

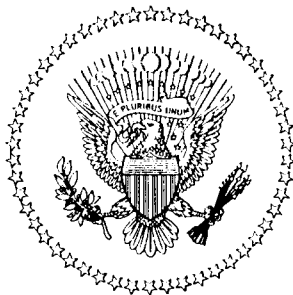
PUBLIC PAPERS OF THE PRESIDENTS
OF THE UNITED STATES

Harry S. Truman

*Containing the Public Messages, Speeches, and
Statements of the President*

JANUARY 1 TO DECEMBER 31, 1949

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your side of dispute to the board I am appointing in order that recommendations as to fair and equitable terms of settlement may be made. I hope these recommendations can form the basis for final agreement between the parties.

HARRY S. TRUMAN

*Ben Moreell, President,
Jones and Laughlin Steel Corporation.*

Thank you for your telegram of July 12 and for your willingness to cooperate in the public interest. I hope and believe final agreement can be reached within the sixty day period.

HARRY S. TRUMAN

*Philip Murray, President,
United Steelworkers of America.*

Thank you for your telegram informing me of the action of your policy committee in accepting my proposal to continue work and

present your side of dispute to the board I am appointing.

HARRY S. TRUMAN

NOTE: In response to the President's telegrams of July 12 and 13, the presidents of the U.S. Steel Corporation, the Republic Steel Corporation, and the Bethlehem Steel Corporation sent telegrams in which they stated strong objections to the appointment of a board with power to make recommendations as opposed to a board appointed under the Taft-Hartley Act, which would be limited to factfinding. However, the three companies agreed to cooperate with the President's board with the understanding that there would be no obligation on their part to accept any recommendations which the board might make.

The presidents of the Youngstown Sheet and Tube Company and of the Wheeling Steel Corporation expressed similar objections but stated that they would continue operations. The president of the Jones and Laughlin Steel Corporation merely stated that he would continue operations for a period of 60 days as requested by the President.

The president of the United Steelworkers stated that the union would continue operations during the period in which the collective bargaining agreements were in effect and that he would cooperate with the board appointed by the President.

154 Radio and Television Report to the American People on the State of the National Economy. July 13, 1949

[Delivered from the White House at 10:30 p.m.]

My fellow citizens:

I want to talk to you tonight about our country, about its future, and about its importance to the hopes and aspirations of all mankind.

It is a good thing to stop and think about where we are, where we are going, and what our national aims and objectives should be. The elected representatives of the people, and particularly their President, have a duty to report from time to time on these basic questions.

On Monday I sent the Midyear Economic Report to the Congress. Tonight I want to tell you something about what was in that

report, and also about the Federal budget, concerning which there has recently been much discussion.

The history of the United States is a story of constant economic growth and expansion. When I was a young man, the population of the United States was between 90 and 100 million people. Today it is nearly 150 million. Forty years ago, the national income—the total of all the income received by all the people of the United States—was in the neighborhood of \$30 billion. Today, the national income is well over \$200 billion. It has increased more than 10 times as fast as the population.

These figures are a measure of our rising standard of living—our increasing freedom from toil and poverty. They are the result of constant expansion in agriculture and industry.

In fact, unless we do expand our production steadily, we run into economic difficulties. We cannot stand still. We must expand if we are to stay prosperous.

A little more than 10 years ago President Roosevelt called for a national income of \$100 billion a year. This was a surprising figure when he mentioned it, but we have far surpassed it in the space of 10 years. Our national income last year was \$225 billion.

If we could make such progress in the past, we can go on making it in the future. Before long, our national income should reach a total of \$300 billion or more.

But if we want to reach that goal, we all have to have some hard work ahead of us. We shall have to make wise decisions about our national policies. And we shall have to be sure that the selfish interests do not drive us into the ditch, as they have done before.

At the present time, there is a drop in employment and in production in certain lines. I have been concerned about this and I have studied the facts carefully. I want to tell you what those facts are.

As to employment, we have now more than 59½ million people working in civilian jobs. This is a tremendous number, but last year at this time we had a little over 61 million employed. Furthermore, there are more people looking for jobs this year, because about a million young people and veterans have become available for employment for the first time.

Consequently, although the number of people with jobs is very high, the number of

people without jobs is substantially larger than it was a year ago. Last year at this time, the number of people out of work was as low as we can expect it to be in peacetime. It was a little over 2 million. Now, the number out of work is almost 4 million.

While much of this unemployment is temporary and is part of the normal process of changing jobs, there are substantial numbers of people who have been out of work for some time, and who are now suffering hardship.

As to production, the output of all goods and services declined slightly during the first half of this year. In some types of business, there has been no decline at all. In others there have been slight increases. In manufacturing, however, the output in June had dropped 13 percent from the high point of last November.

In the Economic Message in January, I said that we should strive for a 3 or 4 percent increase in total output this year if we were to maintain maximum production and employment. Instead, we have fallen somewhat below last year's level.

These are the facts. I am not coloring them one way or the other.

Now, some people are saying, and saying very loudly, that these facts mean that we are in a depression. Many of these people, for political reasons, would like to have a depression. Others are saying that there is nothing to worry about, and that an increase in the number looking for work is a good thing. This attitude ignores the human suffering caused by unemployment.

Both groups are wrong. We are not in a depression. But an increase in the number of people out of work is something to worry about, and is something that must be cured.

If we were in a depression, I would be

the first person to tell you, and I would call upon all the resources of this Nation to stop it.

What we face today is not a depression, and if we follow the right course, it will not become a depression.

We are going through an economic change which is the result of the inflationary spiral that we were in until a few months ago. I warned repeatedly against the dangers of this inflation, and I asked the Congress time and time again to take steps to curb the excessive rise in prices. I did this because I knew that if prices went too high, they would topple over and bring about a decline in production and employment.

Unfortunately, my recommendations were not accepted. Prices continued to climb. As the most urgent needs of the people and of industry were satisfied, these high prices cut down the sale of goods. As a result, production declined. Prices are now finding more reasonable levels—a fact which should stimulate sales and production again.

In this period of change, our national economy is protected by important economic reforms which the Government has adopted over the last 16 years. Unemployment insurance and social security are helping people who are out of work, and are helping to maintain consumer purchasing power. The farm price support program is keeping agriculture on a fairly even keel. The insurance of bank deposits protects us against bank runs. Our controls over the marketing and exchange of securities prevent wild speculative sprees and stock market crashes.

Because of these and other Government policies, we have suffered far less in this period of declining prices than we ever have in a similar period before. These Government measures, all of which were bitterly opposed by selfish interests when they were

passed, have proved their value in protecting the economy.

Furthermore, all groups in the Nation have gained a better understanding of economic problems since the 1920's, and this understanding, on the part of businessmen, consumers, and labor, has helped to cushion the process of price change.

Now all of us—business, labor, agriculture, and Government—must take positive action together to restore the upward trend. The decisions we make in the next few months can prolong the present decline, or they can turn it into an upswing.

Our goal is maximum employment and production. The only way to reach this goal is to increase our economic activity. The needs of our people are constantly growing. Our skills are increasing. Every year brings forth new inventions and techniques, new opportunities for improvement and development.

The tools are at hand for continued economic expansion. All we need is the courage to use them.

Businessmen should take advantage now of opportunities for modernizing their plants and for new business investment, and together with labor should cooperate in achieving higher production and employment. Farm production should continue at high levels.

The Government likewise must direct its policies toward continued economic expansion. The country is growing and we need to preserve and develop our natural resources for this generation and the next. We must therefore press forward with programs of soil conservation, and river valley development, and other public works.

Economic expansion requires constantly rising living standards for our people. We must therefore expand our programs of so-

cial security, education, health, and housing. We must build, as we are building, for the future.

There are men of little vision who say we ought not to go on doing these things. They say they cost too much. They say we are wasting money.

The truth is that an investment in the future of this great Nation is not a waste of money. The dollars we put into our rivers and our powerplants will be repaid to us in fruitful valleys and prosperous communities. Expenditures for the health and education of our children will yield us untold dividends in human happiness.

But, say those who object, look at the size of the budget.

All right, let's look at the budget.

The budget includes the cost of almost everything the Government does. It is not simply the payroll of Federal employees, as some people appear to think. In fact, the pay of Federal civilian employees is only about 12 percent of the budget. The budget includes all Federal expenses for national defense, for international aid, and for the conduct of the affairs of this Nation abroad. It includes Federal aid to the States, for roads and health and other programs. It includes atomic energy, and dams, and soil conservation and flood control, and many other things essential to the growth of our country.

These things are necessary, but in the present budget we have not provided extravagantly for them. Let me make it clear that I believe in prudent financial management. That has been my rule in my private life and in my public life. I am working for the reorganization and better management of the Government to achieve greater efficiency. I believe in the economical use of the public's money—and the budget is based on that principle.

If we examine the items in the budget, we see, in dollar figures, the magnitude of the task which confronts this Nation in protecting the cause of peace and freedom. Over three-fourths of the budget is due to international events. Less than one-fourth arises from the domestic functions of the Government.

Let me explain to you why this is so.

The total of the whole budget today is about \$42 billion. Of this total, \$32 billion is the result of either past wars or our efforts to prevent another war. Three big items make up this \$32 billion.

The first is national defense. That accounts for over \$14 billion. The armed services, at the start of this year, wanted a much bigger sum than that, but I cut it down to the minimum necessary for our protection and for the preservation of peace in this troubled world. It is expensive to keep up the forces necessary to prevent war, but in the long run it could be a lot more expensive not to have them.

The second item is the cost of our international programs. They will cost this year about \$7 billion, and they are worth every penny of it. This sum includes the cost of the European recovery program and our occupation responsibilities. These programs have kept Western Europe out of the hands of the Communists, and are helping to restore the economic and social strength of the free nations. If we were to cut these programs, it would weaken our efforts for peace. That is a risk we must not take.

These two items, national defense and international aid, add up to \$21 billion—more than half the budget. These are the expenditures we are making to prevent future wars. If anybody thinks it extravagant to maintain the peace, let him remember that it cost us not \$21 billion a year but \$100 billion a year to conduct the last war.

I do not believe that our defense and international expenditures will have to remain at their present high level indefinitely. I hope that they may be reduced as our program for peace takes effect. But, as of today, I regard these expenditures as the most valuable insurance we can take out against the enormous expense and the terrible loss of another war.

The third big item includes interest on Government bonds and benefits for veterans. Together these expenses total about \$11 billion. I don't believe anybody has suggested that we default on our Government bonds or that we default on our obligations to our veterans by cutting this item.

These are the costs of past wars. Together with the \$21 billion for preventing future wars, they add up to \$32 billion, more than three-fourths of the budget.

The remaining \$10 billion of the budget provides for all other functions of the Government. The major items in this category are public works, farm price supports, education, housing programs, and payments for health and social security. For a country the size of ours, with a \$200 billion economy, \$10 billion for such essential programs is a reasonable, a very reasonable sum indeed.

Today, after a large increase in population and in spite of rising prices, this part of the budget is only 50 percent greater than it was 10 years ago. The other part of the budget—the cost of past wars and of preventing future wars—is the part that has shown such a tremendous increase. This part of the budget is 900 percent greater than it was 10 years ago.

The size of the budget reflects the world we are living in. We have to face the facts of the world of today. It does no good to retire into the world of the past and to wish that somehow the facts would just go away,

so that we could have a small budget again.

The leaders of the unlamented 80th Congress thought that they could wish the facts away. They insisted on passing a tax reduction against my advice and over my veto. I warned that this tax cut of \$5 billion was almost certain to produce a deficit. It did produce a deficit. For the year ending July 1, 1949, the deficit was \$1,800 million.

The economy was running at a high level when this untimely tax cut was made. People then could pay the taxes necessary to balance the budget and to provide a surplus for debt reduction. Today, because profits and incomes have fallen, taxes bring in less money. An increase in taxes now might bear too heavily on business and discourage the investment necessary to full production and full employment.

At this time, therefore, I am not recommending new taxes to make up the deficit. I do not like to have a Government deficit. But still less do I want to injure the economic health of this country.

Selfish interests were behind the tax reduction of the 80th Congress. They were also behind the failure to provide authority to stabilize prices. These two blunders of the selfish interests have had unfortunate economic consequences. They will continue to cause us trouble for some time.

Now these same selfish interests are urging us to commit a third great blunder. They are now urging drastic cuts in Government expenditures—cuts which would fall hardest on those expenditures which are most important to our domestic economy.

Making cuts of this type in the budget is just the thing you do not do if you want to help the economy expand. At a time when employment is already lower than it should be, cutting Government expenditures would cause more unemployment. At a time when more investment is needed, it would

be foolish to cut down productive Government investment in national resources and public works. To slash Government expenditures now, would add to the downward trend.

Let us take public works, for example. It has been estimated that every billion dollars spent for public works gives employment to 315,000 people, and adds to the income, indirectly, of some 700,000 more. The current budget provides more than \$3 billion for public works. These public works are greatly needed improvements. If we cut them out, we would not only hamper the growth of the economy, we would also increase unemployment by about a million persons, and weaken the position of over 2 million more. This would be the most expensive kind of saving I can think of.

The people who unwisely urge that Government expenditures be slashed, are for the most part the very same people who have long been opposing our social programs and our resource development programs. They have resisted such things as social security, housing, the minimum wage law, the public power development, from the very beginning. They have opposed every improvement in those programs.

During an inflationary period, they are against these programs because they say they are inflationary. During a deflationary period, they are against them because they say they are deflationary.

Rain or shine, they are just against 'em.

It was programs like these, for the benefit of the people, that saved business in the thirties, that are supporting purchasing power now, that are laying a foundation for increased prosperity in the future. Most of the people know this, even if the selfish interests don't.

In the long run, these programs are not only necessary for the welfare of the coun-

try—they are necessary if we are to balance the budget.

The very heart of sound Government finance is to make the expenditures that are necessary to help achieve prosperity and peace. The items in the budget are consistent with this principle. That is why the Congress, in considering the details of the budget, has not made significant cuts. It has approved the particulars of the budget, item by item, because the Congress knows they are good for the country.

I achieved a budget surplus—before the 80th Congress tax cut—and I intend to achieve another budget surplus.

When we had an excess of receipts over expenditures, we applied it to reduce the national debt. We have already paid off more of the debt than the total size of the national debt after the First World War. In fact, we have paid off more on the national debt than all the Presidents put together!

But you cannot achieve a surplus in the Government budget when you have a declining national economy. A Government surplus and national prosperity go together. The income and the expenditure of the Government are a very important part of the entire national economy. If we follow the wrong budget policy at this time and slash our expenditures, we will decrease employment, cut down investment, weaken our defenses, and injure our efforts for peace.

If we follow the right budget policy, and support the national economy, we can help bring the country back to our normal rate of growth and expansion.

Some of the measures which will be most effective in the present situation have either been enacted or are on their way to final passage. They include the housing program, the agricultural program, and an increase in the minimum wage.

In addition, I have proposed to the Congress in the Economic Report that it take added steps at this time to keep purchasing power up, to aid those who are suffering from unemployment, and to enable us to make plans so that we will be in a position to step up public works activities if they become necessary.

If these measures are adopted, the Government will be in an improved position to play its role in our expanding economy. But changing the course of our present economic situation is also going to require wise action by business, labor, and agriculture. If businessmen, labor, and farmers base their actions now on an expanding economy, we will work our way successfully through the present period of transition.

I have confidence in the unlimited capacity and in the unlimited opportunities of the American economy and the American people. I have confidence in our ability to master the international problems which confront us and to achieve world peace.

I have this confidence because of our achievements in the past and because of the present strength of our institutions.

Above all, I am confident because I believe that Almighty God has set before this Nation the greatest task in the history of mankind, and that He will give us the wisdom and the strength to carry it out.

NOTE: For the President's message to the Congress on the Midyear Economic Report of July 11, 1949, see Item 151.

155 The President's News Conference of

July 14, 1949

THE PRESIDENT. I have one short announcement to make to you, because I know you will ask some questions about it if I don't announce it.

[1.] [*Reading, not literally*]: "In the recent Economic Report to Congress,¹ I made the following statement."

This will be available for you in mimeographed form when you go out.

[*Continuing reading*] "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 the procurement and construction activities—" and so forth.

¹ See Item 151.

And I have asked the Assistant to the President, Dr. Steelman, to assume responsibility for directing these activities. I should appreciate the people to whom this goes—all members of the Cabinet, Chairman of the Council of Economic Advisers, Director of the Bureau of the Budget, Chairman of the Atomic Energy Commission, the Administrator for Economic Cooperation, Administrator for General Services, the Administrator, Housing and Home Finance, the Chairman of the United States Maritime Commission—and others—and Dr. Steelman is going to coordinate their activities.

The Secretary of Commerce is making a special investigation now of the various places where there is local unemployment, and this will be coordinated with these boards and bureaus, and we are going to see