. If in excess of that, it must first be reduced, before the government would extend its guarantee, either

by the creditor cancelling that part of the debt, or deferring payments on it, without interest, until the guaranteed loan was fully paid.

5. No new debts to be placed on the property, until existing loans were completely retired.

6. Savings in debt service, in case of houses not occupied by the owners, to be extended to the tenants in form of lower rentals.

The following table shows the payments due to and from the different parties, for different rates of interest and based on an amortization period of 40 years:

Rate of Interest on Loans	Interest and Amortization	Fee to the Government	Total payments by debtors	Total receipts of Creditors	Interest and Principal guaranteed
% pr. year	% pr.year	% pr. year	% pr.year	% pr. year	%
0 %	2.5 %	0.5 %	3 %	2.5 %	100 %
2 %	3.6 %	0.5 %	4.1 %	3.6 %	100 %
2.5 %	4.0 %	0.5 %	4.5 %	4.0 %	100 %
3 %	4.3 %	0.4 %	4.7 %	4.3 %	80 %
3.5 %	4.7 %	0.3 %	5.0 %	4.7 %	60 %
4 %	5.0 %	0.2 %	5.2 %	5.0 %	40 %
4.5 %	5.4 %	0.1 %	5.5 %	5.4 %	20 %
5 %	5.8 %	0 %	5.8 %	5.8 %	0 %

The government should tolerate no willfull neglect of payments and should, where payments were not forthcoming at the regular time, after allowing for a reasonable period of grace, have the right - and also use it - to foreclose on the property. However, in cases where the debtor was obviously unable to meet his obligations in full, the government might permit him to defer amortization payments, which itself would then advance and collect later with 2% interest, when he again could take care of all his payments.

As already stated, the government would require, before extending its guarantee, that an agreement had been reached by the creditor and debtor for each individual case. If no agreement could be arrived at, things should be allowed to take their course without government interference. Only when the creditor would not accept a reasonable arrangement, and the owner was threatened with loss of the property through inability to meet his obligations, might the government step in and acquire the property at public auction - provided the case was a bona fide one - and lease it to the former owner on a 2% interest basis plus ½% for handling charges, to be returned to him when fully paid for in this way.

Objections to lowering of interest rates might, of course, be expected from private investors, banks and insurance companies; but they would be compensated by having their loans made secure, while they now stand the risk of losing not only interest, but large parts of the principal as well.

However, their objections would be overruled, because lower returns on capital must come anyway, and investors might better resign themselves to that fact voluntarily and accept lower yields with greater security, than having it forced upon them later on, as something unavoidable, and then perhaps at the cost of heavy losses.

Besides, savings banks and other banks could reduce interest rate to their time-depositors to 2% pr. year or less, which would be a satisfactory return, particularly if the government guaranteed - as it should do - savings deposits up to an amount of Kr. 5,000 pr. account, by establishing a general deposit insurance fund which, with strict supervision of the banks, would require only trifling contributions from the members.

Insurance companies should determine their rates on a basis of 2% net return on invested funds. With expanding business and greater security of investments, the rates would probably not have to be increased at all over prevailing figures, they might even be reduced.

As to endowment funds, their income would, of course, be reduced with lowering of interest rates; but that might be largely balanced by giving them preference to employ their funds in financing projects during the construction period proper, at fairly high rates, with their money guaranteed back, when the work was finished, as described later on. Besides, with growing prosperity and with the establishing of different kinds of social insurance on a countrywide scale, there would be less need for such funds, and if necessary and desirable, they might be subsidized from public sources.

The reduced debt burden together with lower taxes and the end of unemployment should go a long way to improve the condition of the debtors, particularly the farmers, since it would also be combined with increased consumption of their products and possibility of supplementing earnings from outside work.

Private debts, other than those mentioned, would not come within the scope of government assistance, except that they would benefit by cheaper capital, establishing and enforcing itself as a result of the new fiscal and monetary system.

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The next step towards recovery is to put the unemployed to work creating permanent wealth. There is no end of useful and necessary work to be done, if properly organized; but it cannot afford to pay the high charges, without which private capital at present refuses to go to work. To finance it from taxes or through government bond issue with high interest and amortization from taxation might increase the already crushing burden to the breaking point.

The nation would, therefore, either, have to go without these improvements, which would mean, not only continued unemployment with all its dangerous and miserable consequences, but also national stagnation and eventually decay; or another way out must be found.

To effect a quick and extensive re-employment of labor, money must be provided speedily and in ample quantity. Therefore :

1. Let the government use its own credit and create a capital fund at a rate of not exceeding Kr. 100,000,000 pr. year, with a total not exceeding Kr. 1,000,000,000, in the form of treasury certificates (denominations from Kr. 1,000 to Kr. 100,000) not intended for circulation like currency, but suitable for bank deposits from which to pay with checks for all land, labor and materials going into creation, maintenance and repair of permanent wealth and <u>into nothing else.</u>

2. These certificates to represent working capital, available as loans, against good security, at an annual amortization tax of not less than 2% pr.year, paid into the Treasury and applied to reduction of the national debt. It means, that the usual method of the government - exchanging its bonds for private credit and paying interest thereon - should be reversed, thus financing not only the creation of new wealth, but at the same time aiding in the reduction of national indebtedness.

3. Certificates, or bank checks drawn against them, to be legal tender (at their face value) for all taxes (government and local) and all private and public debt. This would keep them at par with present money. Certificates to have no value outside the country. This would keep them home and leave the Krone unaffected by foreign exchange conditions.

4. The effect of these certificates would be plenty of cheap working capital to pay labor and material without an increase of currency, of which the present amount of about Kr. 100 to Kr. 125 pr. capita in addition to checks is sufficient for ordinary transactions.

A further effect would be a reduction of interest rates on all capital through competition with government credit. This would help to reduce the crushing debt burden and aid in its speedy reduction and amortization, and also lead to continuous employment of labor at fair wages.

5. These certificates to be used for creation of permanent useful work at a rate of not exceeding Kr. 100,000,000 pr. year, which

assuming approximately 80% to go for labor in one way or the other and an average yearly income per worker of Kr. 1,500, would provide work for 50,000 to 60,000 people directly. This together with added employment created in caring for the different needs of these people, (it is generally assumed that for each person employed directly, at least another person gets employed indirectly) and also other work created by private undertakings, with the help of the government if necessary, would practically wipe unemployment out completely.

Wages on public works, for the specific purpose of alleviating unemployment, should under no circumstances exceed prevailing wages on private undertakings in the same district, and should preferably be somewhat less, so as not to discourage people from seeking private employment when available. On the other hand they should be considerably larger than relief payments, so as to discourage people from remaining in idleness.

Many men and women might have to change for a time their vocations and learn new trades. That would, however, come without much trouble, provided they could earn enough money at once to pay at least for necessities.

With work available for every one willing to, emergency relief would come to an end - except in cases of illness or death - resulting in large decrease in public expenditures and taxes, and also stopping the forming of an army of chronic idlers, demanding to be kept at public expense and giving nothing in return, like the Roman mob, always crying out for "Panem et Circenses". With jobs to be had, they would either have to go to work or be left to their own resources.

6. All work financed under this plan, whether private or public, should, during the construction period proper, wherever possible, be undertaken as private enterprise, let to the lowest responsible bidder and financed by private capital at lowest obtainable rates. First when the undertaking was finished, would the government, after having satisfied itself that the work had been efficiently and economically performed, step in and pay for it in cash (certificates), to be amortized at not less than 2% pr. year.

This would provide a large field for valuable private initiative, permitting a fair profit to be earned as reward for enterprise and management.

7. These certificates to be used first in payment for all such government construction work (including ships for the navy and permanent defense works) which at present is paid for out of taxes or loans. This amount to be taken out of the budget and the 2% amortization substituted therefor.

This would permit balancing of the budget for several years without the help of loans, and would also reduce taxes at once with a large amount; or, if preferable, taxes might be reduced gradually and the resulting surplus applied to speedier reduction of the national debt. With returning normal conditions the budget could then be balanced from taxes alone, as it should be.

8. Certificates to be loaned to communities, likewise for construction or repair of their permanent public structures, at an annual amortization tax of not less than 2%, paid by them into the Treasury towards reduction of the national debt, until the loan was in that way fully repaid.

This would make it possible to build many permanently useful and revenue-producing structures, which otherwise might not have been undertaken.

9. On self-supporting and self-liquidating public works, the government might, after the undertaking had been fully amortized, either continue or reduce the annual tax, thus obtaining a perpetual income, or forego the tax entirely, so as to reduce tolls, fares and rates for the public benefit.

10. These certificates to be further used for establishing of homesteads and for cultivation of new land. They might also, if deemed desirable, be applied to the construction of substantial, comfortable houses, at low rentals the average man could well afford to pay. However, this should preferably be achieved through private capital, subsidized, if necessary, by the government in a way described later on.

11. These certificates would pave the way for the gradual adoption of a Scientific Money System, governed by the following 6 cardinal principles:

I. "The creation of money shall be an exclusive governmental function. Its paper money shall consist of credit currency notes or/and certificates without interest, issued against the credit and wealth of the entire nation, and only for value received."

II. "The total amount of currency notes or/and certificates issued shall be limited and maintained in a stable proportion to national wealth or more conveniently, in the form of a certain fixed amount pr. capita of population.

III. "The currency notes or/and certificates must be a legal tender for all taxes and all public and private debts, to the exclusion of all other kinds of money, whether paper, gold or silver."

IV. "The income from taxes and other sources of the Government issuing the currency notes must not be less than the outgo of Government expenses. In other words, there must be maintained inviolate a balanced budget".

V. "The credit currency notes or/and certificates shall be redeemable only in one way, that is, by the Government receiving them for taxes and dues, and destroying them if need be."

VI. "The currency notes or/and certificates shall not be hoardable, and to that end a few simple rules can readily be enforced by the Government."

This monetary system has been proposed and discussed by Gustav Lindenthal, eminent American Engineer, in his brochure "A Sound Scientific Money System as Cure for Unemployment", from which is also taken the general principles of this recovery plan.

The quantity of money needed by a nation for its economic activity will vary according to its rank in industry and resources; but it may be stated as a general rule that the amount should be approximately 1/8 of the national wealth.

Taking the pre-depression total wealth (state, communal and private) to be about Kr. 4,000 pr. inhabitant, that would mean an amount of money of Kr. 500 pr. capita, or, with the present population, a total of round Kr. 1,400,000,000, of which Kr. 1,000,000,000 would be in credit certificates in large denominations for bank reserves, and Kr. 400,000,000 in non-hoardable currency bills and subsidiary money.

This would require an increase of currency of about Kr. 70,000,000 over the present amount, deemed desirable, considering the increased activity resulting from the government's recovery plan. The existing bills would be gradually replaced by new ones as they wore out, and additional currency issued at the rate of Kr. 7,000,000 each year for 10 years, to be used for subsidizing a vast housing program and/or other private projects, and/or for direct reduction of the national debt, as the case might be.

At the end of 10 years, therefore, the new money system would be fully established with a total quantity of money of Kr. 1,400,000,000, deemed adequate for the commercial and financial transactions of the nation on its present stage of industrial development. This money, constituting the sole legal tender to the exclusion of everything else, would remain constant in amount, except for necessary increase due to growing population and/or increasing wealth and industrialization of the country.

This adjustment might be undertaken say every 5th to 10th year. The population is now growing at the rate of 10,000 to 15,000 pr. year, requiring on that basis alone an average annual increase in money of Kr. 5,000,000 to Kr. 7,500,000. In addition, there would be the expansion of money funds to take care of the population increase accumulated during the first 10 years. This would require from Kr, 50,000,000 to Kr. 75,000,000. Such increases, or any other increases deemed necessary, should preferably be in certificates, as larger bank reserves might be needed with more wide-spread use of checks.

The government would, therefore, then have at its disposal each year several millions of new money, which together with taxes might be used for construction work and/or reduction of the national debt. If the government needed more money at certain times it would have to raise funds in the usual way by issuing bonds for private capital, which at that time could probably be had at an interest rate of 2% pr. year or even less.

That the quantity of money outstanding was in the right amount would soon show itself in the rate of interest. If interest - as an average for the whole country - on well secured loans stubbornly refused to go below say 3%, it would indicate that the amount of money was not sufficient and should be increased in the way prescribed, that is by issuing of more certificates in payment for works of permanent wealth, and/or reduction of the national debt. If the amount of money should be somewhat in excess of what was strictly needed, no harm would result, as it would only mean cheaper capital.

There seems no reason whatsoever, that the rate of interest on loans, against safe collateral, under this money system and with strong and able government, should exceed 2 to 3 per cent; capital might even often accept less. If people were not satisfied with this return on their money, they should not loan it out, but go into business themselves, where the risk and work would justify a higher yield; but on secure loans any return above the one specified would mean unreasonable, workless income, to which capital is not entitled and which it, for the sake of greater social justice, should not be permitted to enjoy.

12. Strong objections might be expected from the banks, who would lose certain banking profits on Kr. 1,000,000,000, if obtained from the sale of government bonds. Banks would, however, be entitled to a small fee to cover administrative expenses for deposited certificates; in addition they could make a profit from loans (against good collateral) at low rates of interest on the deposited certificates, which in practice would take the place of bank credits, as fund for checks; further the banks would earn a fair profit - not to exceed 4% plus a reasonable fee for management - on financing undertakings during the construction period, with their money guaranteed back, when the work was finished.

Assuming that the banks - in addition to their other incomes - made a net return of only 1% pr. year from loans on Kr. 1,000,000,000 in deposited certificates, they would then have a steady income of Kr. 10,000,000 annually from that source alone, or more than 5% on their capital, now aggregating less than Kr. 200,000,000. That should in the long run prove more satisfactory and profitable than earning large profits in boom periods, only to be caught in the downward rush as victims of their own maneuvres, often to the extent of complete destruction, as happened to so many institutions in the last bank crisis.

Besides, it would be open to the banks to become financial leaders and managers of business operations, creating substantial wealth and earning legitimate profits therefrom, which is a quite different thing from being manipulators of credit and charging directly or indirectly usurious rates of interest for fictitious money and bank credit loans.

13. The certificates might be decried as inflation, but that would be a misrepresentation as they would not circulate like currency without charge; on the contrary they would be subject to a minimum tax of 2% applied to reduction of the national debt, thus maintaining government credit at the highest pitch. Besides, the certificates would only take the place of certain bank credit, now created out of debts and functioning as money and charging high interest for its use. This would be gradually restricted and finally entirely abolished, so that in the end, when the new

money system was established, the banks would not be allowed to create credit, but only to give credit within the limit of their actual money deposits.

In addition, the mass of unemployed now forming a parasitical growth on the social body, sucking the life-blood out of it, would be made self-supporting in creating permanent national wealth.

Further, the Scientific Money System established through these certificates would automatically stop any speculative inflation, as the amount of money would be constant and could not be juggled up and down by the banks.

14. Plentifullness of work depends not only on stable money and cheap working capital, but also on reasonableness in wages, free from the dictation and intrigues by professional and selfish labor leaders.

Labor should, wherever possible, be put on a monthly basis with a moderate but more secured income, with opportunity for working its way up and for individual ability to be rewarded.

One of the most insidious obstructions to recovery are high unit wages, particularly in the building field. They decidedly discourage employment by making construction work so costly, that nobody wants to undertake it from fear it will not yield sufficient income to cover the fixed charges. Or, if it actually is undertaken, it requires so excessive rates or fares, as to add heavily to the cost of living.

All this, of course, reacts back on the wage earner, who not only gets so little employment, that his yearly income remains small, but also finds the buying power of his earnings very restricted. It would, therefore, be to everyone's advantage to see a change take place as recommended.

Unions should be reorganized under government supervision with their power drastically restricted and with strict accountance for funds collected.

Strikes are militant in their nature and destructive of property and the rights of other people outside of labor and capital. They are discreditable to a civilized country and should be avoided by arbitration, or by compelled adjudication before intelligent juries in court, who could enforce their decisions and protect society and the public welfare.

15. The nation should by now have learnt the dangers and vicissitudes of debts and should adopt for its financial affairs the principle of : "PAY AS YOU GO, KEEP OUT OF DEBT, IT IS SLAVERY", which should apply to all public and private indebtedness and be strongly impressed on the growing generation. Installment buying of merchandise to be outlawed. Pay cash!

ALLOCATION OF FUNDS.

The Kr. 100,000,000 in certificates put to work each year for 10 years might be allocated as follows :

1.	Railroads	Kr. 20,000,000	per year
2.	Highways and Streets	Kr. 20,000,000	" "
3.	Port Developments	Kr. 5,000,000	" "
4.	Electricity, water and sewer works	Kr. 10,000,000	" "
5.	Telegraph, telephone and radio . .	Kr. 5,000,000	" "
6.	Public Buildings, schools, research institutes , hospital etc.	Kr. 15,000,000	" "
7.	Agriculture and Homesteads	Kr. 15,000,000	" "
8.	Forests and Conservation	Kr. 5,000,000	" "
9.	National Defense , ...	Kr. 5,000,000	" "
	TOTAL. . .	Kr.100,000,000	" "

This allocation is only tentative, the funds to be distributed in the way best suited to meet the existing conditions, which will vary from year to year; but the total should not exceed Kr.100,000,000 pr. year.

Of this sum about Kr. 40,000,000 pr. year would be loaned to the communities for their different public works, the rest Kr. 60,000,000 pr. year retained by the government for its own undertakings, including homesteads.

The projects financed in this way to be spread over the whole country as much as possible in consistence with sound planning, in order to provide work for all. They should be so laid out that they could be easily tapered off, if and when increased private undertakings would be available.

In addition to public works there would be a vast, countrywide housing program and other large private undertakings, financed by private capital, with government assistance only, if necessary.

1. RAILROADS. The conntry does not need more railroads, except for a few main lines, now partly finished, which should be completed. Existing lines of narrow gage which are to remain in the system should be rebuilt to standard type, No more sidelines to be built, where the traffic can just as w ell be handled over highways; only when exceptional conditions prevail, as for instance in the tapping of a mining district, are new sidelines to be contemplated.

The present method of charging part of cost of new lines to affected communities should be abolished and a payment of 2% pr. year for 10 years substituted therefore. The new railroads would then, to begin with, have to earn only their operation and maintenance expenses, and would with growing traffic soon be able also to take care of the amortization, without further subsidizing from taxes and assessments.

Existing sidelines, which can in no way earn their operation and maintenance expenses, and with no reasonable expectation of doing so, and where traffic can be much more economically routed over the highways, should be scrapped, unless the affected communities are willing to make up the deficit.

The 3,900 kilometers of railroads, mostly government owned and operated, to be electrified (only 234 kilometers are so now), wherever the traffic is large enough to procure, through savings in operation and maintenance, 2% pr. year for amortization of cost of new construction (it also has the national advantage of reducing coal imports). On the same basis new, light and modern equipment should be substituted for the old.

The reailroads operated in 1932/33 at a deficit of approximately Kr. 6,000,000 for the year, exclusive of debt service, which must be paid out of taxes. By electrifying and installing modern and efficient equipment, large savings in operation would result. Assuming as a very conservative figure that the expenses, about Kr.74,000,000, could be reduced 15%, or Kr. 11,000,000 pr. year, that would not only wipe out the deficit, but also leave Kr. 5,000,000 for amortization of new construction and equipment. At a rate of 2% pr. year this would justify, based on present traffic, an investment of Kr. 250,000,000 if required. With growing traffic and increased modernization the railroads should therefore soon be able to turn their operating deficit into a substantial surplus.

New, large, underground central terminal in Oslo could also be financed in this way, if wanted to replace the two present stations, now congested and becoming obsolete. All suburban traffic might be handled over a loop system, developed in connection with the terminal. The station itself to have huge buildings on top of the tracks, with ample office space, commanding high rentals due to the central and convenient location, thus making the terminal self-sustaining and self-liquidating from that source of income alone.

2. HIGHWAYS AND STREETS. The country needs a large extension of its highway system, through highways as well as local, also widening and improving of existing roads, including concrete surfacing for heavy traffic.

The present method of financing highway construction should be abolished and the 2% amortization charge pr. year substituted therefore, to come partly from licenses on motor vehicles (the existing rubber tax to be preferably replaced by annual license fees, ranging from Kr. 50 to Kr. 100 pr. vehicle) and gasoline tax, partly from taxes and partly from assessments on properties adjoining and benefiting from the highways; the actual distribution of the cost depending upon the character of the road.

With more than 60,000 motor vehicles registered, the government collects now from the owners in different taxes close to Kr. 18,000,000 pr. year, or an average of Kr. 300 pr. vehicle annually. Of this sum roughly 2/3 goes for maintenance and repair of the existing system, and 1/3 or. Kr. 6,000,000 is applied to new construction. Substituting for this the 2% amortization tax, it would be sufficient to finance a total investment of Kr. 300,000,000, increasing with the growing number of automobiles, which now is at the rate of 2,000 to 3,000 cars pr. year and which, on the above basis, would provide additional funds each year to take care of Kr. 10,000,000 to Kr. 15,000,000 of new construction, if wanted.

Revenues from this source alone would, therefore, for a long time be far in excess of the amount needed for the contemplated program, so that the taxes could either be reduced, or if kept up, part of the sum exceeding the government's needs might be turned over to the local communities, and the rest invested in a reserve fund for future contingencies.

CITY STREETS, to be financed in the same way and from the same sources as highways. With paving costing on the average approximately Kr. 50 to Kr. 100 pr. lin. meter, an yearly assessment on the adjoining properties of only Kr. 0,50 to Kr. 1 pr. front meter would alone be enough to finance the entire cost.

It is evident that in this way a splendid, countrywide network of streets and highways could be built, maintained and paid for at a cost that would hardly be felt by the public at all.

The improved streets and highways would result in a considerable saving in upkeep and repair and greatly lessen the dust, dirt and noise. It would also mean less wear on tires, less consumption of gasoline and permit faster traffic.

3. PORT DEVELOPMENTS. Dredging and protection of harbors, construction and improvement of piers and warehouses with facilities, also betterment and extension of lighthouse service. Amortization to come from charges on ships and freight and, to some extent, from taxes.

4. ELECTRICITY, WATER AND SEWER WORKS. The country is one of the richest in water power and has a potential supply of more than 10,000,000 kilowatts (year in and year out) which due to natural conditions can be harnessed very cheaply. Only 10% to 15% is in use at present. In addition to this readily available supply, there are other sources, probably just as large, requiring, however, more expensive development.

Based on a 2% amortization cost electricity could be produced so cheaply and in such ample quantities, that it would supply the energy, not only for light, power and cooking, but also for heating the houses. By storing the heat during the off-load periods (nights) it could be had at extremely low rates.

This would result in largely increased convenience and cleanliness, considerable saving in the cities' renovation expenses, and a drastic cut of coal and coke imports.

Enormous amounts of cheap electrical energy could also be furnished industries requiring it in their processes, thus giving an impulse to building up new chemical industries and expanding the already existing ones.

The plans - now under consideration - for supplying Southern Sweden, Denmark and possibly Northers Germany with cheap electrical power might also be realized on this financial basis, provided the politica obstructions could be overcome. Former estimates, based on usual "orthodox" methods of financing, indicated that power could be delivered in Denmark at an average of only about 1/3 of its present cost. The project should, therefore, prove highly lucrative. It should be owned, but not necessarily built and operated, by the government, who would derive a large, perpetual income from this undertaking.

WATER AND SEWER WORKS, to be improved,expanded and modernized with rates sufficient to earn at least 2% net per year on investments.

5. TELEGRAPH, TELEPHONE AND RADIO. Extension and improvements in the government owned and operated communication system, provided a net return of 2% per year could reasonably be expected.

6. PUBLIC BUILDINGS, SCHOOLS, RESEARCH INSTITUTES, HOSPITALS, ETC., The certificates to finance the building and repair of post offices, government offices and other public buildings; also schools and universities with their permanent equipment. The amortization to come out of taxes and from savings in rentals.

Research institutes in different fields in cooperation with industries, who benefiting from inventions and researches made, would contribute largely to their operation and amortization.

Hospitals and equipment, amortized partly from ta: and partly from fees, kept as low as possible.

7. AGRICULTURE AND HOMESTEADS. Cultivation of new arable land heretofore idle. Cost not to exceed Kr. 100 pr.dekar, part of which - say 1/4 - might be an outright grant by the government, the rest to be amortized by the owner in 20 years or less, plus 1% of the original amount for each year for interest and administration expenses.

Repairs and modernization of barns, outhouses and stables, including fireproofing of the latter (thereby reducing insurance rates) to be undertaken by the owner and paid for, when finished, by the government. Cost not to exceed Kr. 500 per farm and to be paid back in equal annual installments in 10 years or less, plus 1.5% of the original amount for each year for interest and handling charges.

Establisments for breeding and improving of seeds and stocks, to be practically on a self-supporting and self-liquidating basis.

HOMESTEADS. It is of greatest importance to the country to provide new, independent homesteads for its growing farming population so that as many of them as possible would remain on the land, firmly rooted in the soil, grateful and loyal to the government. The government should therefore help establish new farms of a suitable size, not larger than for one man and his family to manage, say from 10 to 50 dekar, by assisting in acquiring land, by technical advice and supervision during clearing and cultivating of the ground, building of houses and starting of the farm as a going concern. But during this period the actual work should be done by private enterprise (preferably as much as possible by the prospective farmer himself, who would thus not only have employment, but also lessen the final cost of the property to himself) and paid for by private capital at lowest possible rates. When the farm was ready for occupation, the government, after having satisfied itself that the work had been carried out efficiently and economically, would pay for it in cash (certificates) and transfer it to the prospective owner on the following conditions:

1. Cost of land and buildings not to exceed Kr. 10,000

2. The loan to be amortized in 10 to 40 years - at the choice of the homesteaders - in equal quarterly installments plus 1% of the original amount for each year for interest and administration expenses. When the amount was thus fully paid for, the farm would be his, free for all debts.

3. No debts must be placed on the farm.

4. The farm must not be rented out.

5. If the farmer should want to sell before expiration of time, that could only be done through the government. If the price exceeded the remaining outstanding debt on the property, the farmer would receive of this excess a percentage corresponding to the proportion he had paid in of his total dues; the government to get the rest.

6. No person allowed to benefit more than once under this plan.

8. FORESTS AND CONSERVATION. The certificates might be used to acquire land for national forests and parks, to pay for clearing of woods, reforestation of areas destroyed by fire or ravaged by man, constructing of roads, blazing of trails, bulding of dams, dire-protection etc., also stocking of lakes and streams with fish and of land with game. The undertaking would in time be largely self-supporting from increased lumber supply, from licenses for fishing and hunting, and income from tourist traffic.

Funds extended to private persons for similar purposes, limited to Kr. 500 pr. person annually, should be amortized in 20 years or less, with 1% of the original amount for each year for handling charges and interest.

Certificates set aside under this heading might also be used for the making of up-to-date topographical, economical and geological maps of the entire country. Amortization to come, at least partly, from sale of maps; it might also result in discovery of valuable mineral resources.

9. NATIONAL DEFENSE. Ships for the navy for defense of the extensive coast line, including swift coast guards for protection of fisheries against foreign trawlers. Also army equipment and fortifications. Amortization to be charged to national defense and paid for out of taxes.

HOUSING.

The building of substantial, comfortable and permanent homes at low cost is the largest field for employment of labor, and also the field where improvements are most needed. No nation can claim to be truly civilized, that does not provide its people with adequate shelter at a price well within the reach of the average man.

The housing program might be divided as follows:

A: Private Homes.

B: Repairs and Modernization of Existing Houses.

C: Apartment Houses to Rent

A: PRIVATE HOMES. It should be the aim of every family to possess its own substantial and comfortable home, preferably in the country with not less than 1 dekar of ground. To help achieve this the government would say to any reliable person who wanted to build his own house: "Go ahead, select your location, engage your architect and contractor, build the house according to your own plans and arrange for financing it during construction from private sources at the best rate you can obtain. We will only see to it that the job meets the standards of good design and workmanship and that the whole undertaking is efficiently and economically performed. When the house is ready for occupation, and provided you cannot obtain long term private capital under 3%, we will loan you the money to pay for it on the following conditions:

1. "Cost of house and land not to exceed Kr. 15,000".

2. "The loan to be amortized in 10 to 40 years, - at your choice - plus 1½% of the original amount for each year for interest and administration expenses, the total to be paid in equal monthly installments. In addition to these regular payments you will be requested to make a cash deposit of 5%, which, however, will be returned to you gradually in equal annual innstallments until the property is fully amortized. If selling out before that, the remaining amount of the deposit to be forfeited to the government. When fully paid for in the way described, the house is yours free of all debts."

3. "No other loan must be placed on the house"

4. "You must live there yourself."

5. "You can not sell the house before expiration of the contract, except through the government. If the price exceeds the remaining outstanding debt, you will receive of this excess as your part a percentage corresponding to the proportion (Exclusive of remaining deposit) you have paid in of total dues."

6. "You will not be allowed to benefit more than once in the same locality under this plan."

Private homes in form of cooperative owned apartment houses to be financed in the same way and on similar conditions, except that the deposit should be 10%.

Privately owned homes of more expensive type, whether in single houses or aprtment buildings, should preferably be financed entirely from private sources. However, up to a cost of Kr. 25,000, the government might assist in the same way as outlined above; but in addition to the usual cash deposit there would be another 10% on the amount above Kr. 15,000, and in addition to the regular charge of 1½% for each year on the entire sum, there would be another 1% on the amount exceeding Kr.15,000. Beyond Kr. 25,000 no financial help to be given.

B: REPAIRS AND MODERNIZATION OF EXISTING HOUSES, to be undertaken as private enterprise by private capital and paid for in cash by the government when finished and approved. Cost not to exceed Kr. 1,000 per private house or apartment, and to be amortized in equal annual installments in 10 years or less, plus 1,5% of the original amount for each year for interest and handling charges. Such loans to be given only, if private capital could not be obtained under 3%.

C: APARTMENT HOUSES TO RENT should again preferably be financed by private capital at low interest, not exceeding 3%; or if not available at that rate, only then through government assistance, which would take the following form:

The houses would again be built as private enterprise with private capital; but when ready the government would pay for them in cash and accept as payment from the property owners bonds, carrying 2½% interest plus ½% of the original amount for each year for administration charges and as insurance against losses, to be retired in 10 to 40 years, at the choice of the owners, paid in equal quarterly installments. (Amortization in 40 years would require a total annual payment of 4½%.)

In extending this financial help the government should insist on the following conditions:

1. That a cash deposit of 10% be made, to be returned to the owner gradually in equal annual installments until the house was fully amortized. If sold before that, the remaining amount of the deposit to be forfeited to the government.

2. That the project and work measure up to high standards of planning, workmanship, efficiency and economy.

3. That the average cost per apartment (including proportionate cost of land) must not exceed Kr. 15,000

4. That no other loan must be placed on the property.

5. That the rentals be kept as low as possible, allowing after maintenance, operation, depreciation and capital charges, for a reasonable fee for management.

6. That the property, if sold before fully amortized, should be disposed of only through the government, the owner to receive a sum in proportion to his equity, (not including the remaining part of the deposit) provided the government's debt claim, was first fully covered.

7. That the owner obtain from the local authorities a certificate of necessity and convenience for the project.

Apartment houses to rent, costing more than above specified, should not receive any financial assistance from the government, but be financed entirely by private capital.

Except for the financial aspects the entire housing program would be left completely to private initiative and enterprise. The government would only assist in providing cheap capital and would withdraw also from that field, the moment private money was available on long terms at an interest rate of 3% or less.

The government would raise the money for its housing program in the usual way by borrowing private capital at the lowest rate obtainable, and use its subsidy fund to make up the difference, if any, between what it had to pay the bondholders and what it would receive from the house owners. By issuing the bonds for relatively short terms, say 5 to 10 years, the government might obtain very cheap loans and could apply the payments reveived from the property owners to reduce its higher interest-bearing obligations, meanwhile renewing the cheaper ones as they fell due.

Or the government might leave it to the prospective house owners to raise the capital, limiting itself to guarantee interest and principal, thereby providing better terms for the borrowers, than else would be possible, justified and reasonable by the resulting unquestionable security of the loans.

The following table shows the approximate cost of the housing program to the government based on 40 years bonds.

Rate of interest on government bonds	Total Debt Service required to amortize the bonds in 40 years	Average payments received by government from property owners, approximately	Necessary Subsidies
% pr. year	% pr. year	% pr. year	% pr. year
2 %	3.6 %	4 % min.	0.4 % min.
2.5 %	4.0 %	" "	0 % max.
3 %	4.3 %	" "	0.3 % "
3.5 %	4.7 %	" "	0.7 % "
4 %	5.0 %	" "	1.0 % "
4.5 %	5.4 %	" "	1.4 % "
5 %	5.8 %	" "	1.8 % "
5.5 %	6.2 %	" "	2.2 % "

The government would also have the income from the cash deposits, made by the property owners, and likewise the profits arising from substituting lower interest-bearing debt for its dearer loans, so the actual subsidies would be less than shown in the table. It is evident, therefore that a vast housing program could be brought about at very small cost, if any, to the government.

In connection with its housing program the government should, to prevent speculation, impose a sales tax of say 5% on <u>all</u> real estate, whenever resold within one year.

OTHER PRIVATE UNDERTAKINGS.

This method of giving financial help, by the government accepting low interest-bearing bonds in payment for capital supplied, could also be extended, against good collateral, to industries and other activities of national importance, for instance, to mention only a few:

<u>SHIPPING:</u> The country has the fourth largest merchant marine in the world, most of it, however, built and even repaired at foreign shipyards. Government help to be given, provided the work is done at home.

<u>FISHERIES:</u> Loans for new boats and equipment, also repair and improvements of existing material. Further, help to improve products, to better organize export, to increase home-consumption and to modernize transportation, preservation and storage methods.

CRAFTS AND HOME-INDUSTRIES: Financial help to develop and restore native crafts and home-industries, and to increase the diversification and rentability of agriculture by encouraging and furthering all sorts of by-products.

TOURIST TRADE: With grandiose sceneries one of the country's greatest attractions, the tourist trade promises to be a large source of income. To advance and encourage this, cheap capital should be made available for improvements and modernizing of hotels, inns, etc., and building of new ones at strategic locations. Also organized assistance in making the country better known abroad.

And so on ..... It should, however, be noted that this financing by low interest-bearing bonds, valuable and justified in many cases, adds nothing to reduction of the national debt, and if substituted for certificates in financing public works, would make necessary also much higher rates and charges, which would be against the public welfare.

It is understood, as a matter of course, that together with its large employment program and the revamping of its money system, the government should also establish, develop and improve its different social insurance plans, along sound lines and on a scale commensurate with what the country could afford.

EFFECT OF PLAN ON EMPLOYMENT AND BUDGETS.

EMPLOYMENT: As already estimated, it would require about Kr. 100,000,000 pr. year, in addition to regular public and private expenditures to do away with the existing unemployment. The 1934/35 state budget allocates about Kr. 60,000,000 (to be replaced by certificates under proposed plan) for new construction works of all kinds, including homesteads etc., roughly Kr. 20,000,000 larger than usual. This with expenditures on similar works by local communities, also increased, should take care of at least 20 of the unemployed. 40% more would be put to work on additional communal projects, financed by a loan of Kr. 40,000,000 in certificates from the government. The remaining 40% would find employment on the huge housing program - easily amounting to Kr. 40,000,000 a year - and other private undertakings, financed, if necessary, by government assistance.

Through its construction program and through its gradual, rapid retiring of the national debt, the government would steadily put more and more money among the people, and being actual money and not fictitions bank-credit-money that could be created and extinguished at will, large funds would soon be accumulating, clamoring for investment.

This would lead to a general lowering of interest rates, making many projects possible, that would not else have been undertaken, thus resulting in continued and increased employment of labor.

Under those circumstances the government should postpone public works, not urgently needed, so as not to compete unnecessarily with private capital in the labor market, and limit itself to more vital projects on a scale only large enough to take up any slack in employment.

It might, therefore, occur that the total amount of new money, to be issued each year in order to establish the proposed financial system in the allocated time, would not be needed in full to provide work for everybody. The excess should then be applied to a speedier reduction of the national debt.

This would again put more money in the hands of private investors, thus further securing an ample reservoir of capital willing, even anxious to work for a low rate of interest.

BUDGETS. At the time of initiation of this recovery plan the following conditions would probably exist:

1. Total public debt of Kr. 3,000,000,000; Kr. 1,600,000,000 on the state, requiring a debt service of Kr. 115,000,000 pr. year; and Kr. 1,400,000,000 on the communities, able only to pay Kr. 60,000,000 annually for interest and amortization, therefore largely in default as they already are now.

2. Total public expenditures of Kr. 700,000,000 pr. year, requiring an average income tax alone of ca. 22%, after exemptions, besides large loans to balance the budgets.

3. Total new public works of all kinds, about Kr.100,000,000 pr. year; Kr. 60,000,000 by the state and Kr. 40,000,000 by communities.

4. Total direct relief expenses Kr. 75,000,000; Kr. 25,000,000 by the state and Kr. 50,000,000 by communities, of which about 80% or Kr. 40,000,000 would be due to the unemployment.

5. Unemployment approximately same as now, with about 20% provided work, only through the unusually heavy public works expenditures.

Adoption of the proposed recovery plan would result in:

A. Unemployment wiped out by largely increased public and private construction program, thereby doing away with the need of emergency relief, thus saving Kr. 65,000,000.

B. Certificates substituted for Kr. 100,000,000 for public works. However, the communities should keep up their Kr. 40,000,000 expenditures for additional projects, so the total savings would therefore be Kr. 60,000,000 on this account.

C. All local public debts taken over by the state, and private mortgages guaranteed and secured, thereby establishing order in the present mess of debts, and also effecting large savings to the debtors at no additional, or very small, cost to the government.

D. Uniform direct taxes levied and collected by the government only.

E. As already indicated the budgets, state and local, could be reduced Kr. 125,000,000. Instead of cutting it in one lump sum, the decrease might take place gradually and the resulting surplus applied to reduction of the national debt.

F. There would also be available for debt reduction the 2% (probably higher) amortization tax pr. year on invested certificates, beginning with Kr. 2,000,000 the first year, increasing to Kr. 20,000,000 in ten years.

Further, new currency not needed for subsidizing purposes, estimated at an average of Kr. 5,000,000 pr. year out of Kr. 7,000,000; and also deposits from home owners, estimated at an average of Kr. 3,000,000 pr. year.

Payments on local public debts to the state, in excess of interest, should be applied to amortization of older and dearer loans, on which, it might be assumed that the rate of interest would decrease gradually from 5% to 3% in 10 years.

Profits, if any, from guaranteeing mortgages and from the housing program etc. to be invested in a reserve fund for future contingencies.

On this basis and not taking into account savings, resulting from simplification of all governmental activities, and increased earnings from public utilities, the attached table would give an indication of the possible development in the next 10 years, if this recovery plan was adopted.

SUMMARY.

With the adoption of this recovery plan it is evident that:

1. Unemployment would be practically non-existent.

2. The debt burden would be greatly eased and the debt speedily amortized. The taxes would also be much decreased by reduced debt service and by taking out of the budgets expenses for public works and relief. Not only would thus the actual amount of taxes be cut, but the tax burden, as expressed in percentage of national income, would be still more eased, due to the enlarged income. (see 4)

3. New permanent wealth of all kinds would be created for the public benefit.

4. The national income would be largely increased, not only from new construction work of Kr. 100,000,000 pr. year, resulting in a total addition to income of at least twice that amount, but also from all sorts of other enterprises stimulated through cheap capital, made possible by this plan.

5. Cost of living would go down, because reduced debt-, interest - and tax-burden together with increased and steady employment would permit everything to be produced more cheaply. The nation would, therefore, be better fed, better clothed, better sheltered and better served in every way, and at less expense than now.

6. The country would have a scientific money system, without which stable economic conditions are an impossibility, but with which the country would enjoy already from the beginning, a moderate prosperity, growing slowly but surely with increasing wealth.

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APPENDIX "A" OCTOBER 1934.

CINCINNATI PLAN

1. The citizens were to vote for no administrative officials; but they would choose, by proportional representation, nine councilmen, who would elect one of their number mayor.

2. The mayor would have no executive duties. He would be a ceremonial official purely.

3. The council would name a city manager to run the town. He would be irremovable save for cause and then only after a public Hearing. He would make all appointments and contracts.

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Nomination of the councilmen elected by the voters is by petition only. Each party nominates nine candidates and there may be some independents. All the names appear on the ballot in a single column, in different order on different ballots. Opposite the name of his first choice the vot puts the figure "1". Then he indicates his second choice, his third, and as many more as he wishes. On the first count only his first choice is counted. The object is to name nine men, each of whom will represent, not the majority of the voters, but a large section of them.

"The election did not go to the nine men having the highest number of votes. No man could be elected unless he had a certain number, called the quota. Now how is the quota arrived at? There were 119,730 votes cast. It was possible for ten candidates each to get a tenth or 11,973 votes and be elected. But if you require each candidate to get, not 11,973 but 11,974, then only nine could be elected. That, therefore, is the quota arrived at by dividing the total number of votes cast by ten and adding one.

"When the counting of the first-choice votes was ended, only two men - Dixon and Seasongood - had reached the quota. They were declared elected but seven more had to be chosen. Dixon had 21,699 votes. He needed nly 11,974. He had therefore 9,725 too many. The city says to those 9,725 voters: "Since your votes need not be counted for Dixon, for whom would you like to have them cast as second choice?" Various ways could be suggested to do this recounting fairly. But if you just withdraw every other one f Dixon's votes until you have 9,725 and count the second choice on them, you not only do it in the easiest way but - thanks to the law of averages - with perfect fairness.

"All these second-choice votes were added to the first-choice votes for the other candidates. After that none had achieved his quota. Then the last man was eliminated and his second-choice votes added to the other candidates. When this was done a third man - Field - had attained the quota. This method was continued until nine men had been elected."

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(Extract from Magazine article discussing the plan).

APPENDIX "B" OCTOBER 1934.

ELECTION SYSTEM

It must be evident that no matter how excellent a plan for restoring and advancing the country's prosperity, it would come to naught, if not backed and guided by a strong and able government. And it should also be evident that good government cannot be had under the existing democratic system with universal and equal suffrage, giving the mass with its low intelligence, but large numbers, or rather its irresponsible representatives, an overwhelming influence in the conducting of the Nation's affairs.

Another method of selecting the people's representatives must, therefore, be established, which with justice towards all would permit the elite of the nation to take the helm, resulting in able, honest and strong government. To this end the following election system should be adopted:

1. Every man or woman past 25 years to have one vote each.

2. Every man or woman past 35 to have two votes each.

3. Every person who owns his home and pays taxes thereon to have one additional vote, but only one vote for each home.

4. Every person graduated from an institution of higher learning to have an additional extra vote, after 30 years old.

5. Every person on public relief not to be allowed to vote at all.

This system should apply to local as well as national elections. The legislatures should be for longer terms than at present - say 5 years - and should be overlapping, with 1/5 of the representatives coming up for reelection each year.

This election system, as far as the municipalities are concerned, might be combined with the Cincinnati plan, outlined before, and should be made a "conditio sine qua non" for extending any kind of financial help by the government. The communities would be given the choice either to adopt this system and thereby obtain the benefit of reduced debt-and-tax-burden besides financial assistance from the government in providing employment, or if the communities refused, to receive no help at all and to be left to their own resources.

- E N D -

New York, Oct. 1934.

Arne Quisling (sign.)

TABLE OF PUBLIC FINANCES

(State and Local combined)

	Total Public Debt Outstanding at Beginning of Year	Average Rate of Interest on original "Government" Debt	Average Rate of Interest on "Local" Debt taken over by the State	Debt Payments from Ordinary Sources			Reduced Ordinary Debt Payments applied to Easing of the Taxes	Total Savings from Recovery Plan	Part hereof applied to Reduction of Taxes	Additional Payments on Debts from		
				Interest	Amortization	Total				Surplus from Recovery Plan not applied to Reduction of Taxes	New Currency not needed for Subsidizing Housing and other private Undertakings	Return on Certificates invested in public Works, not less than 2% pr Year
Formerly		5 %				Kr. 175,000,000	~	~	~	~	~	~
Year 1	Kr 3,000,000,000	4.8 "	3 %	Kr. 119,000,000	Kr 56,000,000	Kr 175,000,000	~	Kr 125,000,000	Kr 25,000,000	Kr 100,000,000	Kr 5,000,000	Kr 2,000,000
" 2	Kr. 2,834,000,000	4.6 "	" "	Kr 108,000,000	Kr. 67,000,000	Kr 175,000,000	~	Kr 100,000,000	Kr 25,000,000	Kr 75,000,000	Kr 5,000,000	Kr 4,000,000
" 3	Kr 2,680,000,000	4.4 "	" "	Kr. 98,000,000	Kr. 77,000,000	Kr 175,000,000	~	Kr 75,000,000	Kr 25,000,000	Kr 50,000,000	Kr 5,000,000	Kr 6,000,000
" 4	Kr 2,539,000,000	4.2 "	" "	Kr 90,000,000	Kr 85,000,000	Kr. 175,000,000	~	Kr 50,000,000	Kr 25,000,000	Kr 25,000,000	Kr 5,000,000	Kr 8,000,000
" 5	Kr 2,413,000,000	4.0 "	" "	Kr 83,000,000	Kr 92,000,000	Kr. 175,000,000	~	Kr 25,000,000	Kr 25,000,000	~	Kr 5,000,000	Kr. 10,000,000
" 6	Kr 2,303,000,000	3.8 "	" "	Kr. 76,000,000	Kr 84,000,000	Kr. 160,000,000	Kr 15,000,000	~	~	~	Kr 5,000,000	Kr 12,000,000
" 7	Kr 2,199,000,000	3.6 "	" "	Kr 71,000,000	Kr 74,000,000	Kr 145,000,000	Kr 15,000,000	~	~	~	Kr 5,000,000	Kr 14,000,000
" 8	Kr. 2,103,000,000	3.4 "	" "	Kr 66,000,000	Kr 64,000,000	Kr. 130,000,000	Kr. 15,000,000	~	~	~	Kr 5,000,000	Kr 16,000,000
" 9	Kr 2,015,000,000	3.2 "	" "	Kr. 62,000,000	Kr 53,000,000	Kr 115,000,000	Kr 15,000,000	~	~	~	Kr 5,000,000	Kr 18,000,000
" 10	Kr 1,936,000,000	3.0 "	" "	Kr 58,000,000	Kr 42,000,000	Kr 100,000,000	Kr 15,000,000	~	~	~	Kr 5,000,000	Kr 20,000,000
" 11	Kr. 1,866,000,000	3 "	3 "	Kr 56,000,000	Kr 44,000,000	Kr. 100,000,000	~	~	~	~	Kr 15,000,000	Kr 20,000,000

NOTE All Debt Payments, in excess of Interest Requirements, were assumed applied to Reduction of the higher interest-bearing Debts.
If part of the large initial Budget was covered by Loans – as it probably would be – the Debt Payments would be proportionately less

NOTE No Account was taken of Savings due to Simplification of Government, State as well as local, nor were increased Earnings from Public Business Undertakings considered. This would result in a speedier Reduction of Debt and/or of Taxes, whatever might be deemed more desirable.

NOTE Of the future regul
Budgets, Kr 100 0
Kr 50 000,000 for
leaving Kr 300,000
addition there w
more pr. year to
debt and/or to ne

m Other Sources		Total Amortization of Public Debt	Total Public Debt Outstanding at End of Year	Total Public Budgets to be covered by Taxation and other Regular Revenues	Total National Income	Total Public Budgets in Per Cent of National Income
Deposits made by Builders and Owners of new Houses	Total					
~	~		Kr. 3,000,000,000	Kr. 700,000,000	Kr 2,000,000,000	35 %
Kr 3,000,000	Kr 110,000,000	Kr. 166,000,000	Kr 2,834,000,000	Kr 675,000,000	Kr 2,200,000,000	30.6 "
Kr 3,000,000	Kr 87,000,000	Kr 154,000,000	Kr 2,680,000,000	Kr 650,000,000	Kr 2,400,000,000	27.1 "
Kr 3,000,000	Kr. 64,000,000	Kr 141,000,000	Kr 2,539,000,000	Kr. 625,000,000	Kr 2,600,000,000	24,0 "
Kr 3,000,000	Kr 41,000,000	Kr 126,000,000	Kr 2,413,000,000	Kr 600,000,000	Kr. 2,800,000,000	21.4 "
Kr 3,000,000	Kr 18,000,000	Kr 110,000,000	Kr. 2,303,000,000	Kr 575,000,000	Kr. 3,000,000,000	19.1 "
Kr 3,000,000	Kr. 20,000,000	Kr 104,000,000	Kr 2,199,000,000	Kr 560,000,000	Kr. 3,200,000,000	17.5 "
Kr 3,000,000	Kr 22,000,000	Kr 96,000,000	Kr 2,103,000,000	Kr. 545,000,000	Kr. 3,400,000,000	16.0 "
Kr 3,000,000	Kr 24,000,000	Kr 88,000,000	Kr 2,015,000,000	Kr 530,000,000	Kr. 3,600,000,000	14.7 "
Kr 3,000,000	Kr 26,000,000	Kr 79,000,000	Kr 1,936,000,000	Kr 515,000,000	Kr. 3,800,000,000	13.5 "
Kr 3,000,000	Kr 28,000,000	Kr 70,000,000	Kr 1,866,000,000	Kr 500,000,000	Kr 4,000,000,000	12.5 "
Kr 3,000,000	Kr 38,000,000			Kr. 500,000,000		

ular Kr 500,000,000 total public
000,000 would go for Debt Service
r new public works of all kinds
00,000 for all other expenses. In
would be an extra Kr 38,000,000 or
be applied to Reduction of public
new undertakings.

NOTE At least half of the future regular Kr 500,000,000 public Budgets would be covered by consumption taxes and other kinds of revenues, leaving less than half to be taken care of by direct taxes. This would enable the Income Tax to be fixed well below an average of 10% of the taxable Income

New York. October 1934