

To the Congress of the United States:

The United States economy is the strongest and most productive the world has ever known—and we have the resources and the skills to make it still stronger and more productive.

In recent months we have seen the abatement of postwar inflationary forces. We are now in a transition period, in which we must work toward conditions that will promote a more stable and enduring growth in production, employment, and purchasing power.

The fundamental task facing us all—businessmen, workers, farmers, Government—is to apply positive policies with confidence and courage in order to achieve a sounder price structure and the restoration of maximum production and employment. In so doing, we need to start with a clear understanding of the facts concerning our present situation.

Our economy today possesses vitally important elements of strength that did not exist in earlier periods. Over the course of the last 16 years, many steps have been taken by the Government to bulwark our economy against the forces of recession.

Unemployment insurance has helped to alleviate the hardships of unemployment and to sustain consumer incomes and expenditures. The old-age retirement system and public assistance for needy persons also serve to maintain purchasing power. The housing program recently enacted by the Congress will furnish positive support for housing construction and slum clearance.

The Federal Reserve System has been developed into an instrument of such strength and elastic power that the risk of credit restriction at the very time when business requires easier credit has been greatly reduced. The insurance of bank deposits has eliminated the danger of widespread loss from bank failures. The several credit institutions established within the Government go far toward preventing waves of bankruptcies and foreclosures. The farm price-support program affords assurance that our 6,000,000 farmers and the two-fifths of our population in rural communities will not be forced out of the markets for goods.

These and other Government policies are providing strong supports to business activity and are enlarging the opportunities of private business. The fact that public expenditures of Federal, State, and local governments are running at a rate of close to 60 billion dollars a year is itself an element of great stability in the present situation.

Our position would be even stronger if we had taken adequate steps to control the inflation between 1945 and 1949. We were confronted, as an aftermath of the war, by an inflationary boom that lifted production and employment to extraordinarily high levels. But underneath the surface of the inflationary boom, there were serious dangers. Some incomes were disproportionately high. Most prices were rising at a perilous rate, and serious price and wage distortions were being developed. The spiraling

cost of living was inflicting hardship on millions of families. These conditions threatened to bring about a serious break in employment and production. Therefore, I recommended repeatedly, for private and public action, an anti-inflation program to curb these dangers before we suffered the consequences.

A large part of the necessary anti-inflation program was not adopted and the inflation went on largely uncontrolled. The dangers that are latent in inflation, of which I repeatedly warned, are now being revealed.

Employment is still high, but unemployment has been increasing and veterans and others leaving school are finding it much harder to obtain work than a year ago. Production is still high, but it is lower, particularly in some industries, than it was last year. Business investment is at a high rate, but plans for new investments are being made with caution.

The 1949 decline has been moderate, and the opportunity is now ours to reverse the trend and achieve maximum production and consumption of goods and services without the evils of inflation.

The adjustment process has been rendered less difficult by the prudent actions of many groups and individuals in our business system. We have had no speculative spree in either securities or commodities. Inventory buying has been moderate and distress liquidation of inventories, such as we experienced in 1920, is not to be anticipated. Personal indebtedness, on the part of farmers, home owners, and consumers generally, has been held to conservative levels. Many far-seeing businessmen made sincere efforts to avoid or minimize price increases during inflation, and in recent months have reduced their prices and have sought valiantly to maintain production and employment. Many labor unions have used their collective strength with moderation and with consideration for the interests of the whole economy. All groups in the Nation have gained an improved understanding of economic problems since the 1920's, and their actions reflect this fact.

We should not, however, be lulled into a false sense of security by these favorable aspects of the situation. Many of the price adjustments that have taken place have been healthy, and afford ground for expectation that our economy will work its way successfully through a difficult period of transition. But there is nothing healthy about more unemployment or less production. Such trends can and must be reversed by positive action, private and public. The way to check a decline in business investment or production is to take affirmative action that will lead to more investment and more production. The way to check an increase in unemployment is to take affirmative action that will provide more jobs. The way to prevent our economy from shrinking is to take affirmative action that will help it to expand.

These things cannot be done by business, labor, agriculture, or government acting alone. They can only be done by all of us working together in mutual respect and with common objectives.

It is with these considerations in mind that I transmit to the Congress a brief summary of the economic situation and recommendations for action at this time.

Summary Review of Recent Economic Developments

A moderate downward trend characterized most phases of economic activity in the first half of 1949.

Civilian employment averaged 58 million. This was slightly below the level of the first half of 1948, with the greatest decrease in manufacturing industries. In June of this year, civilian employment was 59.6 million; in June of last year, 61.3 million. The number of unemployed averaged 3.2 million, the increase of about one million over the first half of 1948 about equaling the increase in the total labor force. The unemployed were 6 percent of the civilian labor force in June, compared with 3.4 percent in June of last year. The number of unemployed in June was 3.8 million, and acute unemployment problems have developed in certain localities.

Production of all goods and services, adjusted for price changes and for seasonal variation, in the first half of 1949 was about 1½ percent less than in the second half of 1948. The decline in industrial production was rapid, and by June had reached 13 percent below last fall's peak. Other business activity as a whole changed but little. A moderate decrease in private construction was partly offset by a rise in public construction. This year's agricultural production seems likely to approach last year's.

Prices generally decreased, reflecting the shift from a sellers' to a buyers' market. The decreases were in most instances moderate and orderly, with no indication of a general spiraling downward. Wholesale prices by mid-year had declined 9 percent, consumers' prices 3 percent, from their high points of last August.

Wages increased in some industries, but, at least in manufacturing, the increases were more than offset by reduced overtime and shorter work-weeks. Since the cost of living decreased by about as much as workers' average earnings, real earnings generally were maintained.

Profits reflected the decline in prices and production. Corporate profits before taxes and inventory valuation adjustment in the first half of this year were about 13 percent below the first half of last year. The corresponding figure for unincorporated enterprises, however, fell only about 7 percent.

Farm income was about 8 percent below the first half of 1948.

Credit requirements of business decreased as inventories and customer receivables were reduced. Commercial loans of large city banks shrank 15 percent, but otherwise loans by banks and other investment institutions remained stable. Total bank deposits and money in circulation decreased about 2 percent during the past half year. Interest rates continued low.

Business investment decreased in the first half of 1949 from the 1948 level. Allowing for seasonal variations, in the second quarter it was 26 percent below the peak rate of the fourth quarter of 1948, chiefly as a result of reductions in inventories. Plant and equipment outlays were still about as high as a year ago, but some decrease is anticipated in the last half of 1949.

Corporate finance reflected the reduction of inventories and of customer credit. Funds thus freed helped corporations to reduce their total indebtedness by about 3.5 billion dollars.

Housing starts were less than in the first half of 1948, but since March have been moving up toward last year's levels.

Personal income of consumers after taxes decreased only about 1 percent from the level of the last half of 1948. Since consumers' prices dropped 2 percent, real income did not change significantly. Consumption expenditures in dollar terms decreased nearly 3 percent. Total liquid assets of individuals and business firms are now about 235 billion dollars. However, nearly 30 percent of our families have no reserve of liquid assets.

In foreign trade, an increase in exports and a falling off of imports have continued the rising trend in the export surplus which began last fall. The surplus was financed almost entirely through Government foreign-aid programs.

Government fiscal transactions were a source of support against other factors making for decline in the economy during the past half year. Using figures on a consolidated cash basis, rather than the conventional budget basis, to reflect the effective impact of total governmental receipts and payments upon the economy, cash payments by the Federal Government ran at a rate more than 20 percent higher than in the first half of 1948, and State and local payments at a rate about 13 percent higher. Federal cash receipts were down about 10 percent, State and local receipts were up about 5 percent. All governmental units combined showed a cash deficit in the first half of 1949 at a seasonally adjusted annual rate of 2.4 billion dollars, in contrast to a surplus at a rate of 12.1 billion dollars in the corresponding period in 1948. The Federal cash deficit in the past half year was at an annual rate of about 1 billion dollars, contrasted with a surplus at an annual rate of 12.3 billion dollars in the first half of last year.

Policies for Economic Stability and Expansion

These facts show that our economy is still operating at high levels of employment and production. The kind of Government action that would be called for in a serious economic emergency would not be appropriate now.

However, it would be even less appropriate to rely entirely on "letting nature take its course" to restore economic stability and maximum production and employment. Within the memory of this generation, we have experienced both the terrible consequences of inaction and the saving value of affirmative policy. It is consistent with the whole history of American progress to recognize that, now as before, action can and should be taken to make our economy still stronger and to deal with the new problems of the present.

It is fundamentally important to recognize that we should direct our policies and actions not merely toward preventing a depression or holding our ground. Many times I have pointed out that the life and spirit of the American economy is progress and expansion. We need to use the productive capacity of a growing labor force. We need to translate improved productivity and managerial skills into constantly increasing output. If the real needs and aspirations of our people are translated into effective demand through constantly growing employment and purchasing power, our markets can absorb a vigorously expanding output. We can achieve within a few years a national output well above 300 billion dollars, valued at current prices.

Our goal of growth and expansion determines the kind of policies that private enterprise and Government should now develop and apply.

To restrict business investment, curtail production, reduce employment, or slash wages, because our economy has declined somewhat, would only serve to drag us further downward. But if in every field of action we do the things that are consistent with a strong and growing economy, we will have a strong and growing economy.

It is vitally important that Government policy be based upon the determination to achieve a constantly growing economy. While some businessmen may find it difficult to expand their operations under current circumstances, the Government can always take conscious and positive action to counteract recessionary forces.

Yet there are those who assert that the decline in national income requires that we cut essential national programs. Nothing could represent greater economic folly than to follow this course of action. It would contribute to the very recessionary forces that we should be counteracting. It would be a defeatist admission that we cannot prevent our economy from running

downhill and that those programs which are vital to the international security and domestic welfare of our people, as well as to the strength of our economy, must be steered in the same downward direction.

This issue is fundamental. Are we going to admit that the forces of progress in our economy have become so feeble that we must content ourselves with lower levels of education, health and housing, international and domestic security, and national development? Or are we going to move forward toward making our economy as strong and productive as our resources and skills permit, and adopt the programs which are consistent with that kind of economy and necessary for its attainment?

I propose that we follow the latter course.

Business investment

Initiative, ingenuity, and courage have always been characteristic of American businessmen. The production goals achieved during the war were a miracle to the rest of the world. There are now great opportunities for business investment to remove obsolescence, to make use of the rapid progress of science and invention, to improve transportation facilities, to enlarge the housing supply, to industrialize underdeveloped areas of our country, to bring conveniences and labor-saving devices to American homes and farms, and to meet the needs of a population that will continue to grow. Businessmen should lift their sights to the needs of an economy that grows and prospers from year to year.

I have previously recommended, and I again recommend, that the Congress provide for a broad study of potential business investment, expansion, and market opportunities under conditions of maximum use of our productive resources in a growing economy—conditions which the Employment Act of 1946 contemplates and which can be achieved if we have the confidence and determination to achieve them. This study should be designed especially to discover inadequacies in capacity in basic industries which may serve as limiting factors to expansion when the upward movement of business is resumed.

Price and wage policies

In addition to the need for expanded business investment, positive actions are required to enlarge consumer purchasing power.

Businessmen have a great opportunity to maintain production and sales volume by adjusting prices downward, even at the cost of temporarily reduced profits. Maintaining volume in the present situation is far more important than maintaining profit margins. The only ultimate source of sustained profits is sustained employment and purchasing power.

The same concept should guide wage policies. Business cannot be prosperous unless the purchasing power of workers is maintained. While price reductions are desirable, they should not be attained at the expense of wage cutting. Management and labor, through collective bargaining, should

seek agreements which recognize that the benefits of improved technology and productivity should be reflected both in the wage structure and in the price structure.

Fiscal policy

The Government's programs of expenditures and receipts must be carefully planned in the light of economic developments as they occur.

The Federal Budget in recent years has necessarily been large, reflecting not only the needs of the people for Government services but also the extraordinary responsibilities of the United States in working toward a peaceful world.

The sound objective of Government policy is to contribute toward the maximum use of our resources, not to contribute toward having them lie idle and unused. When I submitted my budget for the fiscal year 1950 last January, the programs of expenditure that I then recommended were held to a minimum consistent with our basic needs in view of the inflationary strain upon materials and manpower then prevailing. Now that this strain has been removed, it would be inconsistent with sound fiscal policy and common sense to make these programs smaller.

Continuing these necessary programs involves the problem of how and when we should achieve a balance of Federal receipts and expenditures, and a reduction of the national debt. No one has been more concerned with this problem than I, and this concern has not diminished. I will continue to exert every effort to achieve every economy in the development and execution of programs that is consistent with the national welfare. Balancing the budget and reducing the national debt are objectives to be achieved at the earliest feasible time.

But these objectives cannot be achieved without regard to the general state of the Nation's economy. During the fiscal years 1947 and 1948 we were able to achieve, although not to the extent desired, the objective of balancing the budget and reducing the national debt. I urged repeatedly during this inflationary period that Government revenues be maintained to provide a surplus for retirement of the national debt. The present deficit of Federal receipts below expenditures, caused primarily by the untimely tax reduction of 5 billion dollars during the height of inflation, against which I so strongly advised, has been aggravated by the loss in revenue resulting from the decline in production and national income.

As I said in my Economic Report in January of this year:

The national tax policy should be flexible and should be promptly adjusted to the changing needs of business and consumers in the course of evolving economic events.

Under present economic conditions, we cannot immediately correct the tax mistakes of the past or the conditions which led to a lower level of national income and lower Federal revenues. Any tax increase should

be judged by the effect which it might have upon national income and purchasing power. Under present conditions, immediate tax increases should be limited to raising estate and gift tax rates and closing the loopholes in their administration, so as at least to restore the revenue from this source lost under the Revenue Act of 1948. This will have no significant adverse effects upon present economic conditions. At the same time, the tax on transportation of goods, which enters directly into such a large number of business costs, should be eliminated. Furthermore, the loss carry-over provisions in the corporate income tax laws should be liberalized in order to give an increased incentive to some business investments which may now be held back because of uncertain profit expectations. The net effect of these three changes in our tax structure, taken together, will be favorable to the expansion of business activity, without causing a significant net loss in total receipts. No changes in the tax laws which would result in a larger net loss in revenues would be justified at this time.

In view of our domestic and international obligations, an abundant economy is the only safe road to a Government surplus. In 1948 the value of our national output of goods and services was above 250 billion dollars. A 3- or 4-percent annual growth of our economy, which I set as a practical objective in my Economic Report in January, would increase annual national output in real terms by 7½ to 10 billion dollars. Higher national output means more Federal revenues at any given tax rate.

Present levels of expenditures are due in large measure to the extraordinary costs of our national defense and international activities. These activities are of such paramount importance that it is out of the question to slash them at this time. But, as our policy for peace takes effect, it should be possible in future years to reduce these expenditures which now make such heavy demands upon our Federal budget. As opportunity offers, I shall make every effort to achieve an excess of Federal income over outgo, consistent with our major objectives of peace and prosperity.

But if we tried to avoid a budget deficit by cutting essential expenditures, we would contribute to lower national output and lower employment, Federal receipts would fall further, and the burden upon Federal expenditures would increase. We cannot expect to achieve a budget surplus in a declining national economy.

There are economic and social deficits that would be far more serious than a temporary deficit in the Federal budget. Could we be truly prosperous if the level of business investment or consumer purchasing power should become seriously deficient? Could we be truly prosperous with gaping deficits in our educational system or our housing or our health services or our programs for resource development? If we should allow these deficits to multiply, they would drag the whole economy down, and there would be no hope for balancing the Government budget. But if we prevent these deficits, if we realize the productive potentials of the American economy,

the whole Nation will prosper, and not only will we balance the Federal budget, but we can also move forward to improve the tax system and to resume reduction of the national debt.

Monetary and credit policy

Federal monetary and credit policies should contribute to the needs of an expanding economy.

Present conditions of ample credit supplies and low interest rates are favorable to business investment. The policy of the Government will be to continue to maintain orderly conditions in the Government security markets and to encourage banks and other institutions to maintain and expand their productive lending activities.

Over the years, Federal lending has come to exercise an important influence upon business investment by providing funds which would otherwise not be available, particularly for small and new businesses. In a period of business contraction, no matter how moderate, deficiencies in capital funds force many enterprises to the wall. It is no answer to this difficult question to say that this squeezes out the inefficient, because it also ruins many who are temporarily in adverse financial circumstances without being inefficient, and prevents others from getting a start in business.

The Reconstruction Finance Corporation, under its existing authority, will continue its support of business activity by making loans based upon reasonable assurance of repayment, not under depression conditions, but under generally prosperous, long-run conditions. The Corporation is also very properly focusing its loan activities toward areas where unemployment has become serious. New legislation is needed, however, to extend the maximum maturity periods for loans, in order to permit financial assistance by the Corporation to business ventures which are economically sound and urgently needed in an expanding economy, but which require long periods of time to develop and produce earnings that will permit orderly amortization of debt.

Agricultural policy

Millions of American consumers derive their livelihood from farming and buy the products of industry. Experience has taught us that there can be no lasting general prosperity without farm prosperity.

There is immediate need to overcome a number of shortcomings in existing farm legislation. It is necessary to assure fair and adequate supports for major farm products, notably livestock products, which have not been covered in past programs. It is necessary to authorize the use of direct production payments as an alternative to the pegging of market prices if an effective support program is to be carried forward without waste of commodities and without denying to consumers the benefits of agricultural abundance. It is desirable to recognize clearly that the objective farm support prices is to maintain an adequate level of farm income and promote

shifts in lines of agricultural production which will encourage an increase in the total domestic consumption of farm products. I urge the Congress to enact at this session legislation to meet these needs.

Minimum wages

Minimum-wage legislation is essential to maintaining adequate consumer purchasing power among large groups of our population. The cost of living has been reduced very little, so that low-paid workers are still faced with a grave problem in meeting living expenses. Higher minimum wages are an element in the general improvement of American living standards which we can afford and must achieve. I repeat my request for the immediate raising of the minimum wage under the Fair Labor Standards Act to at least 75 cents an hour, and the extension of the Act's coverage.

Social security

Although unemployment has not risen to the dangerous levels which would call for all-out emergency measures, there is an inescapable obligation of Government to take action when large numbers of people are unemployed through no fault of their own. Such action is important not only to the unemployed but also to business, since unemployment benefits maintain to some extent the purchasing power of those who have lost their jobs. Because these measures contribute toward isolating the consequences of unemployment and reducing its duration, it is not economical even by the measure of dollars alone to leave these protective devices in an inadequate state. The cost of such measures is determined not only by the extent of coverage or size of benefits but also by the extent and duration of unemployment.

Under current economic conditions, it is urgent that the unemployment compensation system be broadened and liberalized. I recommend that the Congress strengthen our Federal-State unemployment insurance system by establishing minimum benefit standards for all parts of the country and by broadening coverage. These minimum standards should provide benefits for 26 weeks ranging up to \$30 a week for single individuals, with additional amounts for dependents.

Ample funds are available for this purpose in the trust accounts of most States. However, these increased benefits will require action by the State legislatures and it will obviously take some time before the laws of all States can be amended for this purpose. It will be necessary, therefore, to allow a reasonable period before the requirement for new standards takes effect.

To encourage the States to meet the new standards without waiting for this period to expire, I recommend that a Federal reinsurance fund be established for those States which meet the minimum standards to assure that the increased protection will not threaten the continued solvency of State unemployment funds. This would represent an extension and strengthening of the present legislation authorizing Federal loans to States whose unemployment funds run low, which expires on December 31, 1949.

I further recommend that the expiration date for unemployment benefits for veterans under the Servicemen's Readjustment Act be extended for one year, to July 25, 1950. Such benefits should not be available to those eligible for unemployment compensation under State laws, except where necessary to bring State payments up to the Federal level, or when State benefits are used up.

The improvements in the old-age and survivors' insurance system which I have recommended to the Congress are also badly needed. The present schedule for increasing pay roll taxes to 1½ percent each on employers and employees next January will provide the financial basis for such improvements without unduly reducing consumer purchasing power.

I have already recommended to the Congress that in addition to Federal aid to the States for the needy aged, for the blind, and for dependent children, such aid should be extended to other needy persons receiving general assistance. In most States, the programs now in operation are inadequate and in many localities there is no program at all. Recent economic developments have emphasized the need for aid, and I again urge its favorable consideration by the Congress.

Public works

Public works programs, Federal, State, and local, assume added significance under present conditions as a means of maintaining consumer purchasing power and stimulating investment opportunities. My January budget proposals called for Federal expenditures for civil public works in fiscal year 1950 in the amount of about 3 billion dollars, compared to about 2¼ billion dollars in fiscal 1949. Continuing the programs included in the present budget, even without any new starts, will require expenditures of approximately 3 billion dollars in each of the fiscal years 1951 and 1952, at construction rates now planned.

This is a substantial program, and, coupled with private construction expenditures at the current rate, and with local and State expenditures at a rate in excess of 3 billion dollars a year, should maintain the construction industry at a high level of activity and thus strengthen the whole economy.

The economic situation does not now call for an immediate and sweeping expansion of public works. It would be dangerous, however, to neglect the precautionary preparation of measures which might be needed if the business downturn should become more serious. Such preparatory measures by themselves will serve to inspire confidence that the Government will, if necessary, help further to maintain a high level of demand. They will thus reduce doubts that businessmen may have about planning investments for the future. They will also encourage consumers to continue their normal purchasing with more confidence.

I urge, therefore, that the Congress (1) enact legislation to provide for loans to assist State and local advance planning of public works; (2) pro-

vide funds for the Public Buildings Administration for advance planning and site acquisition for Federal construction, under the authority recently enacted; (3) enable the Bureau of Public Roads to make advances to States for acquiring and clearing rights-of-way; and (4) provide for the surveys and planning for school construction which I have previously recommended. Together with the advance planning already under way by many Federal agencies, these actions will round out a substantial backlog of planned public works.

Concentration upon areas of relatively serious unemployment

While unemployment is not now at a very high level for the country as a whole, there are many localities and even some States where it is serious. These pools of heavy unemployment need to be treated before they spread, and the responsibility is in part national.

There are a number of Federal programs of direct action or assistance to localities which can be timed and channeled so as to concentrate upon areas where unemployment is heavy without sacrifice of general national objectives. This principle of wise selectivity is particularly applicable to procurement and construction activities, but it is also relevant to other grant or loan programs designed to stimulate private enterprise or to effect public improvements. Toward this end, I am directing that a continuing review of such activities be undertaken within the Executive Office, in order to coordinate planning, to keep the various types of activity and their geographic distribution in proper balance and readiness, and to focus emphasis upon alleviating unemployment in particular areas where it becomes serious before it has a chance to spread. I am also having a study made of possible changes in the laws governing these activities which may be needed for these purposes.

Foreign economic policy

The decline in our business activity is reducing our imports, which is an important factor affecting the ability of foreign countries to earn the dollars they require to restore their economic health. The decline in imports, if long continued, could have very serious effects. If a severe shrinkage in the flow of dollars abroad occurred, it would not only reduce our exports now, but would also force other countries to try to save dollars by making discriminatory trading arrangements that would adversely affect the long-run future of our foreign trade. Moreover, it would set back recovery and reconstruction abroad, and might precipitate developments which would have serious consequences for world political stability.

For these reasons, it is especially important at this time for us to continue the efforts we are making to help rebuild a strong and advancing world economy, based upon an effective network of world trade and the growing productive strength of free nations. In addition to maintaining our foreign-assistance programs, and restoring a full-scale Reciprocal Trade Agreements

Act, I urge the Congress to enact the legislation I have recently recommended to expand both technical and capital assistance for the economic growth of underdeveloped areas.

The expansion of foreign investment, by making more dollars available directly to the underdeveloped countries and indirectly to the capital-goods-exporting countries of Europe, will improve the rest of the world's ability to buy from us. The expansion of technical assistance will stimulate foreign investment by assisting countries that want capital for development to translate their aspirations into concrete projects, by creating new productive investment opportunities, and by increasing the private investor's knowledge of those that already exist. Both under its existing authority and under the new legislation I have proposed, the Export-Import Bank will be expanding its operations and substantially contributing to these objectives.

These actions are called for by both our foreign policy and our domestic economic policy. They will be supplemented by the strong support of the United States for an expansion in the development activities of the International Bank for Reconstruction and Development.

There is danger that a further reduction of economic activity may give rise to pressure to restrain imports, in an attempt to divert to United States markets part of the small fraction of total demand now directed toward foreign goods. It should be recognized that diversion is a poor substitute for expansion of total demand. Protectionist measures would not merely shift the problem of inadequate markets to other countries but would also, with the present dollar stringency, promptly reduce our own exports. Such measures would, therefore, not have a stimulating effect on the domestic economy, even in the short run.

Summary of Legislative Recommendations

In summary, I recommend that the Congress take the following actions at this session because of their vital importance in the current economic situation:

1. Repeal the tax on the transportation of goods, liberalize the provisions for carry-over of losses by corporations, and raise estate and gift taxes. No major increase in taxes should be undertaken at this time.
2. Extend the maximum time limit now fixed by law on the maturity of loans to business made by the Reconstruction Finance Corporation.
3. Provide for a broad study of investment and development needs and market opportunities in an expanding economy.
4. Adopt an improved program of farm income supports.
5. Increase the minimum wage to at least 75 cents an hour and broaden its coverage.

6. Strengthen the unemployment compensation system by increasing the amount and duration of benefits and extending coverage.

7. Extend to July 25, 1950, the availability of readjustment allowances for veterans not protected by State unemployment compensation laws.

8. Raise benefits and extend coverage under the old-age and survivors insurance system and improve the public assistance program.

9. Enact legislation to permit Federal agencies, and assist States and localities, to intensify their advance planning and to acquire sites for useful projects.

10. Enact legislation to provide technical assistance to underdeveloped areas abroad and to encourage investment in such areas.

11. Restore the Reciprocal Trade Agreements Act.

* * * * *

The core of my message to every businessman, worker, and farmer, and to everyone responsible for the making of national policy is just this: We cannot have prosperity by getting adjusted to the idea of a depression—by cutting investment or employment or wages or essential Government programs. We can be prosperous only by planning and working for prosperity, by increasing private investment, production, employment and purchasing power, and by carrying forward essential Government programs.

The whole world is watching developments in the American economy. Our own people insist upon the maintenance of prosperity, and will not tolerate a depression. Our friends abroad know that their well-being and hopes for world peace are greatly dependent upon the economic strength of the United States. Those opposed to our system and way of life are hoping for the vindication of their prophecies that economic collapse is inevitable in a free society.

Ours is at once a fateful responsibility and an inspiring opportunity to prove to ourselves and to the world that prosperity and freedom will endure together.