

Neither His Right nor His Duty

"I have just been informed that the United States Steel Corporation has refused to accept the compromise offered by me yesterday in the United States Steel Corporation-United Steelworkers controversy.

"I have studied the facts and figures very carefully. The fact-finding board in the steel industry has reported to me informally. It has not had the opportunity to go into the merits of the case very fully, as it would have done if there were legislation now on the books for a "cooling-off" period.

"Nevertheless, after hearing the board and after long consideration, I believe that the suggestion made by me of 17.1¢, or 18½ cents per hour is fair.

"In the General Motors case the fact-finding board, after four weeks of hearings and consideration, reported to me that a settlement of a 17.4% increase, or 19½ cents per hour, was fair and reasonable under all the circumstances, to both parties. I approved and still approve that finding. The union has accepted it, but the company has refused.

"While, of course, no one finding by any fact-finding board is conclusive or even persuasive in other cases, the fact is that the present general circumstances surrounding these two disputes are similar.

"It is a matter of great regret to me, and I am sure that it will be to all the people of the United States, that all our efforts to avoid this steel strike have up to now failed. A strike in the steel industry will be felt in practically every major industry in the United States.

"It will hamper our reconversion effort. It will stall our attempts to establish a sound economy to which our veterans can return."—The President of the United States.

It would be an excellent thing if the American public were to subject these words to the most careful scrutiny—not that they would find much to guide them in these troublous times but they should be deeply impressed with the readiness, not to say rashness, with which Government these days assumes responsibility and jurisdiction where neither is its right or duty.

Unions Should Be Controlled Is Opinion Of Majority of Workers, According to Forum

The Jan. 15 edition of the Macfadden Wage Earner Forum discloses that a majority of the country's workers believe unions should be placed under Governmental controls similar to those under which business operates.

In a national cross section poll of wage earners, 62.6% said they were in favor of Governmental control of unions, while fewer than one third (31.2%) were against such control. The remaining 5.3% did not express an opinion. Of those who are members of unions, slightly over 50% (50.5%) were in favor of union control.

The Wage Earner Forum, conducted by Macfadden Publications, Inc., comprises wage earner families across the country. The families represent a national cross section of wage earners—skilled labor, semi-skilled labor, unskilled labor, and other categories in the wage earner classification. The Forum is polled regularly on matters of current interest.

Workers according to the publication, have been very frank over a long period of time in expressing their convictions in the Macfadden Wage Earner Forum and their frankness is evidenced in this disagreement with the expressed opinions of their leaders. 62.6% of a national cross section of wage earners answered "yes" to this question: "Do you think Congress should provide controls of labor unions similar to the controls of business firms?" The advice in the matter further state:

"Fewer than one-third (32.1%) replied, 'no' to the question, and the remaining 5.3% did not express an opinion.

"Those men in the Forum who are union members voted 50.5% in favor of controls over unions. Those not union members voted 69% for control of the unions.

"There are no significant variations in the answers to this question by sections of the country, by

city-size, or by age group, although more of the younger men answered 'no' to the question. However, the 'yes' answers range from close to 60% to almost two-thirds in every age group.

"The guaranteed annual wage appeals to the majority of the workers. On this question, there is no difference of opinion between the union members and the others. Four out of five in both groups like the idea.

"Some of the lack of understanding and results of propaganda are shown in the variation in the answers on 'Return on Capital.' More workers approve interest or wages to the investors, while fewer approve dividend payments to "capital." More of those who approve interest to investors feel that these returns on money invested should be 6% or over than feel it should be less.

"While opinions are confused and divided on 'cartels,' the great majority of the workers believe that 'international trade agreements' after the war will be a good thing.

"Guaranteed Annual Wages—Eight out of ten of the men in the Forum like the idea of a guaranteed annual wage. There are no pronounced variations by any of our usual breakdowns.

"Interest to Investors? Dividends to Capital? Nine out of ten of the men in the Forum believe that people who invest money in a business are entitled to earnings on the funds they have invested. But . . . when essentially the same

question is asked in a depersonalized form, that is, whether capital is entitled to dividends, the proportion who respond in the affirmative drops to seven out of ten.

"How much interest are investors entitled to? Almost a quarter of the men who believe investors should get returns on their money say 6%. About 16% mention various amounts over 6%, almost 12% various amounts under 4%, and another 11% mention interest at 5%.

"International Trade Agreements—More than eight out of ten of the men in the Forum believe that international trade agreements after the war will be a good thing. This overwhelmingly favorable vote breaks down as follows:

"Question: Do you think that international trade agreements after the war will be: a good thing; a bad thing?

"Answer: Good, 86.2%; bad, 7.4%; d. k., 4.4%; n. a., 2.0%—100.0%.

"Cartels—Opinion regarding cartels is less crystallized and reveals greater uncertainty than opinion about international trade agreements. About one-fourth of the men believe they are a good thing, but almost a third feel they are a bad influence and almost another third simply do not have any opinion.

"Question: You have heard and read a lot about cartels. Do you think them: a good thing; a bad thing?

"Answer: Good, 29.5%; bad, 31.6%; d. k., 31.7%; n. a., 7.2%—100.0%."

NYSE Borrowing Higher in December

The New York Stock Exchange announced on Jan. 3, that the total of money borrowed as reported by Stock Exchange member firms as of the close of business on Dec. 31 was \$1,073,417,453, as compared with \$963,175,307 on Nov. 30.

The following is the Stock Exchange's announcement of Jan. 3: The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1.) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government \$494,216,241; (2.) on all other collateral \$579,201,212; reported by New York Stock Exchange Member Firms as of the close of business Dec. 31, 1945 aggregated \$1,073,417,453.

The total of money borrowed, compiled on the same basis, as of the close of business Nov. 30, 1945, was (1.) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government \$422,277,481; (2.) on all other collateral \$540,897,826. Total \$963,175,307.

Livingston Named Financial Editor of Philadelphia Record

Appointment of J. A. Livingston as Financial Editor has been announced by the Philadelphia Record. Mr. Livingston comes to The Record from Washington where he edited the confidential weekly magazine, "War Progress," for the War Production Board, and served as economist with both the War Production Board and the Office of War Mobilization and Reconversion. Before going to Washington, Mr. Livingston was economist with Business Week, public utilities editor of the Financial World and associate editor of the New York Daily Investment News. He is the author of "Reconversion—The Job Ahead," and has contributed articles on finance and economics to leading technical publications and magazines.

The State of Trade

A slight rise was noted in industrial output the past week, continuing the gradual upturn in production started in October of last year. Uncertainty characterized shipments in the week for the country as a whole, and the occurrence of several strikes ahead of schedule and a slackening of activities by other plants in preparation for a shutdown resulted in a lower level of steel production. Few shipments were suspended and the present large backlog of orders continued to expand.

The home appliance field reflected some expansion in output, though lumber remained a scarce material hampering the manufacture of furniture. Automobile production too, showed a gradual improvement at some plants for the week.

The long-threatened and nationwide steel strike that the country worked so earnestly to avoid took place on Monday of the present week. The impact of such a strike on the nation's economy will be tremendous if the walkout is of long duration, since the steel industry plays such a vital role in keeping the wheels of all industry in motion. At a time when the country is endeavoring to increase the output of civilian goods and thereby stave off inflation, the total effects of this shutdown in a key industry if prolonged can prove very devastating to say the least. The immediate effects of this walkout kept 750,000 workers away from their jobs, and brought about the closing of near to 1,300 steel-making and fabricating plants, and aluminum mills and iron ore mines in 29 states. Other industries affected by the closing included construction, railroads and public utilities.

According to the American Iron and Steel Institute, because of the strike, the percentage of steel capacity in operation the present week is believed to have declined to the lowest level in the 300-year history of iron and steel in this country with scheduled tonnage to be produced this week the lowest in 53 years.

Commenting on the strike, Benjamin F. Fairless, president of the United States Steel Corporation had this to say: "We did everything reasonable within our power to avert this disastrous steel strike. We met the union more than half way. Our offer of a wage increase of 15 cents an hour met 75% of the union's final proposal.

"The direct labor cost to this corporation of the wage increase we offered is \$60,000,000 annually. This offer represents the biggest wage increase in the history of the steel industry. The union has answered this most substantial offer with a strike.

"This is not a fight in the selfish interest of the United States Steel Corporation. We feel strongly the responsibility of protecting the consumers—the thousands of fabricators and processors of steel whose very existence would be in jeopardy should we grant the union's demand for such a large and unwarranted wage increase.

"The responsibility for this strike rests with the union."

If the nation is to make progress in its reconversion process and some semblance of normalcy restored to our much battered economy the constantly growing demands for excessive wage increases must be halted. As the National City Bank of New York so aptly points out in its current monthly letter on general business conditions:

"In establishing public policy, it should be understood that what is at stake in the wage disputes is not the ability of one company or a dozen companies to pay higher wages. It is the welfare and the stability of the whole economy. The issue is, first, whether prosperity is to be increased and diffused by distributing the gains of progress, as against monopoly of the gains by any group. It is, sec-

ond, whether current inflationary trends are to be arrested by keeping restraint on costs, or whether the boom and bust route is to be followed."

Steel Industry—Criticism of the U. S. Steel Corp.'s 15 cents an hour offer was voiced unofficially by some steel companies, and it was to have been expected, according to "The Iron Age," national metal-working paper, that the meeting held in New York early last week at which Mr. Fairless made his report to other steel company officials would have its stormy moments.

On the other hand Mr. Murray in taking an unprecedented step by postponing the steel strike was in an unenviable position late last week as a result of the failure to obtain a wage agreement and the magazine expressed doubt at the time whether a second postponement would be made under such circumstances.

It was obvious the past week that the government was bluntly using a "promised" \$4 a ton increase in steel prices as a club to force a wage agreement. This purported promise has become somewhat of a mystery in that OPA has in no way indicated its approval of a \$4 increase, what products would be affected and whether or not it would be an across-the-board increase. It has been indicated, from other sources, unless changed before the week expired, that a straight across-the-board steel price adjustment of \$4 or slightly more is in prospect when and if a wage settlement is made.

If such a price increase is granted the problem of the non-integrated steel mill will be more precarious than ever. A straight-across-the-board advance would leave these smaller companies which buy semi-finished steel and process it into finished steel products in the same position in which they are now. The "Iron Age" points out:

On the basis of a 42-hour week in the steel industry at about the same level as current employment, it is estimated that a 15 cent an hour increase would cost the industry \$148,000,000 a year in wages. A 19½-cent increase demanded by the steel union would cost about \$193,000,000 a year. On the basis of 56,000,000 tons of finished steel, the approximate amount produced in 1945, a price increase of \$4 a ton would net the steel industry about \$224,000,000 a year.

Since the price increase was demanded to cover accumulated costs exclusive of any new wage agreement, a wage increase of 19½ cents an hour would leave little from a \$4 ton advance in price. This is the reason, states the magazine, why it is expected that the steel industry, after gauging the effects of a wage and price increase, over a period of operations will likely request some sort of a subsequent price adjustment.

The slowdown in operations two weeks ago at many steel company plants in preparation for a strike has made itself felt the past week, even though units were rushed back into production as quickly as possible. Steel ingot output last week was down 7½ points to 75.5 per cent of capacity.

Many companies covered by the steel union strike call are not producers of steel but are engaged in steel fabrication or further processing of steel products. Such

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Urges Caution in Expanding Foreign Loans

National City Bank Says British Loan Is Likely to Encourage Other Countries to Seek Similar Treatment. Holds Britain's Case Is Exceptional and We Should Consider Carefully How Much Farther We Should Go in Our Foreign Commitments. Holds Britain's Capacity to Repay Is Problematical.

The January monthly "Bank Letter" of the National City Bank of New York, after reviewing the conditions and reactions relating to the proposed Anglo-American financial agreement, takes up the question of our policy in future foreign lending, and points out that a "real danger" is that other foreign nations will soon be "knocking on our doors" for loans similar in character to that proposed by the agreement to be granted to Great Britain. On this phase of our future policy the "Monthly Letter" comments:

With the Anglo-American agreement awaiting approval by Congress, it is well known that other countries are, or soon will be, knocking at our door. No doubt most, if not all, could obtain credit in reasonable amounts through the Export-Import Bank, the International Bank to be set up under Bretton Woods, or—in a few cases—regular market channels. Will the lower interest rate and other special considerations of the British loan be regarded as setting a precedent, encouraging other countries to expect similar treatment?

This is a real danger. There is, however, no proper analogy between the case for Britain and that for any other country. Quite apart from the natural feelings of friendship that exist between the two great English-speaking democracies, the compelling argument for Britain is that country's outstanding importance as a great center of world trade and finance on which many other countries depend. Without a freely convertible sterling there will be scant hope of achieving the multi-lateral trading system which has been the traditional goal of this country. Of no other currency save the dollar is this true to anywhere near the same extent. Not on the basis of sentiment, or of looking backward, but on the basis of our own interest in world trade recovery, the British position is wholly exceptional.

Our Foreign Commitments

We need to consider carefully how much farther it is safe to go in lending in view of our national debt now \$279 billion, our foreign commitments already made, and the purchasing power represented by the large gold and dollar exchange holdings of foreign countries.

Our subscription to the International Monetary Fund is \$2,750 million and to the International Bank \$3,175 million, while the enlarged Export-Import Bank has a lending power of \$3,500 million. The British credit is \$3,750 million, plus \$650 million for settlement of lend-lease goods in transit and surplus property. Similar credits for lend-lease settlements not handled through the Export-Import Bank include \$575 million to France and \$400 million to Russia. Our original contribution to UNRRA was \$1,350 million, and Congress has just approved an additional contribution of the same amount.

The above alone totals over \$17 billion, and still does not allow for additional "pipeline" lend-lease credits pending, or for eventual claims upon us from the Bretton Woods institutions perhaps much larger than our subscriptions, due to the possibility that the Monetary Fund may borrow additional dollars and the likelihood that the major share of whatever part of the International Bank's \$10 billion authorized lending power is used will almost certainly be extended in dollars. There will also be advances and credits made by private banks or

floated in the open market, and direct investments by American concerns abroad.

Some of our commitments involve direct expenditures through the federal budget, while others will be financed outside the budget. Some of the funds provided, such as those for settlement of lend-lease goods in transit and surplus property, and part of UNRRA and Export-Import Bank funds, have already been spent, but the major portion represents new or potential demands upon American production.

In addition, foreign countries hold in excess of \$20 billion in gold and dollar exchange, an indeterminate amount of which would be available for expenditures here.

All this shows the heavy commitments which the United States has already made for foreign relief and reconstruction, and the potential demand for American goods now being built up. The combined total of these actual or potential claims is easily \$40 billion, without including some very large foreign reconstruction loans that have been talked about.

As we hear the calls of distress from over the world and see the need of funds for reconstruction, we know that some American money should and must be used even for our own interests as part of a sick world. On the other hand, we know that inflation has traveled fast both at home and elsewhere, and more credit means more inflation. After World War I and in the 'twenties we financed inflation with American money. Then when we found we had invested too freely, we stopped suddenly. We run the risk of doing just the same thing over again. We are riding on a wave of public approval of all things international. It will bear us too far unless we are prudent. When we find we have been carried too far, our feeling will change. Nothing could be worse for sound and continuing international collaboration.

Moreover, lending U. S. public money around the world means more government borrowing from our own people, with consequent increase in interest charges and in taxes. The tax burden we now have to carry is already so heavy as to impair incentive. Nothing could be worse for a vigorous and expanding economy at home than to lose the driving force that comes from adequate reward for success.

The question that Congress and students of the situation will ask is whether the \$4.4 billion British loan is just another step in a huge foreign lending program with the purpose of stimulating full employment in the United States, with all too probably a burst of inflation and a boom followed by a crash, or whether it is, on the other hand, a step in a more prudent and closely controlled program in which the British loan will be unique.

Can Britain Pay?

Will Great Britain be able to make the payments of interest and principal called for in the loan contract? This is a question that everyone asks, not only in this country but also in England, for Englishmen with their high regard for their bond do not want to assume obligations they cannot meet.

It seems clear there can be no certain answer. It depends upon

too many factors, the working out of which cannot be foreseen in this troubled and rapidly changing world.

There is, first of all, the question of how successfully the British are able to utilize the breathing spell afforded by the loan for working out their own problems at home. This involves problems of reconversion, of reorganization and rationalization, and in general of raising the efficiency and productivity of British industry. There is the question of emphasis—whether the major effort is going to be directed to meeting these problems or whether it is going to be diverted by pressure for immediate realization of social objectives.

Contrary to frequent assertions during the debates in England over the loan, and to a widespread impression in this country, British balance of payments difficulties are not wholly a product of the war. Britain was having trouble with its trade balance before the war. Despite Britain's recognized leadership in many industries where skill and craftsmanship of individual workers are a major factor, and its high standard of efficiency and excellence of product in some of the newer industries, the fact is (revealed in numerous British reports) that Britain was losing out in world markets on some of the major export lines—notably coal, cotton textiles, iron and steel—on which it had depended. The causes of this are complex, but include failure to keep abreast in promptly scrapping outmoded equipment and methods, and in making the investments necessary to have the advantage of the latest techniques. Many Americans, who recall how often apologists of the Government's spending policies of the '30s in this country pointed to the example of Great Britain with her much heavier (then) national debt and taxation, now wonder whether the blighting effect of such taxation upon incentives may not have had something to do with discouraging British industries that were falling behind from making the needed adjustments.

A second question relates to Britain's success in dealing with difficult Empire problems, notably that of India, on a basis that will promote the harmonious and peaceful relations necessary to a flourishing trade.

A third question has to do with the general volume and stability of future world trade in which Britain may expect to share. This concerns the organization of the peace and removal of fear of war; and it involves questions of trade barriers and of other national policies bearing upon international trade that are to be the subject of discussion at the coming international trade conferences. It is concerned, further, with the maintenance of a stable economy in this country, with all that means in budget control and avoiding inflationary peaks that have their inevitable counterpart in the depressions that follow.

That the British realize the magnitude of the job they have ahead is evident in the exhortations of their leaders for greater industrial efficiency, along with an austere program of belt-tightening for the individual citizen. It is reflected in the statements of Sir Stafford Cripps, President of the Board of Trade in the Labor Government, that "by sacrifice and hard work, Britain must find ways of exporting more goods so that she can purchase essential imports." And, again, "we cannot, therefore, neglect any steps which will make our industry more competitive in the markets of the world."

For these various reasons, it is impossible to determine definitely in advance Britain's capacity to pay or its capacity to carry out the other commitments in the agreement. But the loan and the agreements that go with it represent an effort in the direction of

Harl Chairman Fed. Deposit Insur. Corp.

Maple T. Harl, for the past six years, Banking Commissioner of Colorado, was sworn in on Jan. 5 as Chairman of the Board of Directors of Federal Deposit Insurance Corporation. The oath of office was administered by Justice Hugo Black of the U. S. Supreme Court. The ceremony was witnessed by many notables, including Sen. Edwin C. Johnson, of Colorado; Sen. Pat McCarran, of Nevada; Governor and Mrs. John Vivian, of Colorado; Gov. Robert S. Kerr, of Oklahoma, and John Snyder, Director of the Office of War Mobilization and Reconversion. Preston Delano, Comptroller of the Currency, together with Ronald Ransom and John McKee, Governors of the Federal Reserve System, also were present.

Federal Deposit Insurance Corporation, the Government agency which insures the balances of 70,000,000 depositors in about 13,500 banks throughout the country, was established in 1933. It has had as chairman only two predecessors to Mr. Harl—Walter Cummings, of Chicago, who served during the first four months of the corporation's existence, and Leo T. Crowley, of Madison, Wis., who served from February 1934 until his resignation in October 1945. The corporation now has assets exceeding \$850,000,000.

Mr. Harl's law studies were interrupted when World War I came along and he enlisted. He came out of the war with the rank of Major, was hospitalized for a time, then entered the banking business in a Denver suburb. Later he went into the safe deposit, mortgage and investment branch of finance. Meanwhile, he became active in veterans' organizations—the American Legion, the Veterans of Foreign Wars and the Disabled American Veterans. The DAV made him National Commander in 1937. During the 1930's he reorganized a number of real estate mortgage-bond companies that had been hard hit by the depression. He was appointed State Banking Commissioner for Colorado in 1939.

Mr. Harl was named on Nov. 26 by President Truman as Chairman of the Federal Deposit Insurance Corporation and the Export-Import Bank. The Senate confirmed the nomination on Dec. 7.

U. S. Chamber Annual Meeting April 30

The Thirty-Second Annual Meeting of the Chamber of Commerce of the United States will be held in Atlantic City for three days next April 30-May 2, General Manager Ralph Bradford announced on Dec. 21. This will be the first Annual Meeting since the spring of 1943 when the Chamber's members assembled in New York City. Since that time, determination of the organization's policies, and election of members of the Board of Directors have been conducted by mail.

reestablishing world trade on a multilateral basis, which has always been the American system and was that of Britain during the heyday of British commercial expansion up to the first World War. Without the loan it seems inevitable that Great Britain would have to follow the pattern on which Germany operated in the '20s and '30s—that is, bilateralism, trade quotas, exchange controls and managed currency. With the loan accord, there is at least a fighting chance that we and Britain, working together, could reconstruct the kind of an international trading system which will best promote growth and stability of commerce.

New Board Established To Carry on NWLB Wage Setting Function

On Dec. 31, by Executive Order of President Truman, the National War Labor Board went out of existence, and the National Wage Stabilization Board, within the Labor Department, was established to take over some of the duties which had belonged to NWLB. On Jan. 2, according to a special dispatch from Washington to the New York "Times," W. Willard Wirtz, Chairman of the newly created stabilization board, announced that within the next two weeks detailed standards would be made public applying to conditions under which wages might be increased or decreased. Mr. Wirtz made it explicit that this did not mean framing of new wage policies, merely that present policy would be further implemented.

One of the new board's inherited duties, under the War Labor Disputes Act, is to receive applications from unions for Government supervision of strike votes upon 30 days' notice.

The "Times" advises went on to say:

Mr. Wirtz said that even though the Government has not provided funds to be used for holding strike votes, under the law, such petitions must be filed, even though the unions and the Government know that nothing can be done about them.

Mr. Wirtz said that another duty of the new board is to pass upon the terms and conditions of employment for settling disputes in plants that have been seized by the Government. Such settlements must be approved by the board before the plants may be turned back to their owners. It had been the WLB's duty under the War Labor Disputes Act to pass upon such terms before Government release of struck properties.

In referring to his Board's authority to determine what shall be allowed as a wage increase or a wage decrease, Mr. Wirtz said that the procedure in either case would be as it heretofore had been provided that if no union is involved, a company may apply for a wage adjustment.

In cases where a wage increase or decrease has been put into effect without approval, he said that complaints would be entertained by the board either from the union or from individuals concerned.

Mr. Wirtz said downgrading would be permitted, but downgrading as an excuse or subterfuge for war wage cutting would not be allowed. The legal rate of wages, he said, cannot be lowered.

As to penalties, he said that the sanctions against use of payroll times for tax purposes would still be used as under the Wage Stabilization Act. It would be the board's duty to determine what part of a payroll should, under its recommendations to the Treasury, be disallowed for tax purposes.

Replying to questions as to whether the board might allow a 2 1/2% wage increase in the General Motors case, he said that such a case could come to the board under the rules drawn up by the Secretary of Labor respecting the duty of fact-finding panels, but only if price relief were in question.

He explained that if price relief were in question the standards set up under executive orders would be used as the guide, as heretofore.

The Board will determine whether wage increases requested may be used as a basis for seeking price relief. One branch of the Board will continue to administer controls over wage adjustments in the building industry which also continue to require advance approval.

The new agency has no authority to settle any labor-management disputes.

The Financial Situation

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What begins to appear to be a collapse of the wage "formulae" of the day, collapse, that is, as effective weapons with which to attack current difficulties, may or may not stem from such disillusionment on the part of the public. It may be that the hollow mockery of most of the theorizing about the basis for wage fixing—the purchasing power idea, the productivity notion, the ability to pay formula, and the others—is now penetrating the minds of men throughout the country, and that it is for that reason that it has not proved possible to marshal public opinion behind the drastic demands of the unions in various parts of the country. If so, we may be forgiven if we express the hope that from this time forward the powers that be, and for that matter a great many others who aspire to places of leadership among the people, will address themselves to current problems with much more directness and understanding than has been in evidence in the past.

Foolish Formulae

Certainly, formulae advanced during recent months for the determination of "just" or "socially desirable" or "economically sound" wage rates have been, it appears to us, more than ordinarily shot through with obvious fallacies. The so-called "purchasing power" theory—which may be and is usually "trotted out" to support any and all demands for higher wages—has long been bandied about among large elements in the population. It was thoroughly popularized by the late President Roosevelt, who, though he had little or no understanding of economics or business, was widely accepted as a sort of oracle on these subjects. Explicitly or implicitly, it has been the foundation on which virtually all claims to public support of drastic wage increase demands of recent months have rested. It would be too much to hope, we suppose, that the notion has come to its final end. The probability is, we are afraid, that it will continue to be one of the main reliances of labor leaders and of ignorant politicians who seek the votes of union members.

Yet the fact is that this theory has taken some very severe pummeling of late. Of course, it needed no refutation so far as thoughtful students of economics were concerned. To them, it has all along been perfectly obvious that the production of any given goods or services must inevitably produce purchas-

ing power equal to its own value. To them it has always been clear that this simple and irrefutable fact knocked into a cocked hat any claim that lack of ability to purchase goods produced was at the bottom of any undesired state of business by chance existing. But a little further pursuing of the subject soon reveals the fact that larger payments to wage earners can not possibly increase purchasing power beyond the value of the goods produced by such labor. It is obvious that such increases either take from some one else the purchasing power it confers upon labor, or else they add dollar for dollar to the purchasing power required to buy the goods produced.

Obvious Contradictions

But factors other than the processes of logic are probably more responsible for the lack of popular effectiveness of this old fallacy at this time. Even he who runs, though a fool he may be, can scarcely fail to recognize the essential contradiction in any public policy or propaganda which at one and the same time cries out for higher wages to increase purchasing power and issues warnings of inflationary dangers believed to lurk in wartime accumulations of purchasing power. If continued, not to say perpetual, control of almost every phase of the economy is essential to prevent those who have throughout the war been estopped from spending their money earnings from coming into the market places and bidding up the prices of all manner of goods, then why is it necessary to raise wages to enlarge purchasing power? Here is a question so obviously lying upon the surface of current discussions that no one can fail to notice it.

Little Take-Home Loss

Again circumstances have riddled the case of those—including the President of the United States—who had been basing their stand on wage increases upon the presumption of loss of "take home" pay resulting from the return of peace. From city after city—barring, we suppose, some of them now almost idle by reason of strikes—continue to come steady streams of reports of persistent shortages of labor, of continued overtime, of well-maintained, if not fully maintained, take home pay. What is more, from nearly if not all of them come indications that, so far as it is given to man to look into the future there is little or no actual prospect of heavy

Legislation Introduced To Curb Petrillo

A bill designed to curb the actions of James C. Petrillo as head of the American Federation of Musicians, AFL affiliate, was introduced by Representative Clarence F. Lea (D., Cal.) on Jan. 16, and is scheduled for early committee consideration, the Associated Press reported from Washington. One of Mr. Petrillo's demands, according to Representative Lea, would compel the radio broadcaster "to pay a financial tribute to the American Federation of Musicians for broadcasting transcriptions where no service whatever is performed by members of that organization." The Associated Press further quoted Mr. Lea as follows:

"Another demand was made that, under penalty of boycott, a station which permitted non-compensated musicians to participate in musical, educational or cultural programs would be required to pay the Federation an amount equal to the compensation which would have been paid had members of the organization performed the service, even though they performed no service whatever."

The union recently requested stations to ban broadcasts in this country of musical programs originating in other countries except Canada.

The proposed bill, said the Associated Press, would outlaw force or threats to compel a radio station:

1. To "pay tribute" for the privilege of producing or using records, transcriptions or mechanical, chemical or electrical reproductions.
2. To employ more persons than it wants.
3. To refrain from broadcasting a non-commercial educational or cultural program where the participants receive no pay.
4. To refrain from broadcasting programs originating abroad.

loss in take home pay—heavy loss, remember, as compared with the war-swollen earnings of the men, which until quite recently at any rate many almost took for granted, could not in the nature of the case be retained by them in peacetime.

Another notion which has succeeded in getting a black eye of late is the productivity of labor yardstick. This theory has a plausible and appealing sound. It is a perversion of the ideas of reputable economic theorists of past years—as are so many current notions—but the great rank and file may never have heard of the older theorists, and at any rate would not give their carefully wrought ideas much weight. The weakness of the current adaptation of the productivity notion is the quite well known attitude of wage earners toward their jobs. It is a little too widely known that, whatever the figures may seem to show, that the workman is today much less disposed to exert himself than was the case in former years, even than in the immediate pre-war years. The resulting conclusion that any increase in output per man hour must be to the credit of some one other than the wage earner is a little too inescapable.

Brooklyn Trust Reports Gain In Net Operating Earnings

Net operating earnings of the Brooklyn Trust Company of Brooklyn, N. Y., for the year 1945, after all expenses, interest, and taxes excepting Federal income taxes, were \$1,327,876, and after provision of \$334,000 for estimated Federal taxes on 1945 net income, there remained a balance of \$993,876. The comparable figures for 1944 were \$1,051,079 before Federal income taxes and \$907,079 after provision for such taxes, according to the report of President George V. McLaughlin, who stated that "the disposition of our earnings was as follows: To reserve for contingencies, \$68,881; to undivided profits, \$114,995; to surplus, \$400,000; dividends declared, \$410,000; total \$993,876."

Recoveries on charged-off loans and profits on sales of securities were credited directly to reserve accounts and were not included in earnings.

The statement of Mr. McLaughlin was read at the meeting by George A. Barnewall, Executive Vice-President, who presided at the meeting in the absence of Mr. McLaughlin.

As to real estate and mortgages the statement said:

"The book value of our bank buildings was written down to \$3,000,000 during the year, a reduction of \$946,321 from the figure at which they were carried at the end of 1944. Of this write-down, \$854,276 was transferred from reserves and the remainder was charged against earnings. Other real estate was carried at a book value of \$1,000 throughout the year. Mortgages owned at the end of the year were carried at \$749,562, equivalent to about 66% of their face value. Holdings of mortgages were reduced to the extent of \$514,205 during the year, the reduction being due principally to sales and payments."

According to Mr. McLaughlin "the company's holdings of United States Government securities were \$189,976,038 at the end of the year against \$152,921,563 at the beginning, a net increase of \$37,054,475. Approximately 47% of our holdings mature within five years, 45% either mature or become callable in from five to 10 years, 4% mature or become callable in 10 to 20 years, and 4% are not callable within 20 years."

In his comments respecting Government financing, Mr. McLaughlin said:

"With the end of the war and the large-scale Government financing which accompanied it, the great expansion of Government security holdings of banking institutions probably will come to an end, although there may be some slight increase due to sales by non-banking holders to the banks through the open market. Income from interest on Government securities has not kept pace with the expansion in total holdings, because rates of yield on securities available for bank purchase have been reduced considerably—by Government policy in the case of new securities and by the action of the market in the case of older issues. It therefore appears that there may be a downward trend in banking income from holdings of Government securities."

He also said: "Our total of outstanding loans is somewhat larger than a year ago, but it appears that industry generally has not required a great deal of bank credit for reconversion purposes. We are hopeful that demand for business loans will improve as peacetime production expands. Following a reduction of our discount rates on personal loans effective July 1, demand for such loans has improved, and up to the end of the year there was an increase of more than 50% in total personal loans outstanding. Demand for loans to modernize homes and other buildings also has shown improvement, due largely to the

relaxation of certain Government restrictions.

"The company is planning to enter the field of consumer credit on a larger scale in the coming months and will engage in the financing of various types of durable consumer goods, such as household equipment and automobiles. Details will be announced when plans have been completed."

Securities Sold in Victory Loan Drive

Secretary Vinson announced on Jan. 17 the preliminary figures on securities sold in the Victory Loan Drive aggregating \$21,144,000,000, of which \$6,776,000,000 was subscribed by individuals and \$14,368,000,000 by all other non-bank investors. Total subscriptions for each of the securities offered in this Drive were as follows:

(In Millions of Dollars)	
E Savings Bonds	\$2,204
F and G Savings Bonds	657
Savings Notes	1,682
2½% Treasury Bonds	9,819
2¼% Treasury Bonds	3,045
¾% Certificates	3,737
Total	\$21,144

In addition to those which applied to the Drive, the Treasury received subscriptions from commercial banks, based on their savings deposits, which aggregated \$1,396,000,000, as follows:

(In Millions of Dollars)	
F and G Savings Bonds	\$90
2½% Treasury Bonds	853
2¼% Treasury Bonds	423
¾% Certificates	30
Total	\$1,396

The Treasury Department further says:

There were also purchased outside of the Drive \$1,017,650,000 of the 2½% Treasury Bonds and \$500,000 of the ¾% Certificates for the Treasury investment accounts.

The deferred payment provision of the offering circulars was available to the extent of \$1,277,000,000 for the 2½% bonds and \$214,000,000 for the 2¼% bonds. These subscriptions are included in the Drive figures given in the first table of this statement.

Reference to total sales in the Victory Loan Drive, of \$21,144,000,000 was made in our issue of Jan 10, page 174.

Justice Jackson To Return Home

In an executive order on Jan. 17, President Truman authorized Supreme Court Justice Robert H. Jackson, chief American prosecutor at the Nuernberg war crime trials, to take such action as will permit Mr. Jackson to return to this country and again take his place in the Supreme Court. The order, according to Associated Press Washington advices, authorizes the United States representative and chief of counsel to proceed against the secondary offenders before United States military or occupational tribunals. It further authorizes Justice Jackson to designate a deputy chief of counsel, with responsibility to organize and plan the prosecution of charges of atrocities and war crimes other than those now being prosecuted as Case No. 1. According to the New York "Times," Jackson's assistant, Sidney Alderman, is expected to be named successor.

UNO Assembly Opens; Group in U. S. To Choose Permanent Site

The first meeting of the General Assembly of the United Nations Organization opened on Jan. 10 with a speech by British Prime Minister Attlee, in which Mr. Attlee stressed the responsibility which rested on the Assembly for finding the means of preserving world peace. "The coming of the atomic bomb," the Prime Minister said, according to the Associated Press report from London, "was only the last of a series of warnings to mankind that, unless the powers of destruction could be controlled, immense ruin and almost annihilation would be the lot of most of the highly civilized portions of mankind." He continued:

"To make this organization a living reality, we must enlist the support, not only of governments, but of the masses of people throughout the world. They must understand that we are building a defense for the common people."

The night before the General Assembly first convened, delegates were entertained at a State Dinner at St. James' Palace at which King George VI told them, according to the Associated Press:

"It is in your hands to make or mar the happiness of millions of your fellow men, and of millions yet unborn. It is for you to lay the foundations of a new world, where such a conflict as that which lately brought our world to the verge of annihilation must never be repeated; where men and women can find an opportunity to realize to the full the good that lies in each of them."

The delegates were called to order on Jan. 10 by Dr. Eduardo Zuleta of Colombia, temporary President of the Assembly, after which a President for the London sessions was elected. This was Dr.

Paul Henri Spaak, Socialist Foreign Minister of Belgium, who had been supported by Britain. The name of Tryve Lie, Norwegian Foreign Minister, was offered by Russia from the floor, and was supported by the United States. On a secret ballot, according to the Associated Press, Dr. Spaak received 28 votes and Mr. Lie 23. It is said that Dr. Spaak's election assures the Netherlands of a place on the Security Council.

Previous to the Assembly's opening, Secretary of State Byrnes, on his arrival in London, succeeded in unifying the United States delegates by giving assurances that adequate security arrangements would precede disclosures concerning atomic matters and that "any plan recommended by the atomic commission must receive Congressional approval in the United States". Meantime a UNO subcommittee has arrived in the United States to survey various places in the East Coast area for a permanent headquarters of the peace organization. The group, headed by Dr. Stoyan Gavrilovich, Yugoslav Under-Secretary for Foreign Affairs, has already visited the Roosevelt estate at Hyde Park and other proposed sites in the New York area, Boston, Providence, R. I., and Princeton, N. J.

Loan Agreement Between Export-Import Bank And Kingdom of Greece

Approval of a credit and loan agreement between the Kingdom of Greece and the Export-Import Bank of Washington by its Board of Directors was announced on Jan. 11 by Wayne C. Taylor, President of the Export-Import Bank. The arrangement provides for a line of credit of \$25,000,000 to finance the purchase in the United States of specified materials, equipment and services for the restoration of productive facilities in Greece. It is announced that while the amount of this loan is considerably less than the Greek Government feels it will ultimately require for reconstruction purposes, the loan provides the means of commencing the most urgent reconstruction work.

"This loan is in conformance with the policy of the Bank," Mr. Taylor said, "to assist in speeding the reconstruction of the war-torn areas by making dollar exchange available for the emergency purchase of needed supplies and materials in the United States, pending the beginning of operations by the International Bank for Reconstruction and Development Mr. Taylor added:

"Such action hastens the day when such areas can become self-supporting without need for outside relief, such as is now being dispensed by UNRRA. Assistance of this type to the liberated countries is a prerequisite to a secure peace and a first step toward increasing the normal process of private trade. The war left Greece as stripped of the necessities of life as any country in Europe. It has been estimated that 450,000 people starved to death during the period of German occupation. UNRRA supplies are now reaching Greece and a food subsistence level is being maintained. The destruction of railway equipment, bridges, communications, power facilities, agricultural machinery, shipping and the removal of railway rolling stock was as extensive as can be found in Europe. Serious inflation, stagnant industry and widespread unemployment ensued.

"Before the war, the economy of Greece was in a fairly balanced international position. Predominantly an agricultural country, her principal exports were tobacco, currants, raisins, olives, olive oil and figs. The United States was her second largest customer. Her largest imports were wheat, textiles, iron and steel, chemicals, machinery, lumber, coal, and petroleum products. In addition to exports, which covered about 65% of her imports, Greece was heavily dependent upon immigrant remittances and income from her merchant marine to balance her trade. Imports to the United States from Greece usually exceeded United States exports to Greece, by a considerable margin.

"The immediate economic problem of Greece is to restore her agricultural productivity and transportation, communication and power systems as rapidly as possible," Mr. Taylor continued. "Upon this depends the revival of agriculture, industry and trade. Control of inflation and reduced unemployment should follow, provided adequate measures of economic stabilization are undertaken by the Greek Government, thus leading to the point where Greece can once again resume normal trade relationships."

With relatively unimportant exceptions, the proceeds of the loan may be used only for purchase in the United States of materials, equipment and services for the restoration of productive facilities in Greece.

The use of the loan is restricted to certain types of materials and equipment approved or to be approved by the Export-Import Bank.

Training for Peace Viewed by Butler As Important Task of Colleges

Provision for training essential for the establishment of peaceful relations among nations is declared by Dr. Nicholas Murray Butler as an important task of colleges and universities. Dr. Butler presented his views on the subject in his final annual report as President of Columbia University, made public on Jan. 13.

Dr. Butler became President Emeritus of Columbia on Oct. 1 after having been President more than 43 years.

Dr. Butler expressed the view that "global warfare has made plain the fallacy of isolation, which, if followed now, would clearly lead the people of the United States to political, economic and social disaster." "No one," he said, "can be unaware of the vital and immediate need of international cooperation if civilization is to reach a higher plane, or, indeed, is to survive." The New York "Times" of Jan. 14, from which the foregoing is taken, further reported:

The President Emeritus told of the important part played by Columbia scientists in the development of the atomic bomb and noted that about 25,000 naval officer candidates had been trained at the Midshipmen's School at Columbia.

Dr. Butler commented upon the current educational trend away from the elective system, citing the new plans of study recently adopted by Princeton and Yale Universities, and the recent Harvard report. He said the present movement toward "a carefully planned program based upon the fundamental problems of science, social science and the humanities" had justified the plan worked out at Columbia after World War I.

"General education and its special courses affect mainly the first two years of the college curriculum and lead to the breaking down of interdepartmental barriers," he added. "It still remains for the American college to develop an equally satisfactory program, based upon like principles, for the upper years of college work."

Reviewing the history of Columbia's participation in the atomic bomb project, Dr. Butler reported that from 1939 until the present the larger part of the work of Columbia's physicists and of numerous members of other departments had been devoted to problems of nuclear fission and the release of atomic energy. He said the material for the plutonium bomb that was dropped on Nagasaki came from the uranium-graphite pile constructed at Hanford, Wash., which was the direct outcome of work begun at Columbia in the spring of 1942.

"Our Columbia scientists, under the necessities of war, did fully and thoroughly their part in the conception and production, in advance of our enemies, of a new and frightful instrument of destruction," Dr. Butler declared. "Columbia's pride and satisfaction will be still greater if her sons and daughters, under the necessities of peace, can play as large a part in solving the still greater problem of how the world can escape the terror and ruin that misuse of atomic bombs can bring."

The retired President defended the decision to integrate the faculties of dentistry and medicine, which has been condemned by various organizations of dentists. He said the integration was "most appropriate in view of the close relationship of these two major professions."

Dr. Butler declared that the University's application for a frequency modulation educational broadcasting license, now before the Federal Communications Commission, would enable the university to reach an audience of 16,000,000 persons.

The report pointed out that Columbia would require "many millions of dollars" in the immediate future for such purposes as the erection of additional buildings and the increase of salaries of

academic and administrative officers.

Dr. Butler said gifts and bequests to the University during the year amounted to \$1,380,743. He placed the capital resources of Columbia and its affiliated institutions at \$233,063,835.

Phila. Land Title Bank Reports Oper. Income

Land Title Bank & Trust Co., in 1945 had the largest net operating income "in many years" while its normal demand deposits at year-end were the highest in its history, Percy C. Madeira, Jr., President, declared in report sent bank's stockholders on Jan. 7.

Net operating income for 1945 of \$690,487, before Federal Income Tax, compared with \$614,495 in 1944. After deducting \$81,875 for preferred stock dividends, the balance of net operating income, before Federal Income Tax, was equal to \$4.06 a share on the 150,000 shares of capital stock now outstanding as compared with \$6.69 a share on 75,000 shares in 1944. In addition, the bank had profits of \$291,023 from non-recurring sources, making total net profits of \$981,510 before Federal Income Tax as against \$837,506 a year ago. The advices from the bank also state:

The bank's normal demand deposits, exclusive of U. S. Treasury deposits, increased \$3,279,000, or 15%, during 1945 to the record high of \$61,954,000. Total deposits amounted to \$79,476,911 against \$75,452,928 as of Dec. 30, 1944. Total resources rose to \$88,682,101 from \$85,972,312 at end of 1944.

Mr. Madeira reported that \$1,750,000 balance in reserve for addition to common stock or other corporate purposes and \$205,000 reserve for preferred stock retirement were distributed as follows in connection with the retirement of balance of outstanding preferred in late November: \$686,344 to surplus; \$250,000 to undivided profits, and \$1,018,656 to valuation reserve against "other real estate." Latter credit, together with sales made in 1945 reduced net amount of real estate to \$902,638. Total asset valuation reserves, set up to meet any future depreciation in assets and which do not appear in published statements of bank, amounted to \$2,239,809 at end of 1945.

Mr. Madeira reported that commercial department income derived from investments showed marked gain over 1944 despite continuing lower interest return on high-grade securities. Loans and discounts, he said, also showed increase during the year although FHA and commitment loans decreased due to decline in building construction.

Churchill in U. S.

Britain's former Prime Minister, Winston Churchill, with Mrs. Churchill, arrived at New York aboard the Queen Elizabeth, Jan. 14, en route to Florida for a six weeks' vacation. On Jan. 16, Mr. Churchill was reported by the Associated Press from Miami Beach as having expressed the hope that the United States would not remove all its troops from overseas "because we are not numerous enough to handle post-war Europe alone." He added: "The armies have to be kept in the field in order that all the work we have done to achieve victory will not be destroyed." The ex-Premier is scheduled, according to report, to deliver one address during his stay in this country.

Savings Banks Trust Company Reports Record Earnings in 1945

At the annual stockholders' meeting on Jan. 16 August Ihlefeld, President of Savings Banks Trust Company of New York reported record total income of \$8,323,000 for 1945. "This income is the highest earned since the Trust Company was organized in 1933," Mr. Ihlefeld said, "and is represented by \$6,717,000 from operations and \$1,606,000 profit on sale of securities. Net earnings after all charges were \$2,719,000, the equivalent of \$109 per share of capital stock, all of which is owned by the 131 mutual savings banks of New York State. For 1944 net earnings were \$2,133,000 or \$80 per share."

It is also reported that operating expenses for the year were \$819,000; interest on deposits, \$3,115,000; and taxes, \$1,671,000. Dividends of \$40 per share, or \$1,000,000 were paid on the capital stock and \$1,719,000 added to undivided profits. The Trust Company reported assets of \$718,186,379 at the year-end of which \$715,547,291 was represented by cash and U. S. Government obligations. Deposits amounted to \$673,196,190, with undivided profits of \$10,099,673 and total capital accounts of \$42,982,675.

The annual report mailed to stockholders prior to the meeting is liberally illustrated by charts and tables, its 40 pages reporting in detail both in operating results since organization of the bank and the growth and development of its services. In 13 years it has paid \$9,449,000 in interest on deposits, \$4,827,000 in taxes, \$4,050,000 in dividends and has accumulated \$10,100,000 in undivided profits.

Most recent of the services adopted is that of acting as agent and technical adviser to the savings banks in planning and developing multi-family housing to be financed to the full extent of total cost by the savings banks. Commitments have already been made on five such developments involving an estimated investment of \$25,000,000 and providing apartments for approximately 4,000 families in New York City. Savings Banks Trust Company processed subscriptions on behalf of

the savings banks for \$5,165,000, during the 1942-45 period.

Robert M. Catharine, President of Government obligations during the Savings Banks Association of the State of New York and President of the Dollar Savings Bank, was appointed to the board of directors.

Hall Quits Tariff League

The resignation of Bertrand W. Hall as Secretary of the American Tariff League was made public on Jan. 14. Mr. Hall will shortly establish his own firm of Business Advisory and Public Relations Counsel in New York City. The Board of Managers of the League, in accepting Mr. Hall's resignation, paid tribute to him in a resolution which said that his services "have led to a wider and better understanding of the tariff and the economic system of the United States."

In leaving the Tariff League, Mr. Hall stressed his continuing belief in the great need for equitably conceived, sound tariffs to give American manufacturers and producers a fair and equal opportunity to compete in this country with foreign imports produced under lower living standards. "The vital role which the tariff has always played in our economic structure," he said, "has been obscured in recent years by our war-born prosperity as well as the absence of competitive imports during the war. As soon as the inevitable competition of a peacetime world is resumed, the value and importance of our tariffs will again be recognized as a vital element of our national prosperity."

Items About Banks, Trust Companies

Commander Roy L. Reiersen has returned to the Bankers Trust Company of New York as an Assistant Vice-President. Mr. Reiersen entered the naval service as a Lieutenant, USNR, in June, 1942. He became associated with the bank in November, 1934.

Charles W. Farnum, after two and a half years' service as a Lieutenant in the Navy, returns to Bankers Trust Company as Assistant Trust Officer. Shortly after his graduation from Princeton, Mr. Farnum came to Bankers Trust in 1931; he went into active service in 1943.

The New York agency of the Standard Bank of South Africa, at 67 Wall Street, announced on Jan. 18 the receipt of advices from its head office in London that the directors of the bank have accepted, with regret, the resignations from the board of directors, as from Dec. 31, of Robert Edmund Dickinson and Sir Samuel Herbert Wilson, who have served the bank for a number of years.

The annual meeting of the stockholders of Guaranty Trust Company of New York, presided over by Eugene W. Stetson, Chairman of the board, was held on Jan. 16. The following directors, whose terms had expired, were unanimously re-elected for a term of three years: William B. Bell, Charles P. Cooper, Winthrop M. Crane, Jr., Stuart M. Crocker, Morris W. Kellogg, William C. Potter, Robert T. Stevens and Thomas J. Watson. The stockholders voted approval of an amendment to the by-laws, providing for indemnification of directors, officers and certain other persons as authorized by the New York laws of 1945.

At the annual meeting of the directors of Guaranty Trust Co. on Jan. 16, immediately following the meeting of stockholders, W. Palen Conway, formerly Vice-Chairman of the Executive Committee, was elected Chairman of the Executive Committee to succeed William C. Potter, whose retirement at his own request had been previously announced, to become effective Jan. 16. Mr. Potter will continue as a director and a member of the Executive Committee and other committees. Mr. Conway has been associated with the company since 1911 and has served on the board of directors since 1924. He was appointed an Assistant Treasurer in 1913, Treasurer in March, 1916, and in September the same year was made a Vice-President. He was elected President of the company on Jan. 17, 1934, Chairman of the board Jan. 15, 1941, and has served as Vice-Chairman of the Executive Committee since Jan. 19, 1944, when he was succeeded as Chairman of the board by Eugene W. Stetson.

Other appointments announced were: Edward K. Brass, formerly credit manager, advanced to Vice-President; R. Alton Atkinson and Robert W. Stephens, who were Assistant Treasurers, to be Second Vice-Presidents. The following new appointments were also made: Robert H. Blake, Assistant Secretary; Wesley L. Baker, Robert Benjamin and Edith Halfpenny, Assistant Trust Officers.

In our issue, Jan. 17, page 292, reference was made to the operating earnings of the Guaranty Trust and the intention of Mr. Potter to retire from active duty.

At the regular meeting of the board of directors of The National City Bank of New York, held on Jan. 22, Joseph P. Grace retired from the board following 39 years

of active service and at the same meeting his son, J. P. Grace, Jr., was elected a member of the board. In point of years of service Joseph P. Grace, Sr., was the oldest member of the board of the bank, having been elected a director in February, 1907. This follows closely his recent retirement from the Chairmanship of W. R. Grace & Co.

J. P. Grace, Jr., President and director of W. R. Grace & Co., international trading and shipping organization, is the third member of his family to hold that position since the company was founded by his grandfather, William R. Grace, more than three-quarters of a century ago. Following his graduation from Yale University in 1936, he entered W. R. Grace & Co., where he spent several years of training in the various departments of the organization and filled successively a number of official positions. As assistant to the Vice-President in charge of industrial operations, he traveled extensively in South America. He was elected Secretary of the company in 1942, a member of the board of directors in 1943, Vice-President in May, 1945, and President Sept. 13, 1945. Mr. Grace is also a member of the board of directors of Ingersoll-Rand Co., of Stone & Webster and of the Northern Insurance Company.

The Pennsylvania Exchange Bank of New York, at 8th Avenue and 26th Street, announces that on Dec. 27 William S. Brower became associated with the bank as President.

The Empire Trust Company of New York announced today the election of Moorhead C. Kennedy, Jr., as a Vice-President. Mr. Kennedy was formerly a general partner of the brokerage firm of Montgomery, Scott & Company of New York and Philadelphia and a member of the New York Stock Exchange from 1929 to 1941 when he was called to active duty in the Naval Reserve. During the war he served as a Commander and was returned to inactive duty last November. He will make his headquarters in the Fifth Avenue office of the bank at 580 Fifth Avenue.

At the annual stockholders' meeting of the Chemical Safe Deposit Company of New York Percy H. Johnston resigned as Chairman of the board and director and was succeeded in both of these posts by Frank K. Houston, Chairman of the board of the Chemical Bank & Trust Company. Miss Frances M. Boos, Assistant Secretary and Assistant Treasurer of the company, was also elected a director.

Changes in the official staff of the Chemical Bank & Trust Co. were referred to in our Jan. 10 and Jan. 17 issues, pages 169 and 304, respectively.

E. Chester Gersten, President of The Public National Bank and Trust Company of New York, has announced the election of Jacob Bloom and Earl R. Gafford as Vice-Presidents. Mr. Bloom, who is at the main office, was advanced from Assistant Vice-President and heads the investment division. Mr. Gafford has just joined the bank and was an official of The Chase National Bank of the City of New York, having started as an officer in the Equitable Trust Company over 20 years ago. In his new connection, he will be identified with The Public National's out-of-town business activities. Mr. Gersten also announced the following ap-

pointments: James A. Patterson, Assistant Cashier at the main office, and James P. Walsh, Assistant Cashier at the Broadway and 24th Street office, were elevated to Assistant Vice-Presidents. Ernest C. Mattausch of the Broadway office, Harold Rudin of the New Business Department and Harry G. Hartman, who recently joined the bank and is in the Credit Department at the main office, were appointed Assistant Cashiers.

Manufacturers Trust Company, New York, announces that Commander Eugene S. Northrop, who returned to the bank on Jan. 7, 1946, after serving in the United States Naval Reserve since April, 1942, has been promoted from Assistant Secretary to Assistant Vice-President. Commander Northrop is a member of the Loan Division at the bank's main office, 55 Broad Street, New York. Commander Northrop, following his graduation from the University of Pennsylvania in 1927, worked until 1931 in the Credit Department of the Equitable Trust Co. In 1931, he joined Manufacturers Trust Co. as Assistant Branch Loan Supervisor and at the time of joining the navy was an Assistant Secretary of the bank.

At the annual meeting of the Fulton Trust Company of New York, Arthur J. Morris, President, reported net earnings for 1945 of \$248,200, or \$12.41 per share. In 1944, the net earnings were \$202,700, equalling \$10.13 per share. Mr. Morris issued the following statement:

"Net profits on securities re-deemed and sold were \$83,680. That amount is not included in the net earnings. \$25,000 was applied to mark down the book value of our uptown office from \$100,000 to \$75,000 and the balance was passed to reserves.

"Our deposits for the year averaged \$37,022,000 as against \$31,800,000 the previous year. The high point for the year was \$44,500,000. On Dec. 31 the deposits were \$38,600,000. At the deposit peak the War Loan deposit was \$16,178,000 and that account at the year-end had a balance of \$8,740,000.

"In the Seventh War Loan drive and in the Victory Loan drive, our customers subscribed through us to the various issues offered a total of \$32,170,000. In the seven War Loan drives beginning in 1942 and including the Victory Loan drive, our customers through us subscribed to a total of \$98,100,000.

"In our portfolio, our investment in Government securities at the end of the year totaled \$32,660,000. These bonds have a maturity to the first call date as follows: 44.9% within one year, 31.1% from one to five years, 20% from five to 10 years and 4% over 10 years. The average maturity is 3½ years.

"Our investment in Government securities is 74% of our total resources. The average income rate on Governments is 1.43%. The average income rate on all assets is 1.26%."

At a meeting of the board of directors of Fulton Trust Company of New York, Chester Mathieson was appointed Assistant Secretary.

The board of directors of the Grace National Bank re-elected all officers for the coming year, it was announced on Jan. 9 by Chester R. Dewey, President. The board also announced the election of K. C. Lauter as Vice-President. Mr. Lauter, a graduate of Cornell University, Class of 1920, was formerly connected with the Irving Trust Company. He was recently released from the Army where he served during the war in the War Department in the New York Ordnance District and later with the Office of Strategic Services in Africa.

President Dewey, at the annual

stockholders' meeting of the bank on Jan. 8, stated, according to the New York "Times," that "we are going into the most intense period of business activity we have ever seen," qualifying his prediction only with the remark "when this strike business is over." From the "Times" we also quote:

"We received our share of the substantial increase in bank deposits due to war financing," Mr. Dewey said, "but our greatest increase in deposits percentage-wise came from Latin America, where our neighbors have been building up huge accumulations of gold and dollar exchange against the day when we can ship them the machinery and merchandise they want."

The year 1945 established for the bank new high records in resources, volume of activity and operating profits, according to Mr. Dewey's report. He said deposits would decline because war loan deposits aggregating \$22,869,816 "will not be replenished," but predicted that about \$10,000,000 in new deposits of commercial origin would come into the bank in their stead.

Net income from banking operations for the year before taxes amounted to \$656,167, as compared with \$536,226 in 1944; net income from all operations after tax deductions was \$455,929, or \$16.58 a share, as against \$376,798 last year.

Edward W. Smith, President of the Clinton Trust Company of New York, reported at the annual meeting of stockholders on Jan. 16 that during 1945 the bank's deposits increased to \$26,828,736, a gain of 33.1% and that total resources are now in excess of \$28,000,000. "In view of this growing business," said Mr. Smith, "we strengthened our capital by adding \$45,000 to surplus." Following the stockholders' meeting, directors voted to add a further \$100,000 to capital and \$100,000 to surplus, making a total of \$400,000 in capital funds added in the past two years. Mr. Smith stated that the net operating income of the bank in 1945 was \$99,381, equal to \$7.09 per share. This did not include profits on the sale of securities, amounting to \$3.89 per share, which were transferred to reserves. During the year the bank increased its holdings of U. S. Government bonds by \$4,141,861 to a total of \$14,304,339.

The stockholders of the Clinton Trust at their annual meeting re-elected the following directors to a new term expiring in January, 1949: John F. Creamer, Joseph F. Higgins, Henry H. Mandel and Edward W. Smith.

The New York Trust Co. announced in its statement of condition as of Dec. 31, 1945, that total deposits were \$881,263,465, against \$738,248,758 a year ago, and total resources for the same two periods respectively were \$951,445,924 and \$802,716,500. Cash on hand and due from banks at the end of 1945 was \$239,235,257, against \$143,427,204 on Dec. 31, 1944; holdings of U. S. Government obligations at the latter date were shown at \$455,939,526, compared with \$438,608,355, and loans and discounts amounted to \$233,991,371, against \$196,120,056 at the end of 1944. Surplus and undivided profits advanced this year to \$35,000,000 and \$9,895,343, respectively, compared with \$30,000,000 and \$8,237,381 a year ago, while capital remained unchanged for the past 12 months at \$15,000,000.

At a meeting of the board of trustees of Central Savings Bank of New York on Jan. 14, James T. Lee, President, made the following comments on the bank's annual report:

"Judged by increase in amount of deposits and number of depositors, 1945 has been the best year in the bank's 86-year-old history. Resources for 1945 totaled \$269,780,395 and deposits rose to \$244,

701,609... This latter figure represents an increase in deposits of \$30,782,838 during 1945, compared to \$22,715,337 in 1944. At the close of 1945, the number of depositors totaled 190,649, or 2,522 more than in 1944. Net earnings, available for surplus and reserves, amounted to \$5,518,261 after dividends were paid, the highest annual figure in the bank's history. The surplus fund and undivided profits were increased \$1,250,000 to \$24,633,244 and a balance of \$4,268,261 was used to increase reserves. During 1945, more than \$29,000,000 in war bonds and stamps were purchased through Central Savings Bank."

At a meeting of the board of trustees of Central Savings Bank of New York on Jan. 14, Franklin H. Thomas and John P. Freeman were elected Assistant Vice-Presidents. Mr. Thomas was formerly Investment Advisor and Mr. Freeman was Manager of the Real Estate and Mortgage Departments.

Sterling National Bank & Trust Company of New York announces that George J. Klein, formerly Auditor of the bank, has been named an Assistant Comptroller, and that Sergeant Clifford J. Sinton, who recently returned to the bank after serving with the army overseas for three years, has been named Auditor.

Robert A. Barnet, President of Irving Savings Bank of New York, has announced the election of Theodore H. Lohmann as Assistant Secretary. Mr. Lohmann has been with Irving Savings since 1926 and has had rounded experience in many departments. He has been Chief Clerk of the bank for the past year.

John T. Madden, President of the Emigrant Industrial Savings Bank of New York, announced on Jan. 15 that Lawrence J. O'Connell has been appointed Assistant Branch Manager.

The National Bronx Bank of New York has announced that Alfred Koch, formerly associated with the Bronx Borough Bank, has been elected a Vice-President to take charge of its Freeman Street branch; Frank W. Fitzpatrick has been advanced to Assistant Cashier and assigned as manager of the Van Nest branch, and, in addition, George Allison, Jr., has been made Assistant Cashier to head the Personal and Installment Loan Department of the bank.

Walter H. Fincke has been elected Assistant Vice-President of Savings Banks Trust Company, of New York it is announced by August Ihlefeld, President. Mr. Fincke joined the Investment Information Department of the Trust Company in 1934 and represented it in various railroad reorganizations. He is a member of the New York Society of Security Analysts.

At the annual organization meeting of the board of trustees of Brooklyn Trust Company of Brooklyn, N. Y., on Jan. 17, Thurlow Burgmyer was elected a Vice-President of the company and Everett M. Clark, William J. Elster, Charles J. Mason, Frank G. Nash, Edwin D. Roulston, Daniel Schmeidler and Frederick H. Viemeister were appointed Assistant Vice-Presidents. Mr. Burgmyer was first employed by the Bank of Coney Island in November, 1917, and became an employee of Brooklyn Trust Company through a merger with the Bank of Coney Island in 1928, at which time he was manager of the Sea Gate office. He was appointed an Assistant Secretary in 1929 and placed in charge of the company's Avenue J office. In April, 1933, he became Regional Officer in charge of the company's branch offices in the Central Brooklyn region, and in December, 1938, was appointed Supervising Officer of branches in all regions. He

served as Chairman of Selective Service Board No. 141 during World War II.

Mr. Clark has been on the staff of the company since 1941 and was appointed an Assistant Secretary in charge of customer relations in 1943. Mr. Elster was employed by the Mechanics Bank in 1915 and was appointed an Assistant Secretary of Brooklyn Trust Company upon completion of a merger with the Mechanics Bank in 1929. Mr. Mason was employed by the company in March, 1939, and in May, 1939, he was appointed an Assistant Secretary in charge of the company's Manhattan office, an assignment which he now holds. Prior to his connection with Brooklyn Trust Company he had been an Assistant Treasurer of the New York Trust Company for several years and later he was connected with White, Weld & Co. Mr. Nash was employed by the company in 1924 as a clerk at its main office. In 1930 he was appointed Manager of its Schermerhorn office and in 1945 was appointed an Assistant Secretary. Mr. Roulston was first employed by the Mechanics Bank in 1905. After the merger of that institution with Brooklyn Trust Company in 1929, he became Assistant Manager of its Fifth Avenue (Brooklyn) office and in 1930 was appointed Manager of that office. In 1941, he was appointed an Assistant Secretary. Mr. Schmeidler was employed by the State Bank of Richmond County in 1920 and in January, 1930, as a result of a merger, he became an Assistant Secretary of Brooklyn Trust Company and remained at its Port Richmond (Staten Island) office for several years. Mr. Viemeister was first employed by the Bank of Coney Island in 1919 and became Assistant Manager of the Coney Island office of Brooklyn Trust Company in 1928 as a result of a merger. He was later appointed Manager of that office and in 1929 was appointed an Assistant Secretary.

At a meeting of the directors of Hamilton Federal Savings and Loan Association of Brooklyn, James V. Mahoney was elected President. Mr. Mahoney was formerly Secretary of the bank. Salvator J. Phillips, former Vice-President, became First Vice-President; Arthur H. Larson, former Treasurer, was made Second Vice-President; Thomas Abinanti was elected Secretary and Treasurer and Gerard R. Orsi was re-elected Assistant Secretary. John Barnes, former President of the bank, has become Chairman of the board of directors.

At a meeting of the board of directors of the State Street Trust Company of Boston on Jan. 21, Sheridan J. Thorup of Wellesley Hills, Mass., was promoted to Vice-President. Mr. Thorup has been an Assistant Vice-President in the Trust Department since the merger of the Union Trust Company, Boston, with the State Street Trust Company in July, 1936.

Douglas W. Morgan, President of the Palisades Trust and Guaranty Company of Englewood, N. J., has announced the change in name of the bank to Palisades Trust Company.

William H. Barwig, George E. Harrison, Frank T. Howard, Stephen E. McLoughlin, Jr., Harold J. Saxon and Harold Strange, formerly Assistant Trust Officers of the Land Title Bank and Trust Company, Philadelphia, have been named Trust Officers, it was announced on Jan. 7 by Percy C. Madeira, Jr., President.

The board of directors of The Real Estate Trust Company of Philadelphia elected Edwin M. Clark on Jan. 17 as a member of the board of directors. Mr. Clark is Vice-President of the Bell Telephone Company of Pennsylvania.

The appointment of Don Blair, travel authority, as manager of the travel department of The Philadelphia National Bank of Philadelphia, Pa., is announced. Coincident with Mr. Blair's appointment, the bank, which maintained a travel department for more than 30 years, has expanded its facilities in order to offer the public a fully comprehensive service in the travel field. Mr. Blair, recently manager of the Philadelphia office of Thomas Cook and Son, Inc., originally joined the international travel agency in 1919 after his discharge from the British Army following World War I. An extensive traveler himself, he has managed Cook's offices in Montreal, Vancouver, E. C., Portland, Ore., St. Louis and Chicago. The bank's travel department is located at the main office, 1416 Chestnut Street.

The Board of Directors of the Union National Bank of Pittsburgh announces the following executive changes as of Jan. 10: Lloyd W. Smith retires as President and becomes Chairman of the board; Charles L. McCune retires as Chairman of the board and succeeds Lloyd W. Smith as President; R. H. Beatty becomes Vice-President; Howard T. Hardie succeeds Mr. Beatty as Cashier; L. N. Short, Curtis W. Cording and E. J. Uptegraff become Assistant Vice-Presidents; William J. Steen and Norman Nedde become Assistant Cashiers; H. F. Simmons was appointed Auditor.

John H. Trueheart, formerly special agent in Louisville with the Fidelity and Deposit Company of Maryland and the America Bonding Company of Baltimore, has been appointed special agent in Memphis following his recent release from the Army after more than four years of service. He served in the European theatre with the 33d Armored Regiment and was wounded during the "campaign" in Normandy. At the time of his discharge he held the rank of Captain.

James M. Grant and Charles McNamara have been reappointed Manager and Assistant Manager, respectively, of the Burglary Department in New York, following their release from the Navy. Ralph B. Chamberlin has been reappointed special agent in Cincinnati. He was recently released from the Navy with the rank of Lieutenant (j. g.). Lawrence E. Wesner, formerly underwriter in the General Fidelity Division, has been appointed special agent in Philadelphia. Released from the Army with the rank of Captain, Mr. Wesner had served for four years in this country and abroad. William B. Strobbridge, who served for four years with the U. S. Air Forces, has been reappointed special agent in Boston. He held the rank of Captain at the time of his discharge. Paul S. Wise and G. Robert Freaner have been reappointed special agents in Cleveland. Both were recently released from the Army after three years of service. Carlton D. Roe, recently released from the Army with the rank of Captain after more than three years of service in the Transportation Corps, has been appointed Assistant Judicial Underwriter in Boston. Prior to joining the service he was Auditor in that branch.

At the board meeting, following the stockholders' meeting of The Cleveland Trust Company, Jan. 16, M. F. Brightwell, Trust Investment Officer, was elected an Assistant Vice-President; H. T. Gales and S. R. Cummings were named Assistant Counsel; R. C. Hagans was designated Manager of the Collections Department, and L. R. Guthman, Manager Savings Department; S. W. Thomas, Assistant Manager, E. 185-Pawnee branch; H. B. Dodge, Assis-

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Hillman Congratulates Truman on Proposed Labor Program

A message congratulating him on his Congressional labor program and his efforts to avert the nation-wide steel strike was sent to President Truman on Jan. 21 by Sidney Hillman, in his capacity as Chairman of the Political Action Committee of the Congress of Industrial Organization. Assurances were contained in the message that the President could count on the "fullest support" of CIO-PAC, it was noted in the New York "Times" of Jan. 22. Its tone contrasted with the bitterness of the attack made upon the President six weeks ago by Philip Murray, national CIO President, after Mr. Truman had proposed the enactment by Congress of a bill to establish fact-finding committees to assist in the settlement of industrial disputes. The "Times" also had the following to say:

Mr. Murray's speech, in which he accused the President of seeking to "weaken and ultimately destroy labor union organizations," led to reports of an irreconcilable breach between Mr. Truman and his former political supporters in the CIO. These reports were strengthened by subsequent denunciations of the President made by other CIO leaders. Mr. Hillman took no part in these criticisms.

In his message to the President, Mr. Hillman, who is President of the Amalgamated Clothing Workers of America, as well as Chairman of CIO-PAC, said:

"On behalf of CIO-PAC, I wish to express our deep appreciation of the firm stand you have taken in favor of wage increases to protect American workers against a drastic decline in living standards and to maintain the national purchasing power essential to a healthy economy.

"We are particularly appreciative of your patient and constructive effort to effect a settlement of the pending steel controversy. The refusal of the steel companies to accept your eminently fair and reasonable proposal fully demonstrates that they are placing their own selfish interests ahead of the national welfare.

"Be assured that you have our fullest support in the stand you have taken, as well as that of the great majority of the American people."

Associates of Mr. Hillman declined to say whether he had talked with Mr. Murray before dispatching his message. Under normal circumstances the message would have been sent by telegraph, but it was sent by special delivery mail instead because of the current strike of CIO members employed by the Western Union Telegraph Company in this city.

Chicago Fed. Home Loan Bank Pays Dividend

The Federal Home Loan Bank of Chicago, paid on Jan. 14, a semi-annual dividend at the rate of 1½% per annum on the stock owned by its 458 member savings, building and loan associations in Illinois and Wisconsin and on that owned by the Reconstruction Finance Corporation. A. R. Gardner, President, says that this continues the same rate of dividend paid for the semi-annual period preceding. A total of \$163,020 is being distributed, it is announced, of which the member home lending institutions will receive \$56,716 and the RFC will get 106,304.

Bierwirth of New York Trust Defends Term Loans as Investment for Banks

Term loans were defended on Jan. 9 by John E. Bierwirth, President of the New York Trust Co., as a logical form of investment for banks. In indicating this on Jan. 10, the "Wall Street Journal" stated that Mr. Bierwirth declared that commercial banks must make them if they are to do a good job for industry.

Addressing the annual meeting of stockholders, the paper from which we quote added that Mr. Bierwirth said term loans are a lot safer than many of the industrial bonds banks bought in the 'twenties. The way term loans are set up, the bank official continued, "we think they will prove very good bank assets."

In presenting to the stockholders the results of the operations of the company for 1945 Mr. Bierwirth said in part:

Gross operating income of \$12,241,137 shows an increase of \$1,371,902 over 1944. Net operating income for 1945 amounted to \$4,766,788, an increase of \$551,205. The 1945 provision for taxes, amounting to \$2,558,000, represents the taxes accrued and payable for the year, exclusive of accruals in respect of net profits on investment securities. It is expected that the amounts so accrued and unpaid at the end of the year will be required to fully discharge the Company's tax liability for the year 1945. The increase in the other items of expense is due for the most part to an increase in the aggregate payments as compensation to employees and the inclusion of certain items in expenses which heretofore have been charged directly to Undivided Profits.

Net profits realized from security transactions and recoveries were transferred to General Reserve against which a charge of \$450,000 was made to create a specific reserve for anticipated expenditures for modernization of

banking quarters and, for equipment, the normal replacement of which was not possible during the war years.

After provision for dividends the amount of net operating income added to Undivided Profits for the year 1945 was \$2,441,788, an increase of \$326,205 over the year 1944.

In accordance with the directions of the Board of Trustees, the sum of \$5,000,000 was transferred on June 5, 1945 from Undivided Profits to Surplus and at the year end \$3,601,968 was transferred from General Reserve to Undivided Profits. The capital funds of the Company on Dec. 31, 1945 amounted to \$59,895,343, the highest in the Company's history, and show an increase of \$6,657,961 over Dec. 31, 1944.

Gross deposits as of Dec. 31, 1945, inclusive of United States Government deposits, aggregated \$881,263,465, which is an increase of \$143,014,707 over the total shown at the end of the previous year. United States Government deposits amounted to \$177,231,056, a decrease of \$4,300,583 from the total shown at the end of 1944. Official and certified checks outstanding show an increase of \$99,848,824 and other deposits an increase of \$47,466,466.

Reference to Mr. Bierwirth's report of a year ago appeared in our issue of Jan. 18, 1945, page 291.

Woll Calls Stalin's Program "Diplomatic Aggression"—Urges Govt. Stop "Appeasing"

The Administration was called upon on Jan. 16 by Matthew Woll to stop "appeasing" Soviet Russia, advised labor not to depend on Government or political parties to win its battles and proposed that further labor-management conferences be held to extend the scope of "industrial cooperation, mutual trust and good-will." As Vice-President of the American Federation of Labor Mr. Woll, according to the New York "Times," in his

annual message to the members of his own union, the International Photoengravers Union, recommended that the United States set forth its international policies with complete frankness and candor. He described Premier Joseph Stalin's foreign program as "diplomatic aggression" and declared that any efforts at appeasement would be as unsuccessful as the attempt to appease Adolf Hitler at Munich.

The account in the "Times" went on to say:

The same prescription should apply to our relations with Great Britain, the Netherlands and all other foreign Governments, the AFL leader said.

"Even in politics no one has yet succeeded in finding an adequate substitute for honesty," he observed.

The end of the war has dispelled the hope of some labor leaders that they could look upon the Federal Government as "a sort of fairy godmother" who would protect them from the harsh facts of life, Mr. Woll said.

"The political honeymoon, for labor is now definitely over," he declared. "From here out victory will go to those unions which did not barter their trade union birthright. And among these, as any intelligent trade unionist knows, are the unions of the American Federation of Labor.

"Labor's strength lies in its own organizations, in its own membership, in its institutions, its press and in its tried and trusted leadership. The AFL has consistently adhered to this philosophy. It is the only safe and sound policy for

American labor. CIO publications please copy."

He characterized the labor-management conference recently held in Washington under the auspices of President Truman as "a step forward" in that it had given both sides a better understanding of their mutual problems.

In advocating that further joint conferences be held, he said:

"Much remains to be done and the road that has to be traveled may be difficult at times. But employers who stand in the way of this cooperation, who promote anti-labor legislation and fan the fires of class conflict, are as dangerous to the American system as the most subversive Communist now secretly plotting to take over our industry and Government."

Magna Charta to England

The copy of Magna Charta which was brought to this country for exhibition at the New York World's Fair was placed in the vaults of the ship Queen Elizabeth on Jan. 17 to be returned to England. Considered the best of the four copies made of the charter at the time of its signing at Runnymede in 1215, the parchment has been in the Congressional Library in Washington since its removal from Fort Knox, Ky., where it had been placed for safekeeping while there was any threat of air attack. It was noted in the New York "Times" of Jan. 18 that upon its arrival in England the historic document will be returned to Lincoln Cathedral, its abiding place. Two of the other copies are in the British Museum, the fourth in Salisbury Cathedral.

Text of Truman's Message on State of Union and 1947 Fiscal Year Budget

(Continued from first page)

I am also transmitting herewith the fifth Quarterly Report of the Director of War Mobilization and Reconversion. It is a comprehensive discussion of the present state of the reconversion program and of the immediate and long-range needs and recommendations.

This constitutes, then, as complete a report as I find it possible to prepare now. It constitutes a program of government in relation to the Nation's needs.

With the growing responsibility of modern government to foster economic expansion and to promote conditions that assure full and steady employment opportunities, it has become necessary to formulate and determine the Government program in the light of national economic conditions as a whole. In both the executive and the legislative branches we must make arrangements which will permit us to formulate the Government program in that light. Such an approach has become imperative if the American political and economic system is to succeed under the conditions of economic instability and uncertainty which we have to face. The Government needs to assure business, labor, and agriculture that Government policies will take due account of the requirements of a full employment economy. The lack of that assurance would, I believe, aggravate the economic instability.

With the passage of a full employment bill which I confidently anticipate for the very near future, the executive and legislative branches of government will be empowered to devote their best talents and resources in subsequent years to preparing and acting on such a program.

I. From War to Peace—The Year of Decision

In his last Message on the State of the Union, delivered one year ago, President Roosevelt said:

This new year of 1945 can be the greatest year of achievement in human history.

1945 can see the final ending of the Nazi-Fascist reign of terror in Europe.

1945 can see the closing in of the forces of retribution about the center of the malignant power of imperialistic Japan.

Most important of all—1945 can and must see the substantial beginning of the organization of world peace.

All those hopes, and more, were fulfilled in the year 1945. It was the greatest year of achievement in human history. It saw the end of the Nazi-Fascist terror in Europe, and also the end of the malignant power of Japan. And it saw the substantial beginning of world organization for peace. These momentous events became realities because of the steadfast resolve of the United Nations and of the forces that fought for freedom under their flags. The plain fact is that civilization was saved in 1945 by the United Nations.

Our own part in this accomplishment was not the product of any single service. Those who fought on land, those who fought at sea, and those who fought in the air deserve equal credit. They were supported by other millions in the armed forces who through no fault of their own could not go overseas and who rendered indispensable service in this country. They were supported by millions in all levels of government, including many volunteers, whose devoted public service furnished basic organization and leadership. They were also supported by the millions of Americans in private life—men and women in industry, in commerce, on the farms, and in all manner of activity on the home front—who contributed their brains and their brawn in arming,

equipping, and feeding them. The country was brought through four years of peril by an effort that was truly national in character.

Everlasting tribute and gratitude will be paid by all Americans to those brave men who did not come back, who will never come back—the 330,000 who died that the Nation might live and progress. All Americans will also remain deeply conscious of the obligation owed to that larger number of soldiers, sailors, and marines who suffered wounds and sickness in their service. They may be certain that their sacrifice will never be forgotten or their needs neglected.

The beginning of the year 1946 finds the United States strong and deservedly confident. We have a record of enormous achievements as a democratic society in solving problems and meeting opportunities as they developed. We find ourselves possessed of immeasurable advantages—vast and varied natural resources; great plants, institutions, and other facilities; unsurpassed technological and managerial skills; an alert, resourceful, and able citizenry. We have in the United States Government rich resources in information, perspective, and facilities for doing whatever may be found necessary to do in giving support and form to the widespread and diversified efforts of all our people.

And for the immediate future the business prospects are generally so favorable that there is danger of such feverish and opportunistic activity that our grave postwar problems may be neglected. We need to act now with full regard for pitfalls; we need to act with foresight and balance. We should not be lulled by the immediate alluring prospects into forgetting the fundamental complexity of modern affairs, the catastrophe that can come in this complexity, or the values that can be wrested from it.

But the long-range difficulties we face should no more lead to despair than our immediate business prospects should lead to the optimism which comes from the present short-range prospect. On the foundation of our victory we can build a lasting peace, with greater freedom and security for mankind in our country and throughout the world. We will more certainly do this if we are constantly aware of the fact that we face crucial issues and prepare now to meet them.

To achieve success will require both boldness in setting our sights and caution in steering our way on an uncharted course. But we have no luxury of choice. We must move ahead. No return to the past is possible.

Our Nation has always been a land of great opportunities for those people of the world who sought to become part of us. Now we have become a land of great responsibilities to all the people of all the world. We must squarely recognize and face the fact of those responsibilities. Advances in science, in communication, in transportation, have compressed the world into a community. The economic and political health of each member of the world community bears directly on the economic and political health of each other member.

The evolution of centuries has brought us to a new era in world history in which manifold relationships between nations must be formalized and developed in new and intricate ways.

The United Nations Organization now being established represents a minimum essential beginning. It must be developed rapidly and steadily. Its work must be amplified to fill in the whole pattern that has been outlined. Economic collaboration, for example, already charted, now must

be carried on as carefully and as comprehensively as the political and security measures.

It is important that the nations come together as States in the Assembly and in the Security Council and in the other specialized assemblies and councils that have been and will be arranged. But this is not enough. Our ultimate security requires more than a process of consultation and compromise.

It requires that we begin now to develop the United Nations Organization as the representative of the world as one society. The United Nations Organization, if we have the will adequately to staff it and to make it work as it should, will provide a great voice to speak constantly and responsibly in terms of world collaboration and world well-being.

There are many new responsibilities for us as we enter into this new international era. The whole power and will and wisdom of our Government and of our people should be focused to contribute to and to influence international action. It is intricate, continuing business. Many concessions and adjustments will be required.

The spectacular progress of science in recent years makes these necessities more vivid and urgent. That progress has speeded internal development and has changed world relationships so fast that we must realize the fact of a new era. It is an era in which affairs have become complex and rich in promise. Delicate and intricate relationships, involving us all in countless ways, must be carefully considered.

On the domestic scene, as well as on the international scene, we must lay a new and better foundation for cooperation. We face a great peacetime venture; the challenging venture of a free enterprise economy making full and effective use of its rich resources and technical advances. This is a venture in which business, agriculture, and labor have vastly greater opportunities than heretofore. But they all also have vastly greater responsibilities. We will not measure up to those responsibilities by the simple return to "normalcy" that was tried after the last war.

The general objective, on the contrary, is to move forward to find the way in time of peace to the full utilization and development of our physical and human resources that were demonstrated so effectively in the war.

To accomplish this, it is not intended that the Federal Government should do things that can be done as well for the Nation by private enterprise, or by State and local governments. On the contrary, the war has demonstrated how effectively we can organize our productive system and develop the potential abilities of our people by aiding the efforts of private enterprise.

As we move toward one common objective there will be many and urgent problems to meet.

Industrial peace between management and labor will have to be achieved—through the process of collective bargaining—with Government assistance but not Government compulsion. This is a problem which is the concern not only of management, labor, and the Government, but also the concern of every one of us.

Private capital and private management are entitled to adequate reward for efficiency, but business must recognize that its reward results from the employment of the resources of the nation. Business is a public trust and must adhere to national standards in the conduct of its affairs. These standards include as a minimum the establishment of fair wages and fair employment practices.

Labor also has its own new

peacetime responsibilities. Under our collective bargaining system, which must become progressively more secure, labor attains increasing political as well as economic power, and this, as with all power, means increased responsibility.

The lives of millions of veterans and war workers will be greatly affected by the success or failure of our program of war liquidation and reconversion. Their transition to peacetime pursuits will be determined by our efforts to break the bottlenecks in key items of production, to make surplus property immediately available where it is needed, to maintain an effective national employment service, and many other reconversion policies. Our obligations to the people who won the war will not be paid if we fail to prevent inflation and to maintain employment opportunities.

While our peacetime prosperity will be based on the private enterprise system, Government can and must assist in many ways. It is the Government's responsibility to see that our economic system remains competitive, that new businesses have adequate opportunities, and that our national resources are restored and improved. Government must realize the effect of its operations on the whole economy. It is the responsibility of Government to gear its total program to the achievement of full production and full employment.

Our basic objective—toward which all others lead—is to improve the welfare of the American people. In addition to economic prosperity, this means that we need social security in the fullest sense of the term; the people must be protected from the fear of want during old age, sickness, and unemployment. Opportunities for a good education and adequate medical care must be generally available. Every family should have a decent home. The new economic bill of rights to which I have referred on previous occasions is a charter of economic freedom which seeks to assure that all who will may work toward their own security and the general advancement; that we become a well-housed people, a well-nourished people, an educated people, a people socially and economically secure, an alert and responsible people.

These and other problems which may face us can be met by the cooperation of all of us in furthering a positive and well-balanced Government program—a program which will further national and international well-being.

II. The Federal Program

International Affairs

1. Foreign Policy

The year 1945 brought with it the final defeat of our enemies. There lies before us now the work of building a just and enduring peace.

Our most immediate task toward that end is to deprive our enemies completely and forever of their power to start another war. Of even greater importance to the preservation of international peace is the need to preserve the wartime agreement of the United Nations and to direct it into the ways of peace.

Long before our enemies surrendered, the foundations had been laid on which to continue this unity in the peace to come. The Atlantic meeting in 1941 and the conferences at Casablanca, Quebec, Moscow, Cairo, Teheran, and Dumbarton Oaks each added a stone to the structure.

Early in 1945, at Yalta, the three major powers broadened and solidified this base of understanding. There fundamental decisions were reached concerning the occupation and control of Germany. There also a formula was arrived at for the interim

government of the areas in Europe which were rapidly being wrested from Nazi control. This formula was based on the policy of the United States that people be permitted to choose their own form of government by their own freely expressed choice without interference from any foreign source.

At Potsdam, in July 1945, Marshal Stalin, Prime Ministers Churchill and Attlee, and I met to exchange views primarily with respect to Germany. As a result, agreements were reached which outlined broadly the policy to be executed by the Allied Control Council. At Potsdam there was also established a Council of Foreign Ministers which convened for the first time in London in September. The Council is about to resume its primary assignment of drawing up treaties of peace with Italy, Rumania, Bulgaria, Hungary, and Finland.

In addition to these meetings, and in accordance with the agreement at Yalta, the Foreign Ministers of Great Britain, the Soviet Union, and the United States conferred together in San Francisco last spring, in Potsdam in July, in London in September, and in Moscow in December. These meetings have been useful in promoting understanding and agreement among the three governments.

Simply to name all the international meetings and conferences is to suggest the size and complexity of the undertaking to prevent international war in which the United States has now enlisted for the duration of history.

It is encouraging to know that the common effort of the United Nations to learn to live together did not cease with the surrender of our enemies.

When difficulties arise among us, the United States does not propose to remove them by sacrificing its ideals or its vital interests. Neither do we propose, however, to ignore the ideals and vital interests of our friends.

Last February and March an Inter-American Conference on Problems of War and Peace was held in Mexico City. Among the many significant accomplishments of that Conference was an understanding that an attack by any country against any one of the sovereign American republics would be considered an act of aggression against all of them; and that if such an attack were made or threatened, the American republics would decide jointly, through consultations in which each republic has equal representation, what measures they would take for their mutual protection. This agreement stipulates that its execution shall be in full accord with the Charter of the United Nations Organization.

The first meeting of the General Assembly of the United Nations now in progress in London marks the real beginning of our bold adventure toward the preservation of world peace, to which is bound the dearest hope of men.

We have solemnly dedicated ourselves and all our will to the success of the United Nations Organization. For this reason we have sought to insure that in the peacemaking the smaller nations shall have a voice as well as the larger States. The agreement reached at Moscow last month preserves this opportunity in the making of peace with Italy, Rumania, Bulgaria, Hungary, and Finland. The United States intends to preserve it when the treaties with Germany and Japan are drawn.

It will be the continuing policy of the United States to use all its influence to foster, support, and develop the United Nations Organization in its purpose of preventing international war. If peace is to endure it must rest upon justice no less than upon power. The question is how jus-

tice among nations is best achieved. We know from day-to-day experience that the chance for a just solution is immeasurably increased when everyone directly interested is given a voice. That does not mean that each must enjoy an equal voice, but it does mean that each must be heard.

Last November, Prime Minister Attlee, Prime Minister MacKenzie King and I announced our proposal that a commission be established within the framework of the United Nations to explore the problems of effective international control of atomic energy.

The Soviet Union, France, and China have joined us in the purpose of introducing in the General Assembly a resolution for the establishment of such a commission. Our earnest wish is that the work of this commission go forward carefully and thoroughly, but with the greatest dispatch. I have great hope for the development of mutually effective safeguards which will permit the fullest international control of this new atomic force.

I believe it possible that effective means can be developed through the United Nations Organization to prohibit, outlaw, and prevent the use of atomic energy for destructive purposes.

The power which the United States demonstrated during the war is the fact that underlies every phase of our relations with other countries. We cannot escape the responsibility which it thrusts upon us. What we think, plan, say, and do is of profound significance to the future of every corner of the world.

The great and dominant objective of United States foreign policy is to build and preserve a just peace. The peace we seek is not peace for twenty years. It is permanent peace. At a time when massive changes are occurring with lightning speed throughout the world, it is often difficult to perceive how this central objective is best served in one isolated complex situation or another. Despite this very real difficulty, there are certain basic propositions to which the United States adheres and to which we shall continue to adhere.

One proposition is that lasting peace requires genuine understanding and active cooperation among the most powerful nations. Another is that even the support of the strongest nations cannot guarantee a peace unless it is infused with the quality of justice for all nations.

On Oct. 27, 1945, I made in New York City, the following public statement of my understanding of the fundamental foreign policy of the United States. I believe that policy to be in accord with the opinion of the Congress and of the people of the United States. I believe that that policy carries out our fundamental objectives.

1. We seek no territorial expansion or selfish advantage. We have no plans for aggression against any other state, large or small. We have no objective which need clash with the peaceful aims of any other nation.

2. We believe in the eventual return of sovereign rights and self-government to all peoples who have been deprived of them by force.

3. We shall approve no territorial changes in any friendly part of the world unless they accord with the freely expressed wishes of the people concerned.

4. We believe that all peoples who are prepared for self-government should be permitted to choose their own form of government by their own freely expressed choice, without interference from any foreign source. That is true in Europe, in Asia, in Africa, as well as in the Western Hemisphere.

5. By the combined and cooperative action of our war allies, we shall help the defeated enemy states establish peaceful

democratic governments of their own free choice. And we shall try to attain a world in which nazism, fascism, and military aggression cannot exist.

6. We shall refuse to recognize any government imposed upon any nation by the force of any foreign power. In some cases it may be impossible to prevent forceful imposition of such a government. But the United States will not recognize any such government.

7. We believe that all nations should have the freedom of the seas and equal rights to the navigation of boundary rivers and waterways and of rivers and waterways which pass through more than one country.

8. We believe that all states which are accepted in the society of nations should have access on equal terms to the trade and the raw materials of the world.

9. We believe that the sovereign states of the Western Hemisphere, without interference from outside the Western Hemisphere, must work together as good neighbors in the solution of their common problems.

10. We believe that full economic collaboration between all nations, great and small, is essential to the improvement of living conditions all over the world, and to the establishment of freedom from fear and freedom from want.

11. We shall continue to strive to promote freedom of expression and freedom of religion throughout the peace-loving areas of the world.

12. We are convinced that the preservation of peace between nations requires a United Nations Organization composed of all the peace-loving nations of the world who are willing jointly to use force, if necessary, to insure peace.

That is our foreign policy. We may not always fully succeed in our objectives. There may be instances where the attainment of those objectives is delayed. But we will not give our full sanction and approval to actions which fly in the face of these ideals.

The world has a great stake in the political and economic future of Germany. The Allied Control Council has now been in operation there for a substantial period of time. It has not met with unqualified success. The accommodation of varying views of four governments in the day-to-day civil administration of occupied territory is a challenging task. In my judgment, however, the Council has made encouraging progress in the face of most serious difficulties. It is my purpose at the earliest practicable date to transfer from military to civilian personnel the execution of United States participation in the government of occupied territory in Europe. We are determined that effective control shall be maintained in Germany until we are satisfied that the German people have regained the right to a place of honor and respect.

On the other side of the world, a method of international cooperation has recently been agreed upon for the treatment of Japan. In this pattern of control, the United States, with the full approval of its partners, has retained primary authority and primary responsibility. It will continue to do so until the Japanese people, by their own freely expressed choice, choose their own form of government.

Our basic policy in the Far East is to encourage the development of a strong, independent, united, and democratic China. That has been the traditional policy of the United States.

At Moscow the United States, the Union of Soviet Socialist Republics, and Great Britain agreed to further this development by supporting the efforts of the national government and nongovernmental Chinese political ele-

ments in bringing about cessation of civil strife and in broadening the basis of representation in the Government. That is the policy which General Marshall is so ably executing today.

It is the purpose of the Government of the United States to proceed as rapidly as is practicable toward the restoration of the sovereignty of Korea and the establishment of a democratic government by the free choice of the people of Korea.

At the threshold of every problem which confronts us today in international affairs is the appalling devastation, hunger, sickness, and pervasive human misery that mark so many areas of the world.

By joining and participating in the work of the United Nations Relief and Rehabilitation Administration the United States has directly recognized and assumed an obligation to give such relief assistance as is practicable to millions of innocent and helpless victims of the war. The Congress has earned the gratitude of the world by generous financial contributions to the United Nations Relief and Rehabilitation Administration.

We have taken the lead, modest though it is, in facilitating under our existing immigration quotas the admission to the United States of refugees and displaced persons from Europe.

We have joined with Great Britain in the organization of a commission to study the problem of Palestine. The Commission is already at work and its recommendations will be made at an early date.

The members of the United Nations have paid us the high compliment of choosing the United States as the site of the United Nations headquarters. We shall be host in spirit as well as in fact, for nowhere does there abide a fiercer determination that this peace shall live than in the hearts of the American people.

It is the hope of all Americans that in time future historians will speak not of World War I and World War II, but of the first and last world wars.

2. Foreign Economic Policy

The foreign economic policy of the United States is designed to promote our own prosperity, and at the same time to aid in the restoration and expansion of world markets and to contribute thereby to world peace and world security. We shall continue our efforts to provide relief from the devastation of war, to alleviate the sufferings of displaced persons, to assist in reconstruction and development, and to promote the expansion of world trade.

We have already joined the International Monetary Fund and the International Bank for Reconstruction and Development. We have expanded the Export-Import Bank and provided it with additional capital. The Congress has renewed the Trade Agreements Act which provides the necessary framework within which to negotiate a reduction of trade barriers on a reciprocal basis. It has given our support to the United Nations Relief and Rehabilitation Administration.

In accordance with the intentions of the Congress, lend-lease was terminated upon the surrender of Japan. The first of the lend-lease settlement agreements has been completed with the United Kingdom. Negotiations with other lend-lease countries are in progress. In negotiating these agreements, we intend to seek settlements which will not encumber world trade through war debts of a character that proved to be so detrimental to the stability of the world economy after the last war.

We have taken steps to dispose of the goods which on VJ-day were in the lend-lease pipe line to the various lend-lease countries and to allow them long-term credit for the purpose where nec-

essary. We are also making arrangements under which those countries may use the lend-lease inventories in their possession and acquire surplus property abroad to assist in their economic rehabilitation and reconstruction. These goods will be accounted for at fair values.

The proposed loan to the United Kingdom, which I shall recommend to the Congress in a separate message, will contribute to easing the transition problem of one of our major partners in the war. It will enable the whole sterling area and other countries affiliated with it to resume trade on a multilateral basis. Extension of this credit will enable the United Kingdom to avoid discriminatory trade arrangements of the type which destroyed freedom of trade during the 1930's. I consider the progress toward multilateral trade which will be achieved by this agreement to be in itself sufficient warrant for the credit.

The view of this Government is that, in the longer run, our economic prosperity and the prosperity of the whole world are best served by the elimination of artificial barriers to international trade, whether in the form of unreasonable tariffs or tariff preferences or commercial quotas or embargoes or the restrictive practices of cartels.

The United States Government has issued proposals for the expansion of world trade and employment to which the Government of the United Kingdom has given its support on every important issue. These proposals are intended to form the basis for a trade and employment conference to be held in the middle of this year. If that conference is a success, I feel confident that the way will have been adequately prepared for an expanded and prosperous world trade.

We shall also continue negotiations looking to the full and equitable development of facilities for transportation and communications among nations.

The vast majority of the nations of the world have chosen to work together to achieve, on a cooperative basis, world security and world prosperity. The effort cannot succeed without full cooperation of the United States. To play our part, we must not only resolutely carry out the foreign policies we have adopted but also follow a domestic policy which will maintain full production and employment in the United States. A serious depression here can disrupt the whole fabric of the world economy.

3. Occupied Countries

The major tasks of our Military Establishment in Europe following VE-day, and in the Pacific since the surrender of Japan, have been those of occupation and military government. In addition we have given much-needed aid to the peoples of the liberated countries.

The end of the war in Europe found Germany in a chaotic condition. Organized government had ceased to exist, transportation systems had been wrecked, cities and industrial facilities had been bombed into ruins. In addition to the tasks of occupation we had to assume all of the functions of government. Great progress has been made in the repatriation of displaced persons and of prisoners of war. Of the total of 3,500,000 displaced persons found in the United States zone only 460,000 now remain.

The extensive complications involved by the requirement of dealing with three other governments engaged in occupation and with the governments of liberated countries require intensive work and energetic cooperation. The influx of some 2 million German refugees into our zone of occupation is a pressing problem, making exacting demands upon an already overstrained internal economy.

Improvements in the European

economy during 1945 have made it possible for our military authorities to relinquish to the governments of all liberated areas, or to the United Nations Relief and Rehabilitation Administration, the responsibility for the provision of food and other civilian relief supplies. The Army's responsibilities in Europe extend now only to our zones of occupation in Germany and Austria and to two small areas in northern Italy.

By contrast with Germany, in Japan we have occupied a country still possessing an organized and operating governmental system. Although severely damaged, the Japanese industrial and transportation systems have been able to insure at least a survival existence for the population. The repatriation of Japanese military and civilian personnel from overseas is proceeding as rapidly as shipping and other means permit.

In order to insure that neither Germany nor Japan will again be in a position to wage aggressive warfare, the armament-making potential of these countries is being dismantled and fundamental changes in their social and political structures are being effected. Democratic systems are being fostered to the end that the voice of the common man may be heard in the councils of his government.

For the first time in history the legal culpability of war makers is being determined. The trials now in progress in Nurnberg—and those soon to begin in Tokyo—bring before the bar of international justice those individuals who are charged with the responsibility for the sufferings of the past six years. We have high hope that this public portrayal of the guilt of these evildoers will bring wholesale and permanent revulsion on the part of the masses of our former enemies against war, militarism, aggression, and notions of race superiority.

4. Demobilization of Our Armed Forces

The cessation of active campaigning does not mean that we can completely disband our fighting forces. For their sake and for the sake of their loved ones at home, I wish that we could. But we still have the task of clinching the victories we have won—of making certain that Germany and Japan can never again wage aggressive warfare, that they will not again have the means to bring on another world war. The performance of that task requires that, together with our allies, we occupy the hostile areas, complete the disarmament of our enemies, and take the necessary measures to see to it that they do not rearm.

As quickly as possible, we are bringing about the reduction of our armed services to the size required for these tasks of occupation and disarmament. The Army and the Navy are following both length-of-service and point systems as far as possible in releasing men and women from the service. The points are based chiefly on length and character of service, and on the existence of dependents.

Over 5 million from the Army have already passed through the separation centers.

The Navy, including the Marine Corps and the Coast Guard, has discharged over one and a half million.

Of the 12 million men and women serving in the Army and Navy at the time of the surrender of Germany, one-half have already been released. The greater part of these had to be brought back to this country from distant parts of the world.

Of course there are cases of individual hardship in retention of personnel in the service. There will be in the future. No system of such size can operate to perfection. But the systems are founded on fairness and justice, and they are working at full

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Text of Truman's Message on State of Union and 1947 Fiscal Year Budget

(Continued from page 445)
speed. We shall try to avoid mistakes, injustices, and hardship—as far as humanly possible.

We have already reached the point where shipping is no longer the bottleneck in the return of troops from the European theater. The governing factor now has become the requirement for troops in sufficient strength to carry out their missions.

In a few months the same situation will exist in the Pacific. By the end of June, 9 out of 10 who were serving in the armed forces on VE-day will have been released. Demobilization will continue thereafter, but at a slower rate, determined by our military responsibilities.

Our national safety and the security of the world will require substantial armed forces, particularly in overseas service. At the same time it is imperative that we relieve those who have already done their duty, and that we relieve them as fast as we can. To do that, the Army and the Navy are conducting recruiting drives with considerable success.

The Army has obtained nearly 400,000 volunteers in the past four months, and the Navy has obtained 80,000. Eighty percent of these volunteers for the regular service have come from those already with the colors. The Congress has made it possible to offer valuable inducements to those who are eligible for enlistment. Every effort will be made to enlist the required number of young men.

The War and Navy Departments now estimate that by a year from now we still will need a strength of about 2 million, including officers, for the armed forces—Army, Navy, and Air. I have reviewed their estimates and believe that the safety of the Nation will require the maintenance of an armed strength of this size for the calendar year that is before us.

In case the campaign for volunteers does not produce that number, it will be necessary by additional legislation to extend the Selective Service Act beyond May 16, the date of expiration under existing law. That is the only way we can get the men and bring back our veterans. There is no other way. Action along this line should not be postponed beyond March, in order to avoid uncertainty and disruption.

Domestic Affairs

1. The Economic Outlook

Prophets of doom predicted that the United States could not escape a runaway inflation during the war and an economic collapse after the war. These predictions have not been borne out. On the contrary, the record of economic stabilization during the war and during the period of reconversion has been an outstanding accomplishment.

We know, however, that nothing is as dangerous as overconfidence, in war or in peace. We have had to fight hard to hold the line. We have made strenuous efforts to speed reconversion. But neither the danger of a postwar inflation nor of a subsequent collapse in production and employment is yet overcome. We must base our policies not on unreasoning optimism or pessimism but upon a candid recognition of our objectives and upon a careful analysis of foreseeable trends.

Any precise appraisal of the economic outlook at this time is particularly difficult. The period of demobilization and reconversion is fraught with uncertainties. There are also serious gaps in our statistical information. Certain tendencies are, however, fairly clear and recognition of them should serve as background for the consideration of next year's Federal Program. In general, the outlook for business is good, and

it is likely to continue to be good—provided we control inflation and achieve peace in management-labor relations.

Civilian production and employment can be expected to increase throughout the next year. This does not mean, however, that continuing full employment is assured. It is probable that demobilization of the armed forces will proceed faster than the increase in civilian employment opportunities. Even if substantial further withdrawals from the labor market occur, unemployment will increase temporarily. The extent to which this unemployment will persist depends largely on the speed of industrial expansion and the effectiveness of the policies of the Federal Government.

Along with extraordinary demand there are still at this time many critical shortages resulting from the war. These extraordinary demands and shortages may lead to a speculative boom, especially in the price of securities, real estate, and inventories.

Therefore, our chief worry still is inflation.

While we control this inflationary pressure we must look forward to the time when this extraordinary demand will subside. It will be years before we catch up with the demand for housing. The extraordinary demand for other durable goods, for the replenishment of inventories, and for exports may be satisfied earlier. No backlog of demand can exist very long in the face of our tremendous productive capacity. We must expect again to face the problem of shrinking demand and consequent slackening in sales, production, and employment. This possibility of a deflationary spiral in the future will exist unless we now plan and adopt an effective full employment program.

2. General Policies—Immediate and Long-Range

During the war, production for civilian use was limited by war needs and available manpower. Economic stabilization required measures to spread limited supplies equitably by rationing, price controls, increased taxes, savings bond campaigns, and credit controls. Now, with the surrender of our enemies, economic stabilization requires that policies be directed toward promoting an increase in supplies at low unit prices.

We must encourage the development of resources and enterprises in all parts of the country, particularly in underdeveloped areas. For example, the establishment of new peacetime industries in the Western States and in the South would, in my judgment, add to existing production and markets rather than merely bring about a shifting of production. I am asking the Secretaries of Agriculture, Commerce, and Labor to explore jointly methods for stimulating new industries, particularly in areas with surplus agricultural labor.

We must also aid small businessmen and particularly veterans who are competent to start their own businesses. The establishment and development of efficient small business ventures, I believe, will not take away from, but rather will add to, the total business of all enterprises.

Even with maximum encouragement of production, we cannot hope to remove scarcities within a short time. The most serious deficiencies will persist in the fields of residential housing, building materials, and consumers' durable goods. The critical situation makes continued rent control, price control, and priorities, allocations, and inventory controls absolutely essential. Continued control of consumer credit will help to reduce the pressure on prices of durable goods and

will also prolong the period during which the backlog demand will be effective.

While we are meeting these immediate needs we must look forward to a long-range program of security and increased standard of living.

The best protection of purchasing power is a policy of full production and full employment opportunities. Obviously, an employed worker is a better customer than an unemployed worker. There always will be, however, some frictional unemployment. In the present period of transition we must deal with such temporary unemployment as results from the fact that demobilization will proceed faster than reconversion or industrial expansion. Such temporary unemployment is probably unavoidable in a period of rapid change. The unemployed worker is a victim of conditions beyond his control. He should be enabled to maintain a reasonable standard of living for himself and his family.

The most serious difficulty in the path of reconversion and expansion is the establishment of a fair wage structure.

The ability of labor and management to work together and the wage and price policies which they develop, are social and economic issues of first importance.

Both labor and management have a special interest. Labor's interest is very direct and personal because working conditions, wages, and prices affect the very life and happiness of the worker and his family.

Management has a no less direct interest because on management rests the responsibility for conducting a growing and prosperous business.

But management and labor have identical interests in the long run. Good wages mean good markets. Good business means more jobs and better wages. In this age of cooperation and in our highly organized economy the problems of one very soon become the problems of all.

Better human relationships are an urgent need to which organized labor and management should address themselves. No government policy can make men understand each other, agree, and get along unless they conduct themselves in a way to foster mutual respect and good will.

The Government can, however, help to develop machinery which, with the backing of public opinion, will assist labor and management to resolve their disagreements in a peaceful manner and reduce the number and duration of strikes.

All of us realize that productivity—increased output per man—is in the long run the basis of our standard of living. Management especially must realize that if labor is to work wholeheartedly for an increase in production, workers must be given a just share of increased output in higher wages.

Most industries and most companies have adequate leeway within which to grant substantial wage increases. These increases will have a direct effect in increasing consumer demand to the high levels needed. Substantial wage increases are good business for business because they assure a large market for their products; substantial wage increases are good business for labor because they increase labor's standard of living; substantial wage increases are good business for the country as a whole because capacity production means an active, healthy, friendly citizenry enjoying the benefits of democracy under our free enterprise system.

Labor and management in many industries have been operating successfully under the Government's wage-price policy. Upward revisions of wage scales

have been made in thousands of establishments throughout the Nation since VJ-day. It is estimated that about 6 million workers, or more than 20% of all employees in nonagricultural and nongovernmental establishments, have received wage increases since August 18, 1945. The amounts of increases given by individual employers concentrate between 10 and 15%, but range from less than 5% to over 30%.

The United States Conciliation Service since VJ-day has settled over 3,000 disputes affecting over 1,300,000 workers without a strike threat and has assisted in settling about 1,300 disputes where strikes were threatened which involved about 500,000 workers. Only workers directly involved, and not those in related industries who might have been indirectly affected, are included in these estimates.

Many of these adjustments have occurred in key industries and would have seemed to us major crises if they had not been settled peaceably.

Within the framework of the wage-price policy there has been definite success, and it is to be expected that this success will continue in a vast majority of the cases arising in the months ahead.

However, everyone who realizes the extreme need for a swift and orderly reconversion must feel a deep concern about the number of major strikes now in progress. If long continued, these strikes could put a heavy brake on our program.

I have already made recommendations to the Congress as to the procedure best adapted to meeting the threat of work stoppages in Nation-wide industries without sacrificing the fundamental rights of labor to bargain collectively and ultimately to strike in support of their position.

If we manage our economy properly, the future will see us on a level of production half again as high as anything we have ever accomplished in peacetime. Business can in the future pay higher wages and sell for lower prices than ever before. This is not true now for all companies, nor will it ever be true for all, but for business generally it is true.

We are relying on all concerned to develop, through collective bargaining, wage structures that are fair to labor, allow for necessary business incentives, and conform with a policy designed to "hold the line" on prices.

Production and more production was the byword during the war and still is during the transition from war to peace. However, when deferred demand slackens, we shall once again face the deflationary dangers which beset this and other countries during the 1930's. Prosperity can be assured only by a high level of demand supported by high current income; it cannot be sustained by deferred needs and use of accumulated savings.

If we take the right steps in time we can certainly avoid the disastrous excesses of runaway booms and headlong depressions. We must not let a year or two of prosperity lull us into a false feeling of security and a repetition of the mistakes of the 1920's that culminated in the crash of 1929.

During the year ahead the Government will be called upon to act in many important fields of economic policy from taxation and foreign trade to social security and housing. In every case there will be alternatives. We must choose the alternatives which will best measure up to our need for maintaining production and employment in the future. We must never lose sight of our long-term objectives: the broadening of markets—the maintenance of steadily rising demand. This de-

mand can come from only three sources: consumers, businesses, or government.

In this country the job of production and distribution is in the hands of businessmen, farmers, workers, and professional people—in the hands of our citizens. We want to keep it that way. However, it is the Government's responsibility to help business, labor, and farmers do their jobs.

There is no question in my mind that the Government, acting on behalf of all the people, must assume the ultimate responsibility for the economic health of the Nation. There is no other agency that can. No other organization has the scope or the authority, nor is any other agency accountable to all the people. This does not mean that the Government has the sole responsibility, nor that it can do the job alone, nor that it can do the job directly.

All the policies of the Federal Government must be geared to the objective of sustained full production and full employment—to raise consuming purchasing power and to encourage business investment. The programs we adopt this year and from now on will determine our ability to achieve our objectives. We must continue to pay particular attention to our fiscal, monetary, and tax policy, programs to aid business—especially small business—and transportation, labor-management relations and wage-price policy, social security and health, education, the farm program, public works, housing and resource development, and economic foreign policy.

For example, the kinds of tax measures we have at different times—whether we raise our revenue in a way to encourage consumer spending and business investment or to discourage it—have a vital bearing on this question. It is affected also by regulations on consumer credit and by the money market, which is strongly influenced by the rate of interest on Government securities. It is affected by almost every step we take.

In short, the way we handle the proper functions of government, the way we time the exercise of our traditional and legitimate governmental functions, has a vital bearing on the economic health of the Nation.

These policies are discussed in greater detail in the accompanying Fifth Quarterly Report of the Director of War Mobilization and Reconversion.

3. Legislation Heretofore Recommended and Still Pending

To attain some of these objectives and to meet the other needs of the United States in the reconversion and postwar period, I have from time to time made various recommendations to the Congress.

In making these recommendations I have indicated the reasons why I deemed them essential for progress at home and abroad. A few—a very few—of these recommendations have been enacted into law by the Congress. Most of them have not. I here reiterate some of them, and discuss others later in this Message. I urge upon the Congress early consideration of them. Some are more urgent than others, but all are necessary.

(1) Legislation to authorize the President to create fact-finding boards for the prevention of stoppages of work in Nation-wide industries after collective bargaining and conciliation and voluntary arbitration have failed—as recommended by me on December 3, 1945.

(2) Enactment of a satisfactory full employment bill such as the Senate bill now in conference between the Senate and the House—as recommended by me on Sept. 6, 1945.

(3) Legislation to supplement the unemployment insurance benefits for unemployed workers now provided by the different States—as recommended by me on May 28, 1945.

(4) Adoption of a permanent Fair Employment Practice Act—as recommended by me on September 6, 1945.

(5) Legislation substantially raising the amount of minimum wages now provided by law—as recommended by me on September 6, 1945.

(6) Legislation providing for a comprehensive program for scientific research—as recommended by me on September 6, 1945.

(7) Legislation enacting a health and medical care program—as recommended by me on November 19, 1945.

(8) Legislation adopting the program of universal training—as recommended by me on October 23, 1945.

(9) Legislation providing an adequate salary scale for all Government employees in all branches of the Government—as recommended by me on September 6, 1945.

(10) Legislation making provision for succession to the Presidency in the event of the death or incapacity or disqualification of the President and Vice President—as recommended by me on June 19, 1945.

(11) Legislation for the unification of the armed services—as recommended by me on December 19, 1945.

(12) Legislation for the domestic use and control of atomic energy—as recommended by me on October 3, 1945.

(13) Retention of the United States Employment Service in the Federal Government for a period at least up to June 30, 1947—as recommended by me on September 6, 1945.

(14) Legislation to increase unemployment allowances for veterans in line with increases for civilians—as recommended by me on September 6, 1945.

(15) Social security coverage for veterans for their period of military service—as recommended by me on September 6, 1945.

(16) Extension of crop insurance—as recommended by me on September 6, 1945.

(17) Legislation permitting the sale of ships by the Maritime Commission at home and abroad—as recommended by me on September 6, 1945. I further recommend that this legislation include adequate authority for chartering vessels both here and abroad.

(18) Legislation to take care of the stock piling of materials in which the United States is naturally deficient—as recommended by me on September 6, 1945.

(19) Enactment of Federal airport legislation—as recommended by me on September 6, 1945.

(20) Legislation repealing the Johnson Act on foreign loans—as recommended by me on September 6, 1945.

(21) Legislation for the development of the Great Lakes-St. Lawrence River Basin—as recommended by me on October 3, 1945.

4. Policies in Specific Fields

(a) Extension of Price Control Act

Today inflation is our greatest immediate domestic problem. So far the fight against inflation has been waged successfully. Since May 1943, following President Roosevelt's "hold the line" order and in the face of the greatest pressures which this country has ever seen, the cost of living index has risen only 3%. Wholesale prices in this same period have been held to an increase of 2½%.

This record has been made possible by the vigorous efforts of the agencies responsible for this program. But their efforts would have been fruitless if they had not had the solid support of the great masses of our people. The Congress is to be congratulated for its role in providing the legis-

lation under which this work has been carried out.

On VJ-day it was clear to all thinking people that the danger of inflation was by no means over. Many of us can remember vividly our disastrous experience following World War I. Then the very restricted wartime controls were lifted too quickly, and as a result prices and rents moved more rapidly upward. In the year and a half following the armistice, rents, food, and clothing shot to higher and still higher levels.

When the inevitable crash occurred less than two years after the end of the war, business bankruptcies were widespread. Profits were wiped out. Inventory losses amounted to billions of dollars. Farm income dropped by one-half. Factory pay rolls dropped 40%, and nearly one-fifth of all our industrial workers were walking the streets in search of jobs. This was a grim greeting, indeed, to offer our veterans who had just returned from overseas.

When I addressed the Congress in September, I emphasized that we must continue to hold the price line until the production of goods caught up with the tremendous demands. Since then we have seen demonstrated the strength of the inflationary pressures which we have to face.

Retail sales in the closing months of 1945 ran 12% above the previous peak for that season, which came in 1944. Prices throughout the entire economy have been pressing hard against the price ceilings. The prices of real estate, which cannot now be controlled under the law, are rising rapidly. Commercial rents are not included in the present price control law and, where they are not controlled by State law, have been increasing, causing difficulties to many businessmen.

It will be impossible to maintain a high purchasing power or an expanding production unless we can keep prices at levels which can be met by the vast majority of our people. Full production is the greatest weapon against inflation, but until we can produce enough goods to meet the threat of inflation the Government will have to exercise its wartime control over prices.

I am sure that the people of the United States are disturbed by the demands made by several business groups with regard to price and rent control.

I am particularly disturbed at the effect such thinking may have on production and employment. If manufacturers continue to hold back goods and decline to submit bids when invited—as I am informed some are doing, in anticipation of higher prices which would follow the end of price controls—we shall inevitably slow down production and create needless unemployment. On the other hand, there are the vast majority of American businessmen who are not holding back goods, but who need certainty about the Government pricing policy in order to fix their own long-range pricing policies.

Businessmen are entitled therefore to a clear statement of the policy of the Government on the subject. Tenants and housewives, farmers and workers—consumers in general—have an equal right.

We are all anxious to eliminate unnecessary controls just as rapidly as we can do so. The steps that we have already taken in many directions toward that end are a clear indication of our policy.

The present Price Control Act expires on June 30, 1946. If we expect to maintain a steady economy we shall have to maintain price and rent control for many months to come. The inflationary pressures on prices and rents, with relatively few exceptions, are now at an all-time peak. Unless the Price Control Act is renewed there will be no limit to which our price levels would soar.

Our country would face a national disaster.

We cannot wait to renew the act until immediately before it expires. Inflation results from psychological as well as economic conditions. The country has a clear right to know where the Congress stands on this all-important problem. Any uncertainty now as to whether the act will be extended gives rise to price speculation, to withholding of goods from the market in anticipation of rising prices, and to delays in achieving maximum production.

I do not doubt that the Congress will be beset by many groups who will urge that the legislation that I have proposed should either be eliminated or modified to the point where it is nearly useless. The Congress has a clear responsibility to meet this challenge with courage and determination. I have every confidence that it will do so.

I strongly urge that the Congress now resolve all doubts and as soon as possible adopt legislation continuing rent and price control in effect for a full year from June 30, 1946.

(b) Food subsidies

If the price line is to be held, if our people are to be protected against the inflationary dangers which confront us, we must do more than extend the Price Control Act. In September we were hopeful that the inflationary pressures would by this time have begun to diminish. We were particularly hopeful on food. Indeed, it was estimated that food prices at retail would drop from 3 to 5% in the first six months following the end of the war.

In anticipation of this decline in food prices, it was our belief that food subsidies could be removed gradually during the winter and spring months, and eliminated almost completely by June 30 of this year. It was our feeling that the food subsidies could be dropped without an increase to the consumer in the present level of food prices or in the over-all cost of living.

As matters stand today, however, food prices are pressing hard against the ceilings. The expected decline in food prices has not occurred, nor is it likely to occur for many months to come. This brings me to the reluctant conclusion that food subsidies must be continued beyond June 30, 1946.

If we fail to take this necessary step, meat prices on July 1 will be from 3 to 5 cents higher than their average present levels; butter will be at least 12 cents a pound higher, in addition to the 5 cents a pound increase of last fall; milk will increase from 1 to 2 cents a quart; break will increase about 1 cent a loaf; sugar will increase over 1 cent a pound; cheese, in addition to the increase of 4 cents now planned for the latter part of this month, will go up an additional 8 cents. In terms of percentages we may find the cost-of-living index for food increased by more than 8%, which in turn would result in more than a 3% increase in the cost of living.

If prices of food were allowed to increase by these amounts, I must make it clear to the Congress that, in my opinion, it would become extremely difficult for us to control the forces of inflation.

None of us like subsidies. Our farmers, in particular, have always been opposed to them.

But I believe our farmers are as deeply conscious as any group in the land of the havoc which inflation can create. Certainly in the past 18 months there has been no group which has fought any harder in support of the Government's price control program. I am confident that, if the facts are placed before them and if they see clearly the evils between which we are forced to choose, they will understand the reasons why subsidies must be continued.

The legislation continuing the use of food subsidies into the new fiscal year should be tied down

specifically to certain standards. A very proper requirement, in my opinion, would be that subsidies be removed as soon as it is indicated that the cost of living will decline below the present levels.

(c) Extension of War Powers Act

The Second War Powers Act has recently been extended by the Congress for six months instead of for a year. It will now expire, unless further extended, on June 30, 1946. This act is the basis for priority and inventory controls governing the use of scarce materials, as well as for other powers essential to orderly reconversion.

I think that this Administration has given adequate proof of the fact that it desires to eliminate wartime controls as quickly and as expeditiously as possible. However, we know that there will continue to be shortages of certain materials caused by the war even after June 30, 1946. It is important that businessmen know now that materials in short supply are going to be controlled and distributed fairly as long as these war-born shortages continue.

I, therefore, urge the Congress soon to extend the Second War Powers Act. We cannot afford to wait until just before the act expires next June. To wait would cause the controls to break down in a short time, and would hamper our production and employment program.

(d) Small business and competition

A rising birth rate for small business, and a favorable environment for its growth, are not only economic necessities but also important practical demonstrations of opportunity in a democratic free society. A great many veterans and workers with new skills and experience will want to start in for themselves. The opportunity must be afforded them to do so. They are the small businessmen of the future.

Actually when we talk about small business we are talking about almost all of the Nation's individual businesses. Nine out of every ten concerns fall into this category, and 45% of all workers are employed by them. Between 30 and 40% of the total value of all business transactions are handled by small business.

It is obvious national policy to foster the sound development of small business. It helps to maintain high levels of employment and national income and consumption of the goods and services that the Nation can produce. It encourages the competition that keeps our free enterprise economy vigorous and expanding. Small business, because of its flexibility, assists in the rapid exploitation of scientific and technological discoveries. Investment in small business can absorb a large volume of savings that might otherwise not be tapped.

The Government should encourage and is encouraging small-business initiative and originality to stimulate progress through competition.

During the war, the Smaller War Plants Corporation assisted small concerns to make a maximum contribution to victory. The work of the Smaller War Plants Corporation is being carried on in peacetime by the Federal Loan Agency and the Department of Commerce. The fundamental approach to the job of encouraging small concerns must be based on:

1. Arrangements for making private and public financial resources available on reasonable terms.

2. Provision of technical advice and assistance to business as a whole on production, research, and management problems. This will help equalize competitive relationships between large and small companies, for many of the small companies cannot afford expensive technical research, accounting, and tax advice.

3. Elimination of trade practices and agreements which reduce competition and discriminate

against new or small enterprises.

We speak a great deal about the free enterprise economy of our country. It is competition that keeps it free. It is competition that keeps it growing and developing. The truth is that we need far more competition in the future than we have had in the immediate past.

By strangling competition, monopolistic activity prevents or deters investment in new or expanded production facilities. This lessens the opportunity for employment and chokes off new outlets for idle savings. Monopoly maintains prices at artificially high levels and reduces consumption which, with lower prices, would rise and support larger production and higher employment. Monopoly, not being subject to competitive pressure, is slow to take advantage of technical advances which would lower prices or improve quality. All three of these monopolistic activities very directly lower the standard of living—through higher prices and lower quality of product—which free competition would improve.

The Federal Government must protect legitimate business and consumers from predatory and monopolistic practices by the vigilant enforcement of regulatory legislation. The program will be designed to have a maximum impact upon monopolistic bottlenecks and unfair competitive practices hindering expansion in employment.

During the war, enforcement of antimonopoly laws was suspended in a number of fields. The Government must now take major steps not only to maintain enforcement of antitrust laws but to encourage new and competing enterprises in every way. The deferred demand of the war years and the large accumulations of liquid assets provide ample incentive for expansion. Equalizing of business opportunity, under full and free competition, must be a prime responsibility in the reconversion period and in the years that follow. Many leading businessmen have recognized the importance of such action both to themselves and to the economy as a whole.

But we must do more than break up trusts and monopolies after they have begun to strangle competition. We must take positive action to foster new, expanding enterprises. By legislation and by administration we must take specific steps to discourage the formation or the strengthening of competition-restricting business. We must have an over-all antimonopoly policy which can be applied by all agencies of the Government in exercising the functions assigned to them—a policy designed to encourage the formation and growth of new and freely competitive enterprises.

Among the many departments and agencies which have parts in the program affecting business and competition, the Department of Commerce has a particularly important role. That is why I have recommended a substantial increase in appropriations for the next fiscal year for this Department.

In its assistance to industry, the Department of Commerce will concentrate its efforts on these primary objectives: Promotion of a large and well-balanced foreign trade; provision of improved technical assistance and management aids, especially for small enterprises; and strengthening of basic statistics on business operations, both by industries and by regions. To make new inventions and discoveries available more promptly to all businesses, small and large, the Department proposes to expand its own research activities, promote research by universities, improve Patent Office procedures, and develop a greatly expanded system of field offices readily accessible to the businesses they serve.

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Text of Truman's Message on State of Union and 1947 Fiscal Year Budget

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Many gaps exist in the private financial mechanism, especially in the provision of long-term funds for small- and medium-sized enterprises. In the peacetime economy the Reconstruction Finance Corporation will take the leadership in assuring adequate financing for small enterprises which cannot secure funds from other sources. Most of the funds should and will be provided by private lenders; but the Reconstruction Finance Corporation will share any unusual risks through guarantees of private loans, with direct loans only when private capital is unwilling to participate on a reasonable basis.

(e) Minimum wage

Full employment and full production may be achieved only by maintaining a level of consumer income far higher than that of the prewar period. A high level of consumer income will maintain the market for the output of our mills, farms, and factories, which we have demonstrated during the war years that we can produce. One of the basic steps which the Congress can take to establish a high level of consumer income is to amend the Fair Labor Standards Act to raise substandard wages to a decent minimum and to extend similar protection to additional workers who are not covered by the present act.

Substandard wages are bad for business and for the farmer. Substandard wages provide only a substandard market for the goods and services produced by American industry and agriculture.

At the present time the Fair Labor Standards Act prescribes a minimum wage of 40 cents an hour for those workers who are covered by the act. The present minimum wage represents an annual income of about \$800 to those continuously employed for 50 weeks—clearly a wholly inadequate budget for an American family. I am in full accord with the proposal now pending in the Congress that the statutory minimum be raised immediately to 65 cents an hour, with further increases to 70 cents after one year and to 75 cents after two years. I also favor the proposal that the industry committee procedure be used to set rates higher than 65 cents per hour during the two-year interval before the 75-cent basic wage would otherwise become applicable.

The proposed minimum wage of 65 cents an hour would assure the worker an annual income of about \$1,300 a year in steady employment. This amount is clearly a modest goal. After considering cost-of-living increases in recent years, it is little more than a 10-cent increase over the present legal minimum. In fact, if any large number of workers earn less than this amount, we will find it impossible to maintain the levels of purchasing power needed to sustain the stable prosperity which we desire. Raising the minimum to 75 cents an hour will provide the wage earner with an annual income of \$1,500 if he is fully employed.

The proposed higher minimum wage levels are feasible without involving serious price adjustments or serious geographical dislocations.

Today about 20% of our manufacturing wage earners—or about 2 million—earn less than 65 cents an hour. Because wages in most industries have risen during the war, this is about the same as the proportion—17%—who were earning less than 40 cents an hour in 1941.

I also recommend that minimum wage protection be extended to several groups of workers not now covered. The need for a decent standard of living is by no means limited to those workers who happen to be covered by the

act as it now stands. It is particularly vital at this period of readjustment in the national economy and readjustment in employment of labor to extend minimum wage protection as far as possible.

Lifting the basic minimum wage is necessary, it is justified as a matter of simple equity to workers, and it will prove not only feasible but also directly beneficial to the Nation's employers.

(f) Agricultural programs

The farmers of America generally are entering the crop year of 1946 in better financial condition than ever before. Farm mortgage debt is the lowest in 30 years. Farmers' savings are the largest in history. Our agricultural plant is in much better condition than after World War I. Farm machinery and supplies are expected to be available in larger volume, and farm labor problems will be less acute.

The demand for farm products will continue strong during the next year or two because domestic purchases will be supplemented by a high level of exports and foreign relief shipments. It is currently estimated that from 7 to 10% of the total United States food supply may be exported in the calendar year 1946.

Farm prices are expected to remain at least at their present levels in the immediate future, and for at least the next 12 months they are expected to yield a net farm income double the 1935-39 average and higher than in any year prior to 1943.

We can look to the future of agriculture with greater confidence than in many a year in the past. Agriculture itself is moving confidently ahead, planning for another year of big production, taking definite and positive steps to lead the way toward an economy of abundance.

Agricultural production goals for 1946 call for somewhat greater acreage than actually was planted in 1945. Agriculture is prepared to demonstrate that it can make a peacetime contribution as great as its contribution toward the winning of the war.

In spite of supplying our armed forces and our allies during the war with a fifth to a fourth of our total food output, farmers were still able to provide our civilians with 8% more food per capita than the average for the five years preceding the war. Since the surrender of Japan, civilian food consumption has risen still further. By the end of 1945 the amount of the increase in food consumption was estimated to be as high as 15% over the prewar average. The record shows that the people of this country want and need more food and that they will buy more food if only they have the jobs and the purchasing power. The first essential therefore in providing fully for the welfare of agriculture is to maintain full employment and a high level of purchasing power throughout the Nation.

For the period immediately ahead we shall still have the problem of supplying enough food. If we are to do our part in aiding the war-stricken and starving countries some of the food desires of our own people will not be completely satisfied, at least until these nations have had an opportunity to harvest another crop. During the next few months the need for food in the world will be more serious than at any time during the war. And, despite the large shipments we have already made, and despite what we shall send, there remain great needs abroad.

Beyond the relief feeding period, there will still be substantial foreign outlets for our farm commodities. The chief dependence of the farmer, however, as always, must be upon the buying power of our own people.

The first obligation of the Government to agriculture for the reconversion period is to make good on its price-support commitments. This we intend to do, with realistic consideration for the sound patterns of production that will contribute most to the long-time welfare of agriculture and the whole Nation. The period during which prices are supported will provide an opportunity for farmers individually to strengthen their position in changing over from a wartime to a peacetime basis of production. It will provide an opportunity for the Congress to review the needs of agriculture and make changes in national legislation where experience has shown changes to be needed. In this connection, the Congress will wish to consider legislation to take the place of the 1937 Sugar Act which expires at the end of this year. During this period we must do a thorough job of basic planning to the end that agriculture shall be able to contribute its full share toward a healthy national economy.

Our long-range agricultural policies should have two main objectives: First, to assure the people on the farms a fair share of the national income; and, second, to encourage an agricultural production pattern that is best fitted to the Nation's needs. To accomplish this second objective we shall have to take into consideration changes that have taken place and will continue to take place in the production of farm commodities—changes that affect costs and efficiency and volume.

What we seek ultimately is a high level of food production and consumption that will provide good nutrition for everyone. This cannot be accomplished by agriculture alone. We can be certain of our capacity to produce food, but we have often failed to distribute it as well as we should and to see that our people can afford to buy it. The way to get good nutrition for the whole Nation is to provide employment opportunities and purchasing power for all groups that will enable them to buy full diets at market prices.

Wherever purchasing power fails to reach this level we should see that they have some means of getting adequate food at prices in line with their ability to buy. Therefore, we should have available supplementary programs that will enable all our people to have enough of the right kind of food.

For example, one of the best possible contributions toward building a stronger, healthier Nation would be a permanent school-lunch program on a scale adequate to assure every school child a good lunch at noon. The Congress, of course, has recognized this need for a continuing school-lunch program and legislation to that effect has been introduced and hearings held. The plan contemplates the attainment of this objective with a minimum of Federal expenditures. I hope that the legislation will be enacted in time for a permanent program to start with the beginning of the school year next fall.

We have the technical knowledge and the productive capacity to provide plenty of good food for every man, woman, and child in the United States. It is time we made that possibility a reality.

(g) Resource development

The strength of our Nation and the welfare of the people rest upon the natural resources of the country. We have learned that proper conservation of our lands, including our forests and minerals, and wise management of our waters will add immensely to our national wealth.

The first step in the Government's conservation program must be to find out just what are our

basic resources, and how they should be used. We need to take, as soon as possible, an inventory of the lands, the minerals, and the forests of the Nation.

During the war it was necessary to curtail some of our long-range plans for development of our natural resources, and to emphasize programs vital to the prosecution of the war. Work was suspended on a number of flood control and reclamation projects and on the development of our national forests and parks. This work must now be resumed, and new projects must be undertaken to provide essential services and to assist in the process of economic development.

The rivers of America offer a great opportunity to our generation in the management of the national wealth. By a wise use of Federal funds, most of which will be repaid into the Treasury, the scourge of floods and drought can be curbed, water can be brought to arid lands, navigation can be extended, and cheap power can be brought alike to the farms and to the industries of our land.

Through the use of the waters of the Columbia River, for example, we are creating a rich agricultural area as large as the State of Delaware. At the same time, we are producing power at Grand Coulee and at Bonneville which played a mighty part in winning the war and which will found a great peacetime industry in the Northwest. The Tennessee Valley Authority will resume its peacetime program of promoting full use of the resources of the Valley. We shall continue our plans for the development of the Missouri Valley, the Arkansas Valley, and the Central Valley of California.

The Congress has shown itself alive to the practical requirements for a beneficial use of our water resources by providing that preference in the sale of power be given to farmers' cooperatives and public agencies. The public power program thus authorized must continue to be made effective by building the necessary generating and transmission facilities to furnish the maximum of firm power needed at the wholesale markets, which are often distant from the dam sites.

These great developmental projects will open the frontiers of agriculture, industry, and commerce. The employment opportunities thus offered will also go far to ease the transition from war to peace.

(h) Public Works

During the war even urgently needed Federal, State, and local construction projects were deferred in order to release resources for war production. In resuming public works construction, it is desirable to proceed only at a moderate rate, since demand for private construction will be abnormally high for some time. Our public works program should be timed to reach its peak after demand for private construction has begun to taper off. Meanwhile, however, plans should be prepared if we are to act promptly when the present extraordinary private demand begins to run out.

The Congress made money available to Federal agencies for their public works planning in the fiscal year 1946. I strongly recommend that this policy be continued and extended in the fiscal year 1947.

State and local governments also have an essential role to play in a national public works program. In my message of Sept. 6, 1945, I recommended that the Congress vote such grants to State and local governments as will insure that each level of government makes its proper contribution to a balanced public construction program. Specifically, the Federal Government should aid State and local governments in planning their own public

works programs, in undertaking projects related to Federal programs of regional development, and in constructing such public works as are necessary to carry out the various policies of the Federal Government.

Early in 1945 the Congress made available advances to State and local governments for planning public works projects, and recently made additional provision to continue these advances through the fiscal year 1946. I believe that further appropriations will be needed for the same purpose for the fiscal year 1947.

The Congress has already made provision for highway programs. It is now considering legislation which would expand Federal grants and loans in several other fields, including construction of airports, hospital and health centers, housing, water pollution control facilities, and educational plant facilities. I hope that early action will be taken to authorize these Federal programs.

With respect to public works of strictly local importance, State and local governments should proceed without Federal assistance except in planning. This rule should be subject to review when and if the prospect of highly adverse general economic developments warrants it.

All loans and grants for public works should be planned and administered in such a way that they are brought into accord with the other elements of the Federal Program.

Our long-run objective is to achieve a program of direct Federal and Federally assisted public works which is planned in advance and synchronized with business conditions. In this way it can make its greatest contribution to general economic stability.

(i) National housing program

Last September I stated in my message to the Congress that housing was high on the list of matters calling for decisive action. Since then the housing shortage in countless communities, affecting millions of families, has magnified this call to action.

Today we face both an immediate emergency and a major post-war problem.

Since VJ-day the wartime housing shortage has been growing steadily worse and pressure on real estate values has increased. Returning veterans often cannot find a satisfactory place for their families to live, and many who buy have to pay exorbitant prices. Rapid demobilization inevitably means further overcrowding.

A realistic and practical attack on the emergency will require aggressive action by local governments, with Federal aid, to exploit all opportunities and to give the veterans as far as possible first chance at vacancies. It will require continuation of rent control in shortage areas as well as legislation to permit control of sales prices. It will require maximum conversion of temporary war units for veterans' housing and their transportation to communities with the most pressing needs; the Congress has already appropriated funds for this purpose.

The inflation in the price of housing is growing daily.

As a result of the housing shortage, it is inevitable that the present dangers of inflation in home values will continue unless the Congress takes action in the immediate future.

Legislation is now pending in the Congress which would provide for ceiling prices for old and new houses. The authority to fix such ceilings is essential. With such authority, our veterans and other prospective home owners would be protected against a skyrocketing of home prices. The country would be protected from the extension of the present inflation in

home values which, if allowed to continue, will threaten not only the stabilization program but our opportunities for attaining a sustained high level of home construction.

Such measures are necessary stopgaps—but only stopgaps. This emergency action, taken alone, is good—but not enough. The housing shortage did not start with the war or with demobilization; it began years before that and has steadily accumulated. The speed with which the Congress establishes the foundation for a permanent, long-range housing program will determine how effectively we grasp the immense opportunity to achieve our goal of decent housing and to make housing a major instrument of continuing prosperity and full employment in the years ahead. It will determine whether we move forward to a stable and healthy housing enterprise and toward providing a decent home for every American family.

Production is the only fully effective answer. To get the wheels turning, I have appointed an emergency housing expeditor. I have approved establishment of priorities designed to assure an ample share of scarce materials to builders of houses for which veterans will have preference. Additional price and wage adjustments will be made where necessary, and other steps will be taken to stimulate greater production of bottleneck items. I recommend consideration of every sound method for expansion in facilities for insurance of privately financed housing by the Federal Housing Administration and resumption of previously authorized low-rent public housing projects suspended during the war.

In order to meet as many demands of the emergency situation as possible, a program of emergency measures is now being formulated for action. These will include steps in addition to those already taken. As quickly as this program can be formulated, announcement will be made.

Last September I also outlined to the Congress the basic principles of the kind of decisive, permanent legislation necessary for a long-range housing program.

These principles place paramount the fact that housing construction and financing for the overwhelming majority of our citizens should be done by private enterprise. They contemplate also that we afford governmental encouragement to privately financed house construction for families of moderate income, through extension of the successful system of insurance of housing investment; that research be undertaken to develop better and cheaper methods of building homes; that communities be assisted in appraising their housing needs; that we commence a program of Federal aid, with fair local participation, to stimulate and promote the rebuilding and redevelopment of slums and blighted areas—with maximum use of private capital. It is equally essential that we use public funds to assist families of low income who could not otherwise enjoy adequate housing, and that we quicken our rate of progress in rural housing.

Legislation now under consideration by the Congress provides for a comprehensive attack jointly by private enterprise, State and local authorities, and the Federal Government. This legislation would make permanent the National Housing Agency and give it authority and funds for much needed technical and economic research. It would provide additional stimulus for privately financed housing construction. This stimulus consists of establishing a new system of yield insurance to encourage large-scale investment in rental housing and broadening the insuring powers of the Federal Housing Administration and the lending powers of the Federal savings and loan associations.

Where private industry cannot build, the Government must step in to do the job. The bill would encourage expansion in housing available for the lowest income groups by continuing to provide direct subsidies for low-rent housing and rural housing. It would facilitate land assembly for urban redevelopment by loans and contributions to local public agencies where the localities do their share.

Prompt enactment of permanent housing legislation along these lines will not interfere with the emergency action already under way. On the contrary, it would lift us out of a potentially perpetual state of housing emergency. It would offer the best hope and prospect to millions of veterans and other American families that the American system can offer more to them than temporary makeshifts.

I have said before that the people of the United States can be the best housed people in the world. I repeat that assertion, and I welcome the cooperation of the Congress in achieving that goal.

(j) Social security and health

Our Social Security System has just celebrated its tenth anniversary. During the past decade this program has supported the welfare and morale of a large part of our people by removing some of the hazards and hardships of the aged, the unemployed, and widows and dependent children.

But, looking back over 10 years' experience and ahead to the future, we cannot fail to see defects and serious inadequacies in our system as it now exists. Benefits are in many cases inadequate; a great many persons are excluded from coverage; and provision has not been made for social insurance to cover the cost of medical care and the earnings lost by the sick and the disabled.

In the field of old-age security, there seems to be no adequate reason for excluding such groups as the self-employed, agricultural and domestic workers, and employees of nonprofit organizations. Since many of these groups earn wages too low to permit significant savings for old age, they are in special need of the assured income that can be provided by old-age insurance.

We must take urgent measures for the readjustment period ahead. The Congress for some time has been considering legislation designed to supplement at Federal expense, during the immediate re-conversion period, compensation payments to the unemployed. Again I urge the Congress to enact legislation liberalizing unemployment compensation benefits and extending the coverage. Providing for the sustained consumption by the unemployed persons and their families is more than a welfare policy; it is sound economic policy. A sustained high level of consumer purchases is a basic ingredient of a prosperous economy.

During the war, nearly 5 million men were rejected for military service because of physical or mental defects which in many cases might have been prevented or corrected. This is shocking evidence that large sections of the population are at substandard levels of health. The need for a program that will give everyone opportunity for medical care is obvious. Nor can there be any serious doubt of the Government's responsibility for helping in this human and social problem.

The comprehensive health program which I recommended on Nov. 19, 1945, will require substantial additions to the Social Security System and, in conjunction with other changes that need to be made, will require further consideration of the financial basis for social security. The system of prepaid medical care which I have recommended is expected eventually to require amounts equivalent to 4% of earnings up to \$3,600 a year, which is about the average of present expenditures by indi-

viduals for medical care. The pooling of medical costs; under a plan which permits each individual to make a free choice of doctor and hospital, would assure that individuals receive adequate treatment and hospitalization when they are faced with emergencies for which they cannot budget individually. In addition, I recommended insurance benefits to replace part of the earnings lost through temporary sickness and permanent disability.

Even without these proposed major additions, it would now be time to undertake a thorough re-consideration of our social security laws. The structure should be expanded and liberalized. Provision should be made for extending coverage credit to veterans for the period of their service in the armed forces. In the financial provisions we must reconcile the actuarial needs of social security, including health insurance, with the requirements of a revenue system that is designed to promote a high level of consumption and full employment.

(k) Education

Although the major responsibility for financing education rests with the States, some assistance has long been given by the Federal Government. Further assistance is desirable and essential. There are many areas and some whole States where good schools cannot be provided without imposing an undue local tax burden on the citizens. It is essential to provide adequate elementary and secondary schools everywhere, and additional educational opportunities for large numbers of people beyond the secondary level. Accordingly, I repeat the proposal of last year's Budget Message that the Federal Government provide financial aid to assist the States in assuring more nearly equal opportunities for a good education. The proposed Federal grants for current educational expenditures should be made for the purpose of improving the educational system where improvement is most needed. They should not be used to replace existing non-Federal expenditures, or even to restore merely the situation which existed before the war.

In the future we expect incomes considerably higher than before the war. Higher incomes should make it possible for State and local governments and for individuals to support higher and more nearly adequate expenditures for education. But inequality among the States will still remain, and Federal help will still be needed.

As a part of our total public works program, consideration should be given to the need for providing adequate buildings for schools and other educational institutions. In view of current arrears in the construction of educational facilities, I believe that legislation to authorize grants for educational facilities, to be matched by similar expenditures by State and local authorities, should receive the favorable consideration of the Congress.

The Federal Government has not sought, and will not seek, to dominate education in the States. It should continue its historic role of leadership and advice and, for the purpose of equalizing educational opportunity, it should extend further financial support to the cause of education in areas where this is desirable.

(l) Federal Government personnel

The rapid reversion of the Federal Government from war to peace is reflected in the demobilization of its civilian personnel. The number of these employees in continental United States has been reduced by more than 500,000 from the total of approximately 2,900,000 employed in the final months of the war. I expect that by next June we shall have made a further reduction of equal magnitude and that there will be continuing reductions during the next

fiscal year. Of the special wartime agencies now remaining, only a few are expected to continue actively into the next fiscal year.

At the same time that we have curtailed the number of employees, we have shortened the work-week by one-sixth or more throughout the Government and have restored holidays. The process of readjustment has been complicated and costs have been increased by a heavy turn-over in the remaining personnel—particularly by the loss of some of our best administrators. Thousands of war veterans have been reinstated or newly employed in the civil service. Many civilians have been transferred from war agencies to their former peacetime agencies. Recruitment standards, which had to be relaxed during the war, are now being tightened.

The elimination last autumn of overtime work for nearly all Federal employees meant a sharp cut in their incomes. For salaried workers, the blow was softened but by no means offset by the increased rates of pay which had become effective July 1. Further adjustments to compensate for increased living costs are required. Moreover, we have long needed a general upward revision of Federal Government salary scales at all levels in all branches—legislative, judicial, and executive. Too many in Government have had to sacrifice too much in economic advantage to serve the Nation.

Adequate salaries will result in economies and improved efficiency in the conduct of Government business—gains that will far outweigh the immediate costs. I hope the Congress will expedite action on salary legislation for all Federal employees in all branches of the Government. The only exception I would make is in the case of workers whose pay rates are established by wage boards; a blanket adjustment would destroy the system by which their wages are kept aligned with prevailing rates in particular localities. The wage boards should be sensitive now, as they were during the war, to changes in local prevailing wage rates and should make adjustments accordingly.

I hope also that the Congress may see fit to enact legislation for the adequate protection of the health and safety of Federal employees, for their coverage under a system of unemployment compensation, and for their return at Government expense to their homes after separation from wartime service.

(m) Territories, insular possessions, and the District of Columbia

The major governments of the world face few problems as important and as perplexing as those relating to dependent peoples. This Government is committed to the democratic principle that it is for the dependent peoples themselves to decide what their status shall be. To this end I asked the Congress last October to provide a means by which the people of Puerto Rico might choose their form of government and ultimate status with respect to the United States. I urge, too, that the Congress promptly accede to the wishes of the people of Hawaii that the Territory be admitted to statehood in our Union, and that similar action be taken with respect to Alaska as soon as it is certain that this is the desire of the people of that great Territory. The people of the Virgin Islands should be given an increasing measure of self-government.

We have already determined that the Philippine Islands are to be independent on July 4, 1946. The ravages of war and enemy occupation, however, have placed a heavy responsibility upon the United States. I urge that the Congress complete, as promptly and as generously as may be possible, legislation which will aid economic rehabilitation for the Philippines. This will be not only

a just acknowledgment of the loyalty of the people of the Philippines, but it will help to avoid the economic chaos which otherwise will be their heritage from our common war. Perhaps no event in the long centuries of colonialism gives more hope for the pattern of the future than the independence of the Philippines.

The District of Columbia, because of its special relation to the Federal Government, has been treated since 1800 as a dependent area. We should move toward a greater measure of local self-government consistent with the constitutional status of the District. We should take adequate steps to assure that citizens of the United States are not denied their franchise merely because they reside at the Nation's Capital.

III. The Budget for the Federal Program for the Fiscal Year 1947

Summary of the Budget

For the first time since the fiscal year 1930 the Budget for the next fiscal year will require no increase in the national debt.

Expenditures of all kinds, authorized and recommended in the next year are estimated at just above 35.8 billion dollars. Net receipts are estimated at 31.5 billion dollars. The estimated difference of 4.3 billion dollars will be met by a reduction in the very substantial balance which will be in the Treasury during the next fiscal year.

A large part of the activities outside defense and war liquidation, aftermath of war, and international finance, classified as "other activities" in a following table, is still due to repercussions of the war. These "other activities" include more than 2 billion dollars for aids to agriculture and net outlays for the Commodity Credit Corporation—almost double the expenditures for the same purposes in prewar years. This increase is due mainly to expenditures for purposes of price stabilization and price support resulting from the war food production program. Other increases in this category are due to the fact that certain wartime agencies now in the process of liquidation are included in this group of activities. If all expenditures for those activities which are directly or indirectly related to the war are excluded, the residual expenditures are below those for corresponding activities in prewar years. In making this comparison account should be taken of the fact that while prewar expenditures were affected by direct relief and work relief for the unemployed, the postwar budgets are affected by the considerable increase in pay rates and other increases in costs and prices.

To elaborate, the Budget, as I have remarked above, reflects on both sides of the ledger the Government's program as recommended by the Executive. It includes estimates not only of expenditures and receipts for which legislative authority already exists, but also of expenditures and receipts for which authorization is recommended.

The Budget total for the next fiscal year, the year that ends on June 30, 1947, is estimated at just above 35.8 billion dollars—about a third of the budgets for global war, although nearly four times the prewar budgets. This estimate is based on the assumption that a rapid liquidation of the war program will be associated with rapid reversion and expansion of peacetime production. The total includes net outlays of Government corporations.

The estimated expenditures in the next and current fiscal year compare as follows with those of a year of global war and a prewar year (see page 450).

Although allowances for occupation, demobilization, and defense are drastically reduced in the fiscal year 1947, they will still

(Continued on page 450)

Text of Truman's Message on State of Union and 1947 Fiscal Year Budget

(Continued from page 449)

Fiscal year	Total Budget expenditures (in millions)
1947	\$35,860
1946	67,229
1945	100,031
1940	9,252

amount to 42% of the total Budget. The so-called "aftermath of war" expenditures account for a further 30% of the total. The total of all other programs, which was drastically cut during the war, is increasing again as liquidation of the war program pro-

ceeds and renewed emphasis is placed on the peacetime objectives of the Government.

On the other side of the ledger, net receipts are estimated at 31.5 billion dollars. This estimate assumes that all existing taxes will continue all through the fiscal year 1947. Included are the extraordinary receipts from the disposal of surplus property.

As a result, estimated expenditures will exceed estimated receipts by 4.3 billion dollars. This amount can be provided by a reduction in the cash balance in the

search agency, will require larger amounts in later years. The estimates exclude major elements of the proposed national health program since the greater part of these will be covered by expenditures from trust funds.

The Budget total includes expenditures for capital outlay as well as for current operations. An estimated 1,740 million dollars will be expended in the fiscal year 1947 for direct Federal public works and for loans and grants for public works.

The Economic Impact of the Liquidation of the War Program

Government programs are of such importance in the development of production and employment opportunities—domestic and international—that it has become essential to formulate and consider the Federal Budget in the light of the Nation's budget as a whole. The relationship between the receipts, expenditures, and savings of consumers, business, and government is shown in the accompanying table.

Considering the whole Nation, total expenditures must equal the total receipts, because what any individual or group spends becomes receipts of other individuals or groups. Such equality can be achieved on either a high level of incomes or on a low or depression level of incomes.

Tremendous orders for munitions during the war shifted production and employment into high gear. Total goods produced and services rendered for private as well as for Government purposes—the Nation's budget—reached about 200 billion dollars in the calendar year 1944. Federal, State, and local government expenditures represented half of this total.

Corresponding estimates for the past 3 months depict the national economy in the process of demobilization and reconversion.

The wartime annual rate of Federal expenditures has been reduced by 32 billion dollars, while the Nation's budget total has dropped only half as much. The drop in total value of production and services has been less drastic because increasing private activities have absorbed in large measure the manpower and materials released from war production and war services.

The largest increase in private activities has occurred in business investments, which include residential and other construction, producers' durable equipment, accumulation of inventories, and net exports. Under conditions of global war, expenditures for private construction and equipment were held to a minimum and inventories were depleted. With the beginning of reconversion these developments have been reversed. Residential construction and outlays for plant and equipment are on the increase; inventories, too, are being replenished. International transactions (excluding lend-lease and international relief, which are included under war expenditures) showed an import surplus under conditions of global war. In the past 3 months private exports have been slightly in excess of imports, for the first time since 1941.

Consumers' budgets show a significant change. On the income side, their total has declined but little because the reduction in "take-home" pay of war workers is, to a large extent, offset for the time being by the mustering-out payments received by war veterans and by unemployment compensation received by the unemployed. On the expenditure side, however, consumers' budgets, restricted during the war, have increased substantially as a result of the fact that scarce goods are beginning to appear on the mar-

ket and wartime restraints are disappearing. Thus, consumers' current savings are declining substantially from the extraordinarily high wartime rate and some wartime savings are beginning to be used for long-delayed purchases.

Unemployment has increased less than was expected during this first period of demobilization and reconversion. It is true that 6 million men and women have been discharged from the armed forces since May 1945 and more than 5 million have been laid off from war work. On the other hand, more than a million civilians have been enlisted in the armed forces, a considerable number of war veterans have not immediately sought jobs, and many war workers, especially women, have withdrawn from the labor force. In addition, many industries, and especially service trades which were undermanned during the war, are beginning now, for the first time in years to recruit an adequate labor force. The reduced workweek has also contributed to the absorption of those released from war service and war work.

In general, the drastic cut in war programs has thrown the economy into lower gear; it has not thrown it out of gear. Our economic machine demonstrates remarkable resiliency, although there are many difficulties that must still be overcome. The rapid termination of war contracts, prompt clearance of unneeded Government-owned equipment from private plants, and other reconversion policies have greatly speeded up the beginning of peacetime work in reconverted plants.

Although the first great shock of demobilization and war-work termination has thus been met better than many observers expected, specific industries and specific regions show much unevenness in the progress of reconversion.

The Quarterly Report of the Director of War Mobilization and Reconversion analyzes the difficulties in recruiting personnel and obtaining materials that hamper reconversion in certain industries and proposes policies to deal with these situations. The lack of adequate housing is one of the main factors checking the flow of workers into areas where job opportunities exist.

Federal Revenue, Borrowing, and the Public Debt

1. Financial Requirements and Tax Policy

Recommendations for tax legislation should be considered not only in the light of the financial requirements of the ensuing year, but also in the light of future years' financial requirements and a full consideration of economic conditions.

Expenditures are estimated at nearly 36 billion dollars in the fiscal year 1947; they can hardly be expected to be reduced to less than 25 billion dollars in subsequent years. Net receipts in the fiscal year 1947 are estimated at 31.5 billion dollars.

Included in this estimate are 2 billion dollars of receipts from disposal and rental of surplus property and 190 million dollars of receipts from renegotiation of wartime contracts. These sources of receipts will disappear in future years. Tax collections for the fiscal year 1947 also will not yet fully reflect the reduction in corporate tax liabilities provided

Excess of Budget Expenditures, the Public Debt, and the Treasury Cash Balance in Selected Years

Fiscal year—	Excess of Budget expenditures over receipts	Public debt balance At end of period
1940	\$3.9	\$43.0
1945	53.6	258.7
1946:		
July-Dec. 1945	18.1	278.1
Jan.-June 1946	10.5	275.0
1947	4.3	271.0

in the Revenue Act of 1945. If the extraordinary receipts from the disposal of surplus property and renegotiation of contracts be disregarded, and if the tax reductions adopted in the Revenue Act of 1945 were fully effective, present tax rates would yield about 27 billion dollars.

These estimates for the fiscal year 1947 are based on the assumption of generally favorable business conditions but not on an income reflecting full employment and the high productivity that we hope to achieve. In future years the present tax system, in conjunction with a full employment level of national income, could be expected to yield more than 30 billion dollars, which is substantially above the anticipated peacetime level of expenditures.

In view of the still extraordinarily large expenditures in the coming year and continuing inflationary pressures, I am making no recommendation for tax reduction at this time.

We have already had a substantial reduction in taxes from wartime peaks. The Revenue Act of 1945 was a major tax-reduction measure. It decreased the total tax load by more than one-sixth, an amount substantially in excess of the reductions proposed by the Secretary of the Treasury to congressional tax committees in October, 1945. These proposed reductions were designed to encourage reconversion and peacetime business expansion.

The possibility of further tax reductions must depend on the budgetary situation and the economic situation. The level of anticipated expenditures for the fiscal year 1947 and the volume of outstanding public debt require the maintenance of large revenues. Moreover, inflationary pressures still appear dangerously powerful, and ill-advised tax reduction would operate to strengthen them still further.

My decision not to recommend additional tax reductions at this time is made in the light of existing economic conditions and prospects.

2. Borrowing and the Public Debt

The successful conclusion of the Victory loan marked the end of war borrowing and the beginning of the transition to postwar debt management.

Because of the success of the Victory loan, I am happy to report that the Treasury will not need to borrow any new money from the public during the remainder of the present fiscal year except through regular sales of savings bonds and savings notes. Furthermore, a part of the large cash balance now in the Treasury will be used for debt redemption so that the public debt which now amounts to about 278 billion dollars will decrease by several billion dollars during the next 18 months. The present statutory debt limit of 300 billion dollars will provide an ample margin for all of the public-debt transactions through the fiscal year 1947. The net effect of the excess of expenditures and debt redemption on the Treasury cash balance, as compared with selected previous years, is shown in the table below:

Although the public debt is expected to decline, a substantial volume of refinancing will be required, because of the large volume of maturing obligations. Redemptions of savings bonds also have been running high in recent

Federal Budget Expenditures and Budget Receipts

Including net outlays of Government corporations and credit agencies (based on existing and proposed legislation)

	Fiscal Year	
	1946	1947
Expenditures:		
Defense, war, and war liquidation	\$49,000	\$15,000
Aftermath of war: Veterans, interest, refunds	10,813	10,793
Internat'l finance (incl. proposed legislation)	2,614	2,754
Other activities	4,552	5,813
Activities based on proposed legislation (excluding international finance)	250	1,500
Total expenditures	\$67,229	\$35,860
Receipts (net)	38,609	31,513
Excess of expenditures	\$28,620	\$4,347

Treasury. Thus, after a long period of increasing public debt resulting from depression budgets and war budgets, it is anticipated that no increase in the Federal debt will be required next year.

The current fiscal year, 1946, is a year of transition. When the year opened, in July 1945, we were still fighting a major war, and Federal expenditures were running at an annual rate of about 100 billion dollars. By June 1946 that rate will be more than cut in half. The Budget total for the current fiscal year is now estimated at 67.2 billion dollars, of which more than two-thirds provides for war and war liquidation. Since net receipts are estimated at 38.6 billion dollars, there will be an excess of expenditures of 28.6 billion dollars for the current fiscal year.

For all programs discussed in this Message I estimate the total of Budget appropriations and authorizations (including reappropriations and permanent appropriations) at 30,982 million dollars for the fiscal year 1947. Of this amount, present permanent appropriations are expected to provide 5,755 million dollars, principally for interest. This leaves 24,224 million dollars to be made available through new appropriations, exclusive of appro-

priations to liquidate contract authorizations; 900 million dollars in new contract authorizations; and 103 million dollars through the reappropriation of unliquidated balances of previous appropriations. The appropriations needed to liquidate contract authorizations are estimated at 1,113 million dollars.

In the Budget for the year ahead only over-all estimates are included at this time for the major war agencies and for net outlays of Government corporations. Detailed recommendations will be transmitted in the spring for the war agencies; and the business-type budgets of Government corporations will likewise be transmitted in accordance with the recently adopted Government Corporation Control Act.

Similarly, only over-all estimates are provided for new programs recommended in this Message; detailed recommendations will be transmitted after authorizing legislation has been enacted. It should be recognized that many of the estimates for new programs recommended in this Message are initial year figures. These figures will be affected by the date the legislation is enacted and by the time needed for getting a program under way. New programs, such as that for a national re-

THE GOVERNMENT'S BUDGET AND THE NATION'S BUDGET
Calendar Year 1944 and October-December 1945
(In Billions)

Economic group—	Calendar year 1944 (global war)		October-December 1945 (start of reconversion) (in seasonally adjusted annual rates)	
	Receipts	Expenditures	Receipts	Expenditures
Consumers—				
Income after taxes	\$134	\$98	\$132	\$107
Excess of receipts, savings (+)				
Business—				
Distrib. profits and reserves	\$13		\$9	
Gross capital formation:				
Domestic		\$4		\$15
Net exports		—2		1
Total, gross cap. formation		2		16
Excess of receipts (+) or capital formation (—)				
State and Local Government—				
Receipts from the public, other than borrowing	\$10		\$11	
Payments to the public		\$8		\$9
Excess of receipts (+)				
Federal Government—				
Receipts from the public, other than borrowing	\$48		\$44	
Payments to the public		\$96		\$64
Excess of payments (—)				
Less: Adjustments	\$7	\$7	\$14	\$14
Total: Gross Nat'l Product—	\$198	\$198	\$182	\$182
Receipts				
Expenditures				
Balance		0		0

NOTE—See corresponding table in part III, page 728, for detailed estimates and explanations.

*Excludes exports for lend-lease and relief which are included in Federal Government expenditures.

†Mainly government expenditures for other than goods and services, such as mustering-out pay and unemployment compensation.

months and are expected to remain large for some time. The issuance of savings bonds will be continued. These bonds represent a convenient method of investment for small savers, and also an anti-inflationary method of refinancing. Government agencies and trust funds are expected to buy about 2.5 billion dollars of Government securities during the next 6 months, and 2.8 billion dollars more during the fiscal year 1947. Through these and other debt operations, the distribution of the Federal debt among the various types of public and private owners will change, even though the total is expected to decline.

The interest policies followed in the refinancing operations will have a major impact not only on the provision for interest payments in future budgets, but also on the level of interest rates prevailing in private financing. The average rate of interest on the debt is now a little under 2%. Low interest rates will be an important force in promoting the full production and full employment in the postwar period for which we are all striving. Close wartime cooperation between the Treasury Department and the Federal Reserve System has made it possible to finance the most expensive war in history at low and stable rates of interest. This cooperation will continue.

No less important than the level of interest rates paid on the debt is the distribution of its ownership. Of the total debt, more than half represents direct savings of individuals or investments of funds received from individual savings by life insurance companies, mutual savings banks, savings and loan associations, private or Government trust funds, and other agencies.

Most of the remaining debt—more than 100 billion dollars—is held by the commercial banks and the Federal Reserve banks. Heavy purchases by the banks were necessary to provide adequate funds to finance war expenditures. A considerable portion of these obligations are short-term in character and hence will require refinancing in the coming months and years. Since they have been purchased out of newly created bank funds, continuance of the present low rates of interest is entirely appropriate. To do otherwise would merely increase bank profits at the expense of the taxpayer.

The 275-billion-dollar debt poses a problem that requires careful consideration in the determination of financial and economic policies. We have learned that the problem, serious as it is, can be managed. Its management will require determined action to keep our Federal Budget in order and to relate our fiscal policies to the requirements of an expanding economy. The more successful we are in achieving full production and full employment the easier it will be to manage the debt and pay for the debt service. Large though the debt is, it is within our economic capacity. The interest charges on it amount to but a small proportion of our national income. The Government is determined, by a resolute policy of economic stabilization, to protect the interests of the millions of American citizens who have invested in its securities.

During the past 6 months the net revenue receipts of the Federal Government have been about 20 billion dollars, almost as much as during the closing 6 months of 1944 when the country was still engaged in all-out warfare. The high level of these receipts reflects the smoothness of the reconversion and particularly the strength of consumer demand. But the receipts so far collected, it must be remembered, do not reflect any of the tax reductions made by the Revenue Act of 1945. These reductions will not have their full effect on the revenue

collected until the fiscal year 1948. It is good to move toward a balanced budget and a start on the retirement of the debt at a time when demand for goods is strong and the business outlook is good. These conditions prevail today. Business is good and there are still powerful forces working in the direction of inflation. This is not the time for tax reduction.

Recommendations for Specific Federal Activities

I. War Liquidation and National Defense

(a) War expenditures

The fiscal year 1947 will see a continuance of war liquidation and occupation. During this period we shall also lay the foundation for our peacetime system of national defense.

In the fiscal year that ended on June 30, 1945, almost wholly a period of global warfare, war expenditures amounted to 90.5 billion dollars. For the fiscal year 1946 war expenditures were originally estimated at 70 billion dollars. That estimate was made a year ago while we were still engaged in global warfare. After victory over Japan this estimate was revised to 50.5 billion dollars. Further cut-backs and accelerated demobilization have made possible an additional reduction in the rate of war spending. During the first 6 months 32.9 billion dollars were spent. It is now estimated that 16.1 billion dollars will be spent during the second 6 months, or a total of 49 billion dollars during the whole fiscal year.

For the fiscal year 1947 it is estimated, tentatively, that expenditures for war liquidation, for occupation, and for national defense will be reduced to 15 billion dollars. The War and Navy Departments are expected to spend 13 billion dollars; expenditures of other agencies, such as the United States Maritime Commission, the War Shipping Administration, and the Office of Price Administration, and payments to the United Nations Relief and Rehabilitation Administration are estimated at 3 billion dollars. Allowing for estimated net receipts of 1 billion dollars arising from war activities of the Reconstruction Finance Corporation, the estimated total of war expenditures is 15 billion dollars. At this time only a tentative break-down of the total estimate for war and defense activities can be indicated.

An expenditure of 15 billion dollars for war liquidation, occupation, and national defense is a large sum for a year which begins 10 months after fighting has ended. It is 10 times our expenditures for defense before the war; it amounts to about 10% of our expected national income. This estimate reflects the immense job that is involved in winding up a global war effort and stresses the great responsibility that victory has placed upon this country. The large expenditures needed for our national defense emphasize the great scope for effective organization in furthering economy and efficiency. To this end I have recently recommended to the Congress adoption of legislation combining the War and Navy Departments into a single Department of National Defense.

A large part of these expenditures is still to be attributed to the costs of the war. Assuming, somewhat arbitrarily, that about one-half of the 15-billion-dollar outlay for the fiscal year 1947 is for war liquidation, aggregate expenditures by this Government for the Second World War are now estimated at 347 billion dollars through June 30, 1947. (See table A, part III, page 751.) Of this, about 9 billion dollars will have been recovered through renegotiation and sale of surplus property by June 30, 1947; this has been reflected in the estimates of receipts.

Demobilization and strength of armed forces.—Demobilization of our armed forces is proceeding rapidly. At the time of victory in Europe, about 12.3 million men and women were in the armed forces; 7.3 million were overseas. By the end of December, 1945, our armed forces had been reduced to below 7 million. By June 30, 1946, they will number about 2.9 million, of whom 1.3 million will be individuals enlisted and inducted after VE-Day. Mustering-out pay is a large item of our war liquidation expense; it will total 2.5 billion dollars in the fiscal year 1946, and about 500 million dollars in the fiscal year 1947.

In the fiscal year 1947 the strength of our armed forces will still be above the ultimate peacetime level. As I have said, War and Navy Department requirements indicate a strength of about 2 million in the armed forces a year from now. This is necessary to enable us to do our share in the occupation of enemy territories and in the preservation of peace in a troubled world. Expenditures for pay, subsistence, travel, and miscellaneous expenses of the armed forces, excluding mustering-out pay, are estimated at 5 billion dollars.

Contract settlement and surplus property disposal.—The winding up of war procurement is the second most important liquidation job. By the end of November a total of 301,000 prime contracts involving commitments of 64 billion dollars had been terminated. Of this total, 67,000 contracts with commitments of 35 billion dollars remained to be settled. Termination payments on these contracts are estimated at about 3.5 billion dollars. It is expected that more than half of these terminated contracts will be settled during the current fiscal year, leaving payments of about 1.5 billion dollars for the fiscal year 1947.

Another important aspect of war supply liquidation is the disposal of surplus property. Munitions, ships, plants, installations, and supplies, originally costing 50 billion dollars or more, will ultimately be declared surplus. The sale value of this property will be far less than original cost and disposal expenses are estimated at 10 to 15 cents on each dollar realized. Disposal units within existing agencies have been organized to liquidate surplus property under the direction of the Surplus Property Administration. Overseas disposal activities have been centralized in the State Department to permit this program to be carried on in line with overall foreign policy. Thus far only about 13 billion dollars of the ultimate surplus, including 5 billion dollars of unsalable aircraft, has been declared. Of this amount, 2.3 billion dollars have been disposed of, in sales yielding 600 million dollars. The tremendous job of handling surplus stocks will continue to affect Federal expenditures and receipts for several years. The speed and effectiveness of surplus disposal operations will be of great importance for the domestic economy as well as for foreign economic policies.

War supplies, maintenance, and relief.—Adequate provision for the national defense requires that we keep abreast of scientific and technical advances. The tentative estimates for the fiscal year 1947 make allowance for military research, limited procurement of weapons in the developmental state, and some regular procurement of munitions which were developed but not mass-produced when the war ended. Expenditures for procurement and construction will constitute one-third or less of total defense outlays, compared to a ratio of two-thirds during the war years.

The estimates also provide for the maintenance of our war-expanded naval and merchant fleets, military installations, and stocks of military equipment and sup-

plies. Our naval combatant fleet is three times its pre-Pearl Harbor tonnage. Our Merchant Marine is five times its prewar size. The War Department has billions of dollars worth of equipment and supplies. Considerable maintenance and repair expense is necessary for the equipment which we desire to retain in active status or in war reserve. Expenses will be incurred for winnowing the stocks of surpluses, for preparing lay-up facilities for the reserve fleets, and for storage of reserve equipment and supplies.

Military expenditures in the current fiscal year include 650 million dollars for civilian supplies for the prevention of starvation and disease in occupied areas. Expenditures on this account will continue in the fiscal year 1947. The war expenditures also cover the expenses of civilian administration in occupied areas.

During the war, 15 cents of each dollar of our war expenditures was for lend-lease aid. With lend-lease terminated, I expect the direct operations under this program to be substantially completed in the current fiscal year. The expenditures estimated for the fiscal year 1947 under this program are mainly interagency reimbursements for past transactions.

Relief and rehabilitation expenditures are increasing. It is imperative that we give all necessary aid within our means to the people who have borne the ravages of war. I estimate that in the fiscal year 1946 expenditures for the United Nations Relief and Rehabilitation Administration will total 1.3 billion dollars and in the following year 1.2 billion dollars. Insofar as possible, procurement for this purpose will be from war surpluses.

(b) Authorizations for war and national defense

During the war, authorizations and appropriations had to be enacted well in advance of obligation and spending to afford ample time for planning of production by the procurement services and by industry. Thus our cumulative war program authorized in the period between July 1, 1940 and July 1, 1945, was 431 billion dollars, including net war commitments of Government corporations. Expenditures against those authorizations totaled 290 billion dollars. This left 141 billion dollars in unobligated authorizations and unliquidated obligations. (See table A, part III, page 751.)

With the end of fighting, it became necessary to adjust war authorizations to the requirements of war liquidation and continuing national defense. Intensive review of the war authorizations by both the executive and the legislative branches has been continued since VJ-day. As a result, the authorized war program is being brought more nearly into line with expenditures.

Rescissions and authorizations through the fiscal year 1946.—Readjusting the war program, as the Congress well knows, is not an easy task. Authorizations must not be too tight, lest we hamper necessary operations; they must not be too ample, lest we lose control of spending. Last September, I transmitted to the Congress recommendations on the basis of which the Congress voted H. R. 4407 to repeal 50.3 billion dollars of appropriations and authorizations. I found it necessary to veto this bill because it was used as a vehicle for legislation that would impair the reemployment program. However, in order to preserve the fine work of the Congress on the rescissions, I asked the Director of the Bureau of the Budget to place the exact amounts indicated for repeal in a nonexpendable reserve, and to advise the departments and agen-

cies accordingly. This has been done.

In accord with Public Law 132 of the Seventy-ninth Congress, I have transmitted recommendations for additional rescissions for the current fiscal year of appropriations amounting to 5.8 billion dollars and of contract authorizations totaling 420 million dollars. The net reduction in authority to obligate will be 5.0 billion dollars, because, of the appropriations, 1.2 billion dollars will have to be restored in subsequent years to liquidate contract authorizations still on the books.

The appropriations recommended for repeal include 2,827 million dollars for the Navy Department, 1,421 million dollars for the War Department, 850 million dollars for lend-lease, 384 million dollars for the War Shipping Administration, and 260 million dollars for the United States Maritime Commission. The contract authorizations proposed for repeal are for the Maritime Commission.

In addition, there are unused tonnage authorizations for construction of naval vessels now valued at 5.4 billion dollars. In September 1945, I suggested that this authority be reviewed by the appropriate committees of the Congress, and the Congress has moved to bar construction under these authorizations during the remainder of the fiscal year 1946. I propose to continue this prohibition in the Navy budget estimates for the fiscal year 1947 and now renew my recommendation that legislation be enacted at the earliest time to clear the statute books of these authorizations.

The amounts indicated for repeal in H. R. 4407 and the further rescissions which I have recommended, excluding duplications and deferred cash payments on existing authorizations, represent a cut in the authorized war program of 60.8 billion dollars. The war authorizations will also be reduced 3.7 billion dollars by carrying receipts of revolving accounts to surplus, by lapses, and by cancellation and repayment of commitments of the Government war corporations.

On the other hand, supplemental appropriations of 600 million dollars will be required for the United Nations Relief and Rehabilitation Administration.

In the net, it is estimated that the cumulative authorized war and national defense program will amount to 368 billion dollars on June 30, 1946. Expenditures of 49 billion dollars during the fiscal year 1946 will have pushed cumulative expenditures to 339 billion dollars. The unexpended balances will be down to 28 billion dollars on June 30, 1946.

New authorizations for national defense and war liquidation in the fiscal year 1947.—The expenditures of 15 billion dollars for national defense and war liquidation in the fiscal year 1947 will be partly for payment of contractual obligations incurred in the past, and partly for the payment of new obligations. The unexpended balances on June 30, 1946, will be scattered among hundreds of separate appropriations. Thus, while some appropriation accounts will have unused balances, others will require additional appropriations.

It is estimated that authorizations to incur new obligations of 11,772 million dollars will be needed during the fiscal year 1947, mainly for the War and Navy Departments. Of the required authorizations, 11,365 million dollars will be in new appropriations, 400 million dollars in new contract authority, and 7 million dollars in reappropriations of unobligated balances. In addition, appropriations of 825 million dollars will be needed to liquidate obligations under existing contract authorizations.

Taking into account the tentative authorizations and expendi-

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Text of Truman's Message on State of Union and 1947 Fiscal Year Budget

(Continued from page 451)
 tures estimated for the fiscal year 1947, and offsets of 3 billion dollars in war commitments of Government corporations, the cumulative authorized war and national defense program on June 30, 1947, will be 376 billion dollars; total expenditures, 354 billion dollars; and unexpended balances, 22 billion dollars.

The 22 billion dollars of unexpended balances tentatively indicated as of June 30, 1947, comprise both unobligated authorizations and unliquidated obligations. Most of the unliquidated obligations result from transactions booked during the war years. A large part of the 22 billion dollars would never be spent even if not repealed, for the appropriations will lapse in due course. For example, several billion dollars of these unliquidated obligations represent unsettled inter- and intra-departmental agency accounts for war procurement. Legislation is being requested to facilitate the adjustment of some of these inter-agency accounts. Another 6 billion dollars is set aside for contract termination payments. If contract settlement costs continue in line with recent experience, it is likely that part of the 6 billion dollars will remain unspent.

On the other hand, some of the 22 billion dollars would be available for obligation and expenditure unless impounded. In certain appropriations, such as those for long-cycle procurement, considerable carry-over of unliquidated obligations into future years is to be expected and is necessary. However, substantial further rescissions can and should be made when the war liquidation program tapers off and budgetary requirements for national defense are clarified. As I have said, I shall continue to review the war authorizations and from time to time recommend excess balances for repeal.

As in recent years, detailed recommendations concerning most appropriations for the national defense program are postponed until the spring. In connection with the war activities of the United States Maritime Commission and certain other agencies, however, I now make specific recommendations for the fiscal year 1947. No additional authorizations or appropriations will be necessary for the Maritime Commission since sufficient balances will be left after the above-mentioned rescissions to carry out the program now contemplated for the fiscal year 1947.

2. Aftermath of War

Nearly one-third—11 billion dollars—of estimated Federal expenditures in the fiscal year 1947 will be for purposes that are largely inherited from the war—payments to veterans, interest on the Federal debt, and refunds of taxes.

(a) For veterans

"Veterans' pensions and benefits" has become one of the largest single categories in the Federal Budget. I am recommending for this purpose total appropriations of 4,787 million dollars for the fiscal year 1947. Expenditures in the fiscal year are estimated, under present legislation, at 4,208 million dollars. These expenditures will help our veterans through their readjustment period and provide lasting care for those who were disabled.

The Congress has provided unemployment allowances for veterans during their readjustment period. Expenditure of 850 million dollars for this purpose is anticipated for the fiscal year 1947. In addition, readjustment allowances for self-employed veterans are expected to cost 340

million dollars in the fiscal year 1947.

On May 28, 1945, in asking the Congress to raise the ceiling on benefits for civilian unemployed to not less than 25 dollars a week during the immediate reconversion period, I suggested that the Congress also consider liberalizing veterans' allowances. Elsewhere in this Message I reiterate my recommendation with respect to emergency unemployment compensation. I also recommend increasing veterans' unemployment allowances from 20 dollars to 25 dollars a week. This would involve additional expenditures estimated at approximately 220 million dollars for the fiscal year.

Included in the 1947 Budget is an expenditure of 535 million dollars for veterans' education under provisions of the Servicemen's Readjustment Act. This amount includes both tuition expenses and maintenance allowances. It is expected that half a million veterans will be enrolled in our schools and colleges during the year.

The ultimate benefit which veterans receive from the loan guarantee provisions of the Servicemen's Readjustment Act depends largely on the success of our stabilization program in restraining building costs and real estate values. Under the revised procedure contained in recent amendments, the administrative workload will be minimized by the almost complete transfer of authority for approving the guarantees to private lending agencies and private appraisers designated by the Veterans Administration. This authority carries with it the responsibility for restricting the guarantees to loans on reasonably valued properties. Costs of the program, other than for administration, are estimated at 21 million dollars in the fiscal year 1947.

Pensions for veterans will require expenditures estimated at 1,748 million dollars for the fiscal year 1947. Two-thirds of this amount will be received by veterans of the war which we have just won. This figure includes 55 million dollars of increased pensions for student-veterans in our vocational rehabilitation program. In addition, 170 million dollars will be expended in transfers to the National Service Life Insurance Fund from general and special accounts.

Expenditures under the appropriation for salaries and expenses of the Veterans Administration are estimated at 528 million dollars in the fiscal year 1947. This includes 260 million dollars for medical care and the operation of some 103,000 hospital and domiciliary beds.

A separate appropriation for hospital and domiciliary facilities, additional to the total for veterans' pensions and benefits, covers construction that will provide some 13,000 hospital beds as part of the 500-million-dollar hospital construction program already authorized by the Congress. The estimated expenditures of 130 million dollars for this purpose are classified in the Budget as part of the general public works program for the next fiscal year.

(b) For interest

Interest payments on the public debt are estimated at 5 billion dollars in the fiscal year 1947, an increase of 250 million dollars from the revised estimate for the current fiscal year. This increase reflects chiefly payment of interest on additions to the debt this year. Assuming continuance of present interest rates, the Government's interest bill is now reaching the probable postwar level.

(c) For refunds

An estimated total of 1,585 million dollars of refunds will be

paid to individuals and corporations during the fiscal year 1947. Slightly over half of this amount, or 800 million dollars, will be accessory to the simplified pay-as-you-go method of tax collection, and will be the result of over-withholding and overdeclaration of expected income. Most of the remainder will arise from loss and excess-profits credit carry-backs, recomputed amortization on war plants, and special relief from the excess-profits tax.

This category of expenditures is thus losing gradually its "aftermath-of-war" character, and by the succeeding year will reflect almost entirely the normal operation of loss carry-backs and current tax collection.

3. Agricultural Programs

The agricultural programs contemplated for the fiscal year 1947 are those which are essential for the provision of an adequate supply of food and other agricultural commodities with a fair return to American farmers. To support these objectives, expenditures by the Department of Agriculture estimated at 784 million dollars from general and special accounts will be required in the fiscal year 1947. This compares with estimated expenditures of 676 million dollars in 1946. These figures exclude expenditures by the Department of Agriculture on account of lend-lease, the United Nations Relief and Rehabilitation Administration, and other war expenditures. The expenditure for the fiscal year 1947 is composed of 553 million dollars for "aids to agriculture," 35 million dollars for general public works, and 196 million dollars for other services of the Department.

Net outlays for the price stabilization, price support, and other programs of the Commodity Credit Corporation are expected to increase from about 750 million dollars in the fiscal year 1946 to about 1,500 million dollars in 1947. Cash advances made on loans by the Farm Security Administration and the Rural Electrification Administration are expected to amount to 266 million dollars in the fiscal year 1946 and 351 million dollars in 1947; and after receipts from principal and interest are taken into account, net loan expenditures of these two agencies will amount to 120 and 209 million dollars in the two fiscal years.

To provide for the expenditures from general and special accounts, I recommend for the fiscal year 1947 appropriations of 721 million dollars (including the existing permanent appropriation of an amount equal to 30% of estimated annual customs receipts) and a reappropriation of 88 million dollars of prior-year balances from customs receipts. In addition there is a recommended authorization of 367.5 million dollars for borrowing from the Reconstruction Finance Corporation for the loan programs of the Farm Security Administration and the Rural Electrification Administration. It is expected that the operations of the Commodity Credit Corporation will be financed during the coming year through the 500 million dollars of lend-lease funds which the Congress has earmarked for price support purposes, a supplemental appropriation to restore impaired capital of the Corporation, and the borrowing authority of the Corporation.

Some detailed recommendations follow for major agricultural programs.

Conservation and use of land.—I am recommending that 270 million dollars be appropriated for "conservation and use of agricul-

tural land resources"—the so-called AAA program—for the fiscal year 1947, compared with 356 million dollars in the current year. This reduction of 86 million dollars is in large part accounted for by elimination of the wartime flax production incentive project and other nonrecurring items; the proposed reduction in normal activities is less than 33 million dollars.

For the past several years, this program has consisted largely of payments to farmers for application of fertilizer and other approved soil management practices. I am convinced that farmers generally are now fully alert to the benefits, both immediate and long-term, which they derive from the practices encouraged by this program. I believe, therefore, that this subsidization should continue to be reduced.

Rural electrification.—It is proposed that the loan authorization for the Rural Electrification Administration for the fiscal year 1947 be increased from 200 million dollars to 250 million dollars. During the war period, REA was limited by the scarcity of materials and manpower. But that situation is rapidly changing, and the REA program, which was materially stepped up for the fiscal year 1946, can be increased still more. It is my belief that a feasible and practical rural electrification program should be carried forward as rapidly as possible. This will involve total loans of approximately 1,800 million dollars over the next 10 years, much of which will be repaid during that period.

Other programs.—It is recommended that the continuing forest land-acquisition program be resumed at the rate of 3 million dollars annually, which is about the minimum rate at which this program can be economically carried on. The lands involved in this program can contribute fully to the national welfare only when brought into the national forest system for protection and development.

Such programs as those of the Farm Security Administration and the Farm Credit Administration are estimated to be continued during the fiscal year 1947 at about the same level as in the fiscal year 1946. Recent action by the Congress has permitted some expansion of the school-lunch program. I hope it will be continued and expanded. The budgets of the Federal Crop Insurance Corporation and the Federal Farm Mortgage Corporation will be transmitted in the spring under the terms of the Government Corporation Control Act.

4. Transportation

Transportation is one of the major fields for both public and private investment. Our facilities for transportation and communication must be constantly improved to serve better the convenience of the public and to facilitate the sound growth and development of the whole economy.

Federal capital outlays for transportation facilities are expected to approximate 519 million dollars in the fiscal year 1947. State and local governments may spend 400 million dollars. Private investment, over half it by railroads, may approach 1,150 million dollars.

The Congress has already taken steps for the resumption of work on improvement of rivers and harbors and on the construction of new Federal-aid highways. Much needed work on airports can begin when the Congress enacts legislation now in conference between the two Houses.

The Federal expenditure esti-

mates for the fiscal year 1947 include 53 million dollars for new construction in rivers, harbors, and the Panama Canal and 291 million dollars for highways and grade-crossing elimination, assuming that the States expend some 275 million dollars on the Federal-aid system. Additional expenditures for highways totaling 36 million dollars are anticipated by the Forest Service, National Park Service, and the Territory of Alaska. Civil airways and airports will involve expenditures of 35 million dollars under existing authority. Additional Federal expenditures exceeding 20 million dollars (to be matched by States and municipalities) may be made during the fiscal year 1947 under the airport legislation now in conference between the two Houses of the Congress.

The United States now controls almost two-thirds of the world's merchant shipping, most of it Government-owned, compared with little more than one-seventh of the world's tonnage in 1939. This places a heavy responsibility upon the Nation to provide for speedy and efficient world commerce as a contribution to general economic recovery.

The estimates for the United States Maritime Commission and War Shipping Administration provide for the transition of shipping operation from a war to a peace basis; the sale, chartering, or lay-up of much of the war-built fleet; and for a program of ship construction of some 84 million dollars in the fiscal year 1947 to round out the merchant fleet for peacetime use.

Federal aids, subsidies, and regulatory controls for transportation should follow the general principle of benefiting the national economy as a whole. They should seek to improve the transportation system and increase its efficiency with resulting lower rates and superior service. Differential treatment which benefits one type of transportation to the detriment of another should be avoided save when it is demonstrated clearly to be in the public interest.

5. Resource Development

Total capital outlays for resource development are estimated at 653 million dollars in the fiscal year 1947 as compared with 452 million dollars in 1946. These include capital expenditures by the Rural Electrification Administration and expenditures for resource development by other organizational units in the Department of Agriculture which are also mentioned above under "agricultural programs."

The reclamation and flood control projects which I am recommending for the fiscal year 1947 will involve capital outlays of approximately 319 million dollars as compared with 245 million dollars in the fiscal year 1946. These expenditures cover programs of the Corps of Engineers, the Bureau of Reclamation, the Bureau of Indian Affairs, the Department of Agriculture, and the International Boundary and Water Commission, United States and Mexico. A number of these projects are multiple-purpose projects, providing not only for reclamation and irrigation of barren land and flood control, but also for the production of power needed for industrial development of the areas.

Expenditures for power transmission and distribution facilities by the Bonneville Power Administration are expected to increase from 12 million dollars in the fiscal year 1946 to 15 million dollars in the next fiscal year. In addition, the Southwestern Power Administration will undertake a new program involving expendi-

tures of about 16 million dollars in the fiscal year 1947. The Rural Electrification Administration will require expenditures during the current fiscal year estimated at 156 million dollars; in the fiscal year 1947, at 241 million dollars.

The TVA program includes completion of major multiple-purpose projects — navigation, flood control, and power facilities — and additions to chemical plants and related facilities. Expenditures for these capital improvement programs are estimated at 30 million dollars in the fiscal year 1946 and 39 million dollars in the fiscal year 1947.

Expenditures for construction of roads and other developmental works in the national forests, parks, and other public lands, and for capital outlays for fish and wildlife development will increase from below 9 million dollars in the fiscal year 1946 to 24 million dollars in the fiscal year 1947.

6. Social Security and Health

Benefit payments out of the Old-Age and Survivors Insurance Trust Fund during 1947 are estimated at 407 million dollars, while withdrawals by the States from the Unemployment Trust Fund for compensation payments are expected to total 1 billion dollars. These disbursements are financed out of social security contributions.

The appropriations from general and special accounts for the social security program, which cover Federal administrative expenses and grants to States for assistance programs, are estimated at 593 million dollars for the fiscal year 1947, an increase of 57 million dollars over the current year. The increase anticipates greater administrative workload and higher grants to match increasing State payments. The social security program does not include all the Federal health services under existing legislation. For the other health services classified under general government and national defense, appropriations are estimated at 102 million dollars for the fiscal year 1947.

Some expansion in peacetime medical research and other programs of the Public Health Service is provided for in the appropriation estimates for these purposes totaling approximately 37 million dollars for the fiscal year 1947 which are submitted under provisions of existing law. Part of this will be provided through the social security appropriations, the remainder through other appropriations. About 28 million dollars is recommended for maternity care and health services for children under existing law, mainly under the emergency provision for the wives and infants of servicemen. While we should avoid duplication of maternity and child health services which will be provided through the proposed general system of prepaid medical care, legislation is needed to supplement such services. For medical education, I have recommended legislation authorizing grants-in-aid to public and nonprofit institutions. The existing sources of support for medical schools require supplementation to sustain the expansion that is needed.

Hospitals, sanitation works, and additional facilities at medical schools will be required for an adequate national health program. Legislation is now pending in the Congress to authorize grants for the construction of hospitals and health centers and grants and loans for water-pollution control. I hope the Congress will act favorably on generous authorizing legislation.

7. Research and Education

The Budget provides for continuation and desirable expansion of the research activities that are carried on throughout the Federal establishment and through pre-

viously authorized grants to the States. Additional appropriations will be required for the proposed central Federal research agency which I recommended last September 6. That agency will coordinate existing research activities and administer funds for new research activities wherever they are needed; it will not itself conduct research. The plan contemplates expenditures through the new research agency of approximately 40 million dollars for the first year.

These amounts are small in relation to the important contribution they can make to the national income, the welfare of our people, and the common defense. Expenditures must be limited for the time being by the capacity of research agencies to make wise use of funds. The maintenance of our position as a nation, however, will require more emphasis on research expenditures in the future than in the past.

Educational expenditures will require a significant share of the national income in the fiscal year 1947. State, local, and private expenditures for the current support of elementary, secondary, and higher education are expected to be substantially above 3 billion dollars in that year. These non-Federal expenditures will be supplemented by Federal expenditures estimated at 625 million dollars in the present Budget. Of this amount, the estimate for veterans' education, as previously mentioned, is 535 million dollars. Other amounts include 21 million dollars for the support of vocational education in public schools, 5 million dollars for the land-grant colleges, 50 million dollars for the present school-lunch and milk program, 1 million dollars for the Office of Education, and approximately 13 million dollars for various other items. In view of the major policy issues which are still under study by the Congress and the Administration, no specific amount has been determined for the Federal grants, previously recommended in this Message, which would assist the States generally in assuring more nearly equal opportunities for a good education.

Notwithstanding the urgent need for additional school and college buildings, careful planning will be required for the expenditures to be made under the proposed legislation to aid the States in providing educational facilities. A major share of the grants for the first year would be for surveys and plans.

8. International Financial Programs

I have already outlined the broad objectives of our foreign economic policy. In the present section I shall indicate the Federal outlays which the execution of these programs may require in the fiscal years 1946 and 1947.

(a) On the termination of lend-lease, the lend-lease countries were required to pay for goods in the lend-lease pipe line either in cash or by borrowing from the United States or by supplying goods and services to the United States. Credits for this purpose have already been extended to the Soviet Union, France, the Netherlands, and Belgium amounting to 675 million dollars. The settlement credit of 650 million dollars to the United Kingdom includes an amount preliminarily fixed at 118 million dollars which represents the excess of purchases by the United Kingdom from the pipe line over goods and services supplied by the United Kingdom to the United States since VJ-day and the balance of various claims by one government against the other.

Credits are also being negotiated with lend-lease countries to finance the disposition of lend-lease inventories and installations and property declared to be sur-

plus. For instance, 532 million dollars of the settlement credit to the United Kingdom is for this purpose. These credits will involve no new expenditures by this Government, since they merely provide for deferred repayment by other governments for goods and services which have been financed from war appropriations.

(b) Expenditures from the appropriations to United Nations Relief and Rehabilitation Administration, which were discussed under war expenditures above, are estimated to be 1.3 billion dollars in the fiscal year 1946 and 1.2 billion dollars in the fiscal year 1947.

(c) To assist other countries in the restoration of their economies the Export-Import Bank has already negotiated loans in the fiscal year 1946 amounting in total to about 1,010 million dollars and an additional 195 million dollars will probably be committed shortly. The Bank is also granting loans to carry out its original purpose of directly expanding the foreign trade of the United States. In this connection the Bank has established a fund of 100 million dollars to finance the export of cotton from the United States. The Export-Import Bank has thus loaned or committed approximately 1,300 million dollars during the current fiscal year and it is expected that demands on its resources will increase in the last 6 months of the fiscal year 1946. Requests for loans are constantly being received by the Bank from countries desiring to secure goods and services in this country for the reconstruction or development of their economies. On July 31, 1945, the lending authority of the Export-Import Bank was increased to a total of 3,500 million dollars. I anticipate that during the period covered by this Budget the Bank will reach this limit. The bulk of the expenditures from the loans already granted will fall in the fiscal year 1946 while the bulk of the expenditures from loans yet to be negotiated will fall in the fiscal year 1947. In view of the urgent need for the Bank's credit, I may find it necessary to request a further increase in its lending authority at a later date.

(d) The proposed line of credit of 3,750 million dollars to the United Kingdom will be available up to the end of 1951 and will be used to assist the United Kingdom in financing the deficit in its balance of payments during the transition period. The rate at which the United Kingdom will draw on the credit will depend on the rapidity with which it can reconvert its economy and adapt its trade to the postwar world. The anticipated rate of expenditure is likely to be heaviest during the next 2 years.

(e) Since the Bretton Woods Agreements have now been approved by the required number of countries, both the International Monetary Fund and the International Bank for Reconstruction and Development will commence operations during 1946. The organization of these institutions will undoubtedly take some time, and it is unlikely that their operations will reach any appreciable scale before the beginning of the fiscal year 1947.

Of the 2,750 million dollars required for the Fund, 1,800 million dollars will be provided in cash or notes from the exchange stabilization fund established under the Gold Reserve Act of 1934. The remaining 950 million dollars will be paid initially in the form of non-interest-bearing notes issued by the Secretary of the Treasury. It is not anticipated that the Fund will require in cash any of the 950 million dollars during the fiscal years 1946 and 1947. Consequently, no cash withdrawals from the Treasury will be required in connection with the Fund in these years. The subscription to the Bank

amounts to 3,175 million dollars. Of this total, 2% must be paid immediately and the Bank is required to call a further 8% of the subscription during its first year of operations. The balance of the subscription is payable when required by the Bank either for direct lending or to make good its guarantees. It is likely that the United States will be required to pay little if any more than the initial 10% before the end of the fiscal year 1947.

I anticipate that net expenditures of the Export-Import Bank and expenditures arising from the British credit and the Bretton Woods Agreements will amount to 2,614 million dollars, including the non-cash item of 950 million dollars for the Fund, in the fiscal year 1946, and 2,754 million dollars in the fiscal year 1947.

9. General Government

The responsibilities of the Government, in both domestic and international affairs, have increased greatly in the past decade. Consequently, the Government is larger than it was before the war, and its general operating costs are higher. We cannot shrink the Government to prewar dimensions unless we slough off these new responsibilities — and we cannot do that without paying an excessive price in terms of our national welfare. We can, however, enhance its operating efficiency through improved organization. I expect to make such improvements under the authority of the Reorganization Act of 1945.

The appropriations which I am recommending for general government for the fiscal year 1947 are 1,604 million dollars under existing legislation. This is an increase of 458 million dollars over the total of enacted appropriations for the current fiscal year, but a substantial part of this increase is due to the fact that the appropriations for the fiscal year 1946 were made prior to the general increase of employees' salaries last July 1, for which allowance is made in the anticipated supplemental appropriations for 1946. The recommended total for 1947 for general government, like the estimates for national defense and other specific programs, does not allow for the further salary increases for Government employees which, I hope, will be authorized by pending legislation, but the tentative lump-sum estimates under proposed legislation contemplate that such salary increases will be effective almost at once.

Expenditures for general government in the fiscal year 1947 are expected to continue the slowly rising trend which began in 1943. This category includes a great variety of items—not merely the overhead costs of the Government. It includes all the expenditures of the Cabinet departments, other than for national defense, aids to agriculture, general public works, and the social security program. It includes also expenditures of the legislative branch, the Judiciary, and many of the independent agencies of the executive branch. Consequently, the estimated increase in 1947 in the total of general government expenditures reflects a variety of influences.

Now included in general government expenditures are expenditures for aeronautics promotion, the business merely classified under national defense. Some of these, such as certain functions of the former Foreign Economic Administration and the War Manpower Commission, are still needed during the period of reconversion; others are in the process of liquidation. A few wartime activities, for example, the international information and foreign intelligence services and some of the wartime programs for controlling disease and crime, have become part of

our regular government establishment. Expenditures for these former wartime functions explain about 40% of the increase in expenditures for general government.

Other increases are for civil aeronautics promotion, the business and manufacturing censuses, and other expanded business services of the Department of Commerce which have been referred to above; the Forest and Soil Conservation Services and other activities of the Department of Agriculture; certain conservation activities of the Department of the Interior; and the collection of internal revenue in the Treasury Department.

The necessity for reestablishing postal services curtailed during the war and advances in the rates of pay for postal employees have increased substantially the estimated expenditures for postal service for both the current and the next fiscal year. It is not expected that this increase will cause expenditures to exceed postal revenues in either year, although an excess of expenditures may occur in the fiscal year 1947 if salaries are increased further.

Expenditures for our share of the administrative budgets of the United Nations and other permanent international bodies will increase sharply in the fiscal year 1947, yet will remain a small part of our total Budget. The budget for the United Nations has not yet been determined; an estimate for our contribution will be submitted later. Our contributions to the Food and Agriculture Organization, the International Labor Office, the Pan American Union, and other similar international agencies will aggregate about 3 million dollars for the fiscal year 1947. The administrative expenses of the International Monetary Fund and the International Bank will be met from their general funds.

We have won a great war—we the nations of plain people who hate war. In the test of that war we found a strength of unity that brought us through—a strength that crushed the power of those who sought by force to deny our faith in the dignity of man.

During this trial the voices of disunity among us were silent or were subdued to an occasional whine that warned us that they were still among us. Those voices are beginning to cry aloud again. We must learn constantly to turn deaf ears to them. They are voices which foster fear and suspicion and intolerance and hate. They seek to destroy our harmony, our understanding of each other, our American tradition of "live and let live." They have become busy again, trying to set race against race, creed against creed, farmer against city dweller, worker against employer, people against their own governments. They seek only to do us mischief. They must not prevail.

It should be impossible for any man to contemplate without a sense of personal humility the tremendous events of the 12 months since the last annual Message, the great tasks that confront us, the new and huge problems of the coming months and years. Yet these very things justify the deepest confidence in the future of this Nation of free men and women.

The plain people of this country found the courage and the strength, the self-discipline, and the mutual respect to fight and to win, with the help of our allies, under God. I doubt if the tasks of the future are more difficult. But if they are, then I say that our strength and our knowledge and our understanding will be equal to those tasks.

HARRY S. TRUMAN.

January 14, 1946.

Observations

(Continued from first page)

disgraceful incident in Stamford, Connecticut, where a general strike was called in protest against ordinary law enforcement.

The American Civil Liberties Union, even though a great labor sympathizer, has come out with a pronouncement against the union's assumption of authority to decide who may cross the boundaries of private property. If ironclad picketing is going to be permanently winked at, and if domestic servants become unionized, will the head of a household perhaps be barred from admittance to his own home?

Perhaps the legislative strategy of those who seek equal application of the Wagner Act provisions should be to work for a brand new law *additional* to the Wagner Act, and leaving it undisturbed. The rights of industry could be thus protected by affirmatively imposing responsibilities on labor. This would avoid the impression that labor's great Magna Charta, in the form of the Wagner Act, is being emasculated, and that the rights it epochally gave to labor are to be taken away.

Perhaps the meat-packing strike and the cancelled threat of a New York City transit walkout will prove to have been blessings in disguise. For they may impressively remind the general rank and file of labor that wage earners are also consumers, who suffer directly from price increases and the severe inconveniences resulting from work stoppages.

Chairman Eccles' statement which accompanied the Federal Reserve Board's new regulation imposing 100% margins, constitutes a statesmanlike and thoroughly logical exposition of the current inflation situation. But it contains two points to which exception may be taken.

One of these is his reference to our capital gains taxation, which he wishes to change, saying: "The most effective way that I know of to curb speculation in capital assets would be to increase substantially the rate of the capital gains tax, or the holding period, or a combination of both." To this columnist Mr. Eccles seems to confuse anti-speculative factors with his anti-inflationary aims. While lengthening the minimum period that a security must be held in order to be eligible for the 25% tax ceiling, would undoubtedly reduce the volume of speculative transactions, such reduction in activity would be directly correlated with market price inflation. Particularly in a bull market it would freeze stocks in the hands of present holders unwilling to contribute a raised tax-contribution to the speculation "kitty." Extending the minimum holding period admittedly would diminish future speculation initiated through fresh commitments, but this advantage would be more than counterbalanced by the great accentuation given to today's market inflation.

Similarly an increase in the rate of tax on presently accrued profits, in discouraging potential sellers who do not want to contribute a "raised ante," would only further inflate the price level. To what degree a raised tax rate would diminish future commitments is uncertain. Short-selling still goes on despite its subjection to taxation at the full income rates. In any event discouragement to long-term market speculation would in no way help the present troublesome situation.

The other point that may be questionable is contained in Mr. Eccles' statement that "To whatever extent the board's action will tend to dampen speculative activity, it is desirable, as a preventive step, at this time of strong inflationary pressures and until such times as inflationary dangers are passed." It is not clear against what this "preventive step" is to be taken; particularly as the balance of Mr. Eccles' statement seems to support the thesis that the stock market is not creating inflation, but essentially acting as a thermometer registering the degree of inflation originated elsewhere in monetary policies and other sectors of our economy.

The supply of money, and estimates of the future volume thereof, are now deemed extremely important in much of our economic and political thinking and planning. For example the stock market bulls represent changes in the money supply as a main prop under current prices. But it must be realized that policy-making, planning, or speculation, which is based on either the quantity of money outstanding, or the velocity of the use thereof, necessitates skating on extremely thin ice. For so many of the contributory factors are completely imponderable, that prognostication is absolutely unwarranted. One such factor directly contributing to the supply of money and deposits, is our monetization of the Federal deficit. But who can possibly foretell the amounts of future deficits? Such doubt is rendered all the more valid by this week's Presidential budget message; and the testimony of Mr. Eccles and others that the Budget can be balanced, cannot be disregarded. There are also other uncertain elements composing our money supply, such as: the sales of government securities to the banks for deposits or cash; the volume of business activity; and national income. Nor, as recent experience discloses, is there close relationship between the national income and national product on the one hand and the supply of money on the other.

Furthermore our statistical record since 1920 shows that even if we could predict the supply of money, this would not warrant any inferences about the price level—either generally or for securities. Also contrary to popular assumptions about the effects of savings, business slumps (which reflect individuals' spending) actually have followed immediately upon periods of sharply rising national income—mainly because of the changing velocity of deposits.

Again reflecting stock market irrationality, the short interest has been falling instead of increasing during the past month of rising prices. Between mid-December and mid-January the Dow Jones industrial stock price average rose from 193 to 203, reflecting a further distortion of the price level that logically should have enhanced intelligent short-selling. Nevertheless during the period the outstanding short interest actually *declined*, from 1,465,798 to 1,270,098 shares.

Debit Balances on N. Y. Stock Exchange

The New York Stock Exchange announced on Dec. 17 that as of the close of business on Nov. 30, member firms of the Stock Exchange carrying margin accounts reported total of customers' net debit balances Nov. 30 of \$1,095,239,941 compared with \$1,062,809,062* on Oct. 31. These figures include all securities, commodity and other accounts. (Do not include debit balances in accounts held for other firms which are members of national securities exchanges, or "own" accounts of reporting firms or accounts of partners of those firms.)

Credit extended to customers on U. S. Government obligations was \$181,192,519 at the end of November, compared with \$158,242,766 at the end of October. (This amount is included in net debit balance total.)

Cash on hand and in banks on Nov. 30 is reported as \$300,763,529 against \$280,158,273 Oct. 31. (Exclusive of balances segregated under the Commodity Exchange Act.)

Total of customers' free credit balances on Nov. 30 stood at \$639,017,933 compared with \$632,397,068 Oct. 31. (Does not include credit balances in regulated commodity accounts, or free credit balances held for other firms which are members of national securities exchanges, or free credit balances held for the accounts of reporting firms or of partners of those firms.)

*Revised.

Business Failures in Dec.

Business failures in December were lower in number but higher in amount of liabilities involved than in November and in December a year ago. Business insolvencies in December, according to Dunn & Bradstreet, Inc., totaled 42 and involved \$1,824,000 liabilities as compared with 60 in November involving \$1,268,000 liabilities and 93 involving \$1,804,000 in December a year ago.

The manufacturing group was the only one having more failures in December than in November. When the amount of liabilities is considered the manufacturing and commercial service groups had more liabilities involved in December than in November, the remaining groups having less liabilities.

Manufacturing failures in December were up to 23 from 21 in November and liabilities were up to \$1,141,000 in December from \$721,000 in November. Wholesale failures in December numbered 2 with liabilities of \$79,000 as against 10 with liabilities of \$127,000 in November. Retail failures in December numbered 10 with liabilities of \$125,000 as compared with 14 with \$135,000 liabilities in November. Construction insolvencies in December were down to 2 from 8 and liabilities were down to \$107,000 in December from \$225,000 in November. Commercial service failures in December were down to 5 from 7 in November but liabilities were up to \$372,000 in December from \$60,000 in November.

When the country is divided into Federal Reserve Districts it is found that the Richmond, St. Louis, Kansas City and Dallas Reserve Districts had more failures in December than in November, the Minneapolis Reserve District had the same number, while all the remaining districts had fewer insolvencies in December than in November. When the amount of liabilities involved is considered it is seen that only the Boston, Philadelphia, Minneapolis and San Francisco Reserve Districts had less liabilities involved in December than in November.

From Washington Ahead of the News

(Continued from first page)

come increasingly so. As an example of what may happen, there is the propaganda that the Government is planning to take over Steel and place Henry Kaiser in charge as dictator. As of this writing Mr. Truman is entertaining no such thoughts about Mr. Kaiser. But the latter is playing for just such a role and the Leftist agitation is working on it strong. So it is certainly not out of the realm of possibility that that will happen.

Against this possibility is the fact that neither Mr. Truman nor the much maligned John W. Snyder are sold on the reputed greatness of the Pacific Coast shipbuilder as a private enterprise entrepreneur. Mr. Truman is highly miffed over Steel's rejection of his proposition, however, and while it is not generally known, he can be quite stubborn when he wants to. He has tried to follow a middle-of-the-road policy. Nobody would like better to get responsibility back to the people. If for no other reason than that he would like to enjoy his White House incumbency and not have to work too hard. But he has been complaining a lot to his friends that when such things as the Steel and Motor strikes occur, the pressure is too tremendous for a man in his position to ignore it.

Just where that pressure comes from is another matter. We are in no position to say whether the grass roots are disturbed. But the newspapers from their ivory towers are yelling bloody murder. This is, of course, just exactly what the Union leaders counted upon.

The Congress, as of today, is predominantly anti-labor; that is, it is fed up with strikers and strikes. Presumably it is reflecting the attitude of the country. Yet there is not enough of this feeling in Congress to pass any real so-called anti-labor legislation. The point we are trying to make is that the attitude of Congress is certainly against doing anything to aid the strikers. But that does not mean that Mr. Truman, acting impatiently and without any depth of thinking—this latter is certainly a characteristic

of his, may not do something drastic that would aid them, or what is more, preserve the face of the union leaders.

We are afraid that Messrs. Fairless, Sloan, Wilson, et al are reckoning without a realization of the Leftist propaganda in Washington. One has only to perceive the job they have done on Mr. Snyder. In Detroit we found perfectly good conservative papers referring to him as an incapable small town banker. He was vice president of the First National Bank of St. Louis, hardly a small town and hardly a small bank. The facts are, too, that an amazing job has been done on reconversion, far better than the economists' predictions of a few months ago. And reconversion is his job. We haven't been able to see his smallness at all. Yet it is apparent that the Leftists have succeeded in giving that picture to the country. Some of their representations we know to be lies, i.e., the stories by the Leftist columnists and radio commentators that Mr. Truman would give anything if he would resign. Snyder would like very much to get away in view of calumny to which he has been subjected, and the President won't listen to any suggestion that he quit.

You get an amazing picture of Washington when you understand that his trouble started with his getting rid of Robert Nathan, the young economist hero of the Leftists. Formerly with the War Production Board we were constantly reading that victory in the war depended upon his staying there instead of taking his turn at the draft. Nevertheless, his draft board finally beckoned and the War Production Board went right along, and victory came.

Chester Bowles, too, has been part of the poison spreading against Snyder. Bowles has an amazing philosophy that prices must be held down until production gets going full tilt in order that the savings of our people will not be absorbed in high prices. The thing to do, apparently, is to let the people squander their savings on strikes, and in the lack of production, on costume jewelry. They are squandering their savings. Of that there is no doubt.

American Tariff League Asks Truman for Time to Present Views on Trade Agreements

An appeal to President Truman to grant American manufacturers and domestic producers at least 60 to 90 days to present their views before the conclusion of any reciprocal trade agreement, was made public on Dec. 26 by the American Tariff League. The request was directed at a recent Presidential order providing for a minimum of 30 days notice to domestic interests before any trade agreement is concluded. The plea for more

time was based on war-wrought complications revolving around international trade restrictions, changed economic conditions both here and abroad, and the general lack of adequate trade facts and information. With some trade agreements likely to involve hundreds of items and with the possibility of interrelated agreements, the League pointed out, domestic producers need this extra time to develop their presentations to the Committee for Reciprocity Information, the official agency designated by the President.

President Truman was also asked to make available much more background data pertinent to pending agreements and to give domestic producers access to more comprehensive trade data on the commodities in which they are interested. The League suggested, also, that all industry, trade, farm, and labor groups be specially notified of any proposed agreement.

The League's appeal and suggestions were contained in a letter sent by its President, H. Wickliffe Rose, to Mr. Truman. Government adoption of the League's

suggestions, Mr. Rose wrote, "would assure more equitable hearing of more domestic producers. It would be in keeping with your demonstrated spirit of fairness—with your declared intention not to endanger or 'trade out' segments of American industry, American agriculture, or American labor."

Presidential action was asked because of the wide scope of items which new and revised trade agreements are expected to cover, the sharp cuts permissible under the Trade Agreements Act, and in the interest of maintaining a strong domestic economy.

Kenney to Succeed Hensel

President Truman, on Jan. 16, appointed W. John Kenney as Assistant Secretary of the Navy to succeed H. Struve Hensel, whose resignation he had accepted, effective Feb. 28, a special dispatch to the New York "Times" from Washington, stated. The President expressed much praise of the work done in the Navy Department by Mr. Hensel, who is returning to the practice of law.

The State of Trade

(Continued from page 438)

companies are out on a limb in view of a probable \$4 a ton increase in their raw material. Faced with being forced to give the same wage increase as the large producing steel companies because of their contracts, they will have to go through a lengthy process of appealing to OPA for price relief.

Because of the steel strike, the percentage of steel capacity in operation this week is believed to have dropped to the lowest rate in the 300-year history of iron and steel in this country. The tonnage scheduled to be produced this week is the lowest in 53 years. It is far shorter than was made in any during the depression of the 1930's and well below minimum recorded output during the steel strike of 1919. It was necessary to go back 53 years to 1893, when the average weekly tonnage was 33,352 tons, to find output comparable with that scheduled for this week.

The American Iron and Steel Institute announced on Monday of this week the opening rate of steel companies having 94% of the steel capacity of the industry will be 4.9% of capacity for the week beginning Jan. 21, compared with 76.5% one week ago, 62.8% one month ago and 91.2% one year ago. This represents a decrease of 71.5 points or 93.6% from that of the previous week.

This week's operating rate is equivalent to 86,352 tons of steel ingots and castings, and compares with 1,401,200 tons one week ago, 1,150,300 tons one month ago and 1,670,300 tons one year ago.

Electric Production—The Edison Electric Institute reports that the output of electricity increased to approximately 4,170,000,000 kwh. (preliminary figure) in the week ended Jan. 12, 1946 from 3,865,362,000 kwh. (revised figure) in the preceding week. Output for the week ended Jan. 12, 1946, however, was 9.6% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports System output of 191,700,000 kwh. in the week ended Jan. 13, 1946, comparing with 193,400,000 kwh. for the corresponding week of 1945, or a decrease of 3.4%. Local distribution of electricity amounted to 187,700,000 kwh., compared with 187,700,000 kwh. for the corresponding week of last year, reflecting a no percentage change.

Railroad Freight Loadings—Carloadings of revenue freight for the week ended Jan. 12, 1946 total 772,558 cars, the Association of American Railroads announced. This was an increase of 120,101 cars (or 18.4%) above the preceding week which included the New Year holiday and 10,502 cars, or 1.3% below the corresponding week of 1945. Compared with the similar period of 1944, a decrease of 6,973 cars or 0.9% is shown.

Business Failures Higher—Commercial and industrial failures in the week ending Jan. 17 increased to twice the number in the previous week, according to Dun & Bradstreet, Inc. Twenty concerns failed as compared with only 10 last week and 16 in the corresponding week of 1945.

An increase occurred in both small and large failures, but large failures involving liabilities of \$5,000 or more accounted for three-fourths of the total failures occurring during the week. These large failures at 15 were higher than the eight a week ago and also higher than the 11 in the same week of last year. Small failures with losses under \$5,000 were up from two last week to five this week, the same number occurring last year.

Concerns failing this week were most numerous in manufacturing where nine failures were reported. This represented a gain of four from the previous week's

level and a gain of two from the level of the corresponding week of 1945. In all lines of trade and industry, except wholesaling, failures were higher than a week ago. Compared with the same week of last year, retail trade was the only group in which failures fell short of the 1945 level.

Seven Canadian failures were reported as compared with two both in the previous week and in the corresponding week of last year.

Wholesale Commodity Price Index—The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 182.72 on Jan. 15, a new postwar peak. The latest figure compared with 175.57 at this time a year ago.

Strength in leading gains was maintained last week with futures markets generally trending higher. Cash wheat held firmly against ceilings under pressing demands from various sources. Offerings of most cash cereals, however, were inadequate to meet requirements.

Active Government and export demand continued to feature the flour market with domestic buying only fair. Offerings remained on a restricted basis owing to the dwindling cash wheat supply situation. Hog quotations were irregular with the movement to market curtailed by the threatened packing house strike. Production of lard and fats showed further improvement during the week.

Cotton moved irregularly over a fairly wide range last week as the trade awaited announcement of proposed ceilings to be placed on the 1946 cotton crop. Formal notice of the plan was issued by the OPA at the close of trading on Monday of the current week. Demand for spot cotton was fair during the week. Considerable replacement buying was noted, influenced by the strength in securities markets and by the continued favorable export prospects. The New York spot cotton price closed at 25.28 cents on Monday, up seven points over last week and comparing with 22.47 cents a year ago. Volume of cotton consumed during December was smaller than in November but the average use per working day recorded a slight gain, according to the New York Cotton Exchange Service. In the carded gray cotton cloth markets, buying for first quarter delivery was quite active last week, with volume covering most of the standard constructions.

The undertone in the Boston wool market was somewhat better during the past week as the result of increased inquiries for domestic wools; actual trading in these wools, however, remained quiet. The recent reduction in domestic wool prices has not as yet resulted in any appreciable gain in consumption of such wools, due largely to the well sold up condition of manufacturers and topmakers as regards finished products made from lower priced foreign wools. Sales totaling 21,824,000 pounds of domestic wools were reported by the CCC since the recent readjustment of prices. This left stocks still held by that body of 419,115,000 pounds. Demand for spot fine foreign wools continued active. Offerings of desirable Australian wools were scarce and resulted in better demand for higher priced South African wools. There was keen competition noted in primary markets of South America from European buyers.

Wholesale Food Price Index Unchanged—Counter-balancing changes in prices for individual commodities maintained the Dun & Bradstreet wholesale food price index for Jan. 15, at the previous level of \$4.14. This was 1.0% higher than the \$4.10 figure for the corresponding date a year

ago. Price changes during the week showed advances in rye, oats, potatoes, butter and lambs. There were declines for eggs, currants and sheep.

The index represents the sum total of the price per pound of 31 foods in general use.

Wholesale and Retail Trade—Consumer interest was mildly stimulated by scattered clearance sales throughout the country with volume slightly over a week ago and a year ago, according to Dun & Bradstreet, Inc., in its weekly review of trade. Spot reports put department store volume in several cities below a year ago. Stocks of consumer durable goods have not increased substantially; some smaller items such as irons and toasters continue to trickle in.

Resort wear departments were active this week. Small quantities of women's wear in spring styles were sold. Clearance sales in furs met only lukewarm response and volume generally was about even with a year ago. The volume of men's and women's shoes continued to increase. Men's and boys' suits and topcoats continued in large demand.

Woolen and cotton piece goods remained at a premium. Stocks of linen were spotty though small quantities of imported linen were available. Consumers found little success in obtaining sheets and pillowcases.

Household appliances appeared on shelves in small quantities. Home furnishings were quickly purchased when available. China-ware stocks increased slightly and stocks of floor coverings, such as linoleum and tile, rose slightly. The supply of mattresses and springs remained limited. General drug store merchandise sold well.

Retail food volume was slightly over a week ago and moderately above a year ago. Volume of boxed chocolates was favorable compared with a year ago. Fish and poultry were reported plentiful; beef, veal, and lamb were in limited supply. Vegetables such as lettuce, turnips, kale, beets, and broccoli were fairly abundant. Apples continued scarce. Most citrus fruits were obtainable.

Retail volume for the country was estimated to be from 3 to 7% above a year ago. Regional percentage increases were: New England 3 to 5, East 4 to 8, Middle West 2 to 6, Northwest 5 to 10, South 0 to 4, Southwest 3 to 7, Pacific Coast 7 to 10.

Persistent demand of buyers in the market helped to push wholesale volume upward during the week. Volume was slightly over both a week and a year ago. Shipments continued irregular with most deliveries scheduled several months ahead. The supply of most merchandise remained spotty.

Department stores sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 12, 1946, increased by 13% above the same period of last year. This compared with a decrease of 7% (revised figure) in the preceding week. In many cities stores were closed on Monday, Dec. 31 as well as on Tuesday, Jan. 1 and consequently the week included only four trading days as compared with five in the corresponding week last year. For the four weeks ended Jan. 12, 1946, sales increased by 12% and for the year to date showed an increase of 11%.

Percentage-wise retail trade in New York City the past week featured business activity. Department store gains ranged upward to 30%. The arrival of buyers in wholesale markets continued heavy with their chief concern being to speed up orders that were previously placed. There was a slight advance for the week in both wholesale and retail food volume with gains be-

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES (Based on Average Yields)										
1946— Daily Averages	U. S. Govt. Bonds	Avge. Corpo- rate*	Corporate by Ratings*				Corporate by Groups*			
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.	
Jan. 22	126.20	118.80	122.71	121.04	118.80	113.12	115.43	119.00	121.88	
21	126.20	118.80	122.71	121.04	118.80	112.75	115.24	119.00	121.88	
19	126.17	118.60	122.50	121.04	118.60	112.93	115.24	119.00	121.88	
18	126.06	118.60	122.50	121.04	118.60	112.93	115.24	118.80	121.88	
17	126.05	118.60	122.50	121.04	118.60	112.93	115.24	118.80	121.88	
16	126.17	118.60	122.29	120.84	118.60	112.75	115.24	118.80	121.67	
15	126.24	118.40	122.29	120.63	118.40	112.75	115.24	118.60	121.67	
14	126.24	118.40	122.29	120.63	118.40	112.75	115.24	118.60	121.67	
12	126.18	118.20	122.09	120.63	118.20	112.56	115.04	118.40	121.46	
11	126.11	118.20	122.09	120.63	118.20	112.56	115.04	118.40	121.46	
10	126.00	118.20	121.88	120.22	118.20	112.56	114.85	118.40	121.25	
9	125.80	118.20	121.88	120.22	118.20	112.56	114.85	118.40	121.25	
8	125.55	118.00	121.67	120.22	118.00	112.56	114.85	118.40	121.04	
7	125.30	118.00	121.67	120.22	118.00	112.56	114.85	118.40	121.04	
5	125.22	117.80	121.46	120.02	117.80	112.37	114.66	118.20	120.84	
4	125.18	117.80	121.67	119.82	117.80	112.37	114.66	118.20	120.84	
3	125.03	117.60	121.67	119.82	117.40	112.19	114.48	117.80	120.84	
2	124.97	117.60	121.46	119.82	117.40	112.19	114.48	117.80	120.63	
1										
Stock Exchange Closed										
Dec. 28, 1945	124.67	117.40	121.25	119.82	117.40	112.00	114.27	117.60	120.63	
21	124.28	117.20	121.04	119.41	117.20	111.44	114.08	117.20	120.22	
14	124.17	117.00	120.84	119.41	117.20	111.25	113.89	117.20	120.22	
7	124.06	116.80	120.63	119.41	117.00	110.88	113.50	117.00	120.22	
Nov. 30	123.81	116.80	120.63	119.41	117.00	110.70	113.31	116.80	120.22	
23	123.70	116.80	120.84	119.41	117.00	110.70	113.31	116.80	120.22	
16	123.44	116.80	120.84	119.41	116.80	110.52	113.31	116.80	120.22	
9	123.28	116.61	120.63	119.41	116.61	110.34	113.12	116.80	120.02	
2	123.05	116.61	120.63	119.41	116.41	110.15	113.12	116.80	120.02	
Oct. 26	122.92	116.22	120.63	119.20	116.22	109.60	112.93	116.41	119.82	
Sept. 28	122.19	116.02	120.84	118.80	115.82	108.88	112.19	116.02	119.82	
Aug. 31	122.09	116.02	120.84	119.00	116.22	108.52	112.56	116.02	119.41	
July 27	122.39	115.82	120.84	119.20	115.82	108.16	112.93	115.82	119.41	
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.82	119.41	
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20	
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20	
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20	
Feb. 23	121.92	114.66	120.02	118.00	114.66	105.17	110.52	114.08	119.41	
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60	
High 1946	126.24	118.80	122.71	121.04	118.80	113.12	115.43	119.00	121.88	
Low 1946	124.97	117.60	121.46	119.82	117.40	112.19	114.48	117.80	120.63	
High 1945	124.84	117.60	121.25	119.82	117.40	112.00	114.48	117.60	120.63	
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20	
1 Year Ago										
Jan. 22, 1945	121.14	113.70	119.20	117.80	113.31	105.00	108.88	113.70	118.60	
2 Years Ago										
Jan. 22, 1944	119.58	111.07	118.40	116.20	111.07	100.16	104.31	113.31	116.41	

MOODY'S BOND YIELD AVERAGES (Based on Individual Closing Prices)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corpo- rate*	Corporate by Ratings*				Corporate by Groups*			
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.	
Jan. 22	1.32	2.71	2.52	2.60	2.71	3.00	2.88	2.70	2.56	
21	1.32	2.72	2.52	2.61	2.72	3.02	2.89	2.70	2.56	
19	1.32	2.72	2.53	2.60	2.72	3.01	2.89	2.70	2.56	
18	1.33	2.72	2.53	2.61	2.72	3.01	2.89	2.71	2.56	
17	1.33	2.72	2.53	2.60	2.72	3.01	2.89	2.71	2.56	
16	1.32	2.72	2.54	2.61	2.72	3.02	2.89	2.71	2.57	
15	1.32	2.73	2.54	2.62	2.73	3.02	2.89	2.72	2.57	
14	1.32	2.73	2.54	2.62	2.73	3.02	2.89	2.72	2.57	
12	1.32	2.74	2.55	2.62	2.74	3.03	2.90	2.73	2.58	
11	1.32	2.74	2.55	2.62	2.74	3.03	2.90	2.73	2.58	
10	1.33	2.74	2.56	2.64	2.74	3.03	2.91	2.73	2.59	
9	1.35	2.74	2.56	2.64	2.74	3.03	2.91	2.73	2.59	
8	1.36	2.75	2.57	2.64	2.76	3.03	2.91	2.74	2.60	
7	1.38	2.75	2.57	2.64	2.77	3.03	2.91	2.74	2.61	
5	1.38	2.76	2.58	2.65	2.77	3.04	2.92	2.75	2.61	
4	1.38	2.76	2.57	2.66	2.77	3.04	2.92	2.76	2.61	
3	1.40	2.77	2.57	2.66	2.78	3.05	2.93	2.76	2.61	
2	1.40	2.77	2.58	2.66	2.78	3.05	2.93	2.76	2.62	
1										
Stock Exchange Closed										
Dec. 28, 1945	1.42	2.78	2.59	2.66	2.78	3.06	2.94	2.77	2.62	
21	1.45	2.79	2.60	2.68	2.79	3.09	2.95	2.78	2.64	
14	1.46	2.80	2.61	2.68	2.79	3.10	2.96	2.78	2.64	
7	1.47	2.81	2.62	2.68	2.80	3.12	2.98	2.80	2.64	
Nov. 30	1.49	2.81	2.62	2.68	2.80	3.13	2.98	2.80	2.64	
23	1.50	2.81	2.61	2.68	2.80	3.13	2.98	2.81	2.64	
16	1.52	2.81	2.61	2.68	2.81	3.14	2.99	2.81	2.65	
9	1.53	2.82	2.62	2.68	2.82	3.15	3.00	2.81	2.65	
2	1.55	2.82	2.62	2.68	2.83	3.16	3.00	2.81	2.65	
Oct. 26	1.56	2.84	2.62	2.69	2.84	3.20	3.02	2.83	2.66	
19	1.55	2.84	2.62	2.69	2.84	3.20	3.03	2.84	2.65	
11	1.57	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65	
5	1.59	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65	
Sept. 28	1.63									

Wholesale Prices Declined 0.1% in Week Ended Jan. 12, Labor Department Reports

"Lower prices for agricultural commodities more than offset higher prices for industrial products to cause a decline of 0.1% during the week ended Jan. 12, 1946, in the index of commodity prices in primary markets of the Bureau of Labor Statistics, U. S. Department of Labor," the Bureau announced on Jan. 17, its advices stating that "at 106.7% of the 1926 average, the index was 0.3% below the postwar high reached two weeks earlier and 1.9% above the corresponding week of last year." The Bureau's report continued:

"Farm Products and Foods. Average prices for farm products dropped 1.0%. Average quotations for citrus fruits declined with a narrowing of the price range following reimposition of ceilings. White potatoes were generally lower with good supplies and increased movement to market of lower qualities. Quotations for apples moved up seasonally. Eggs dropped more than seasonally with a cut in the Army buying price. Hog prices dropped more than 1% with heavy movement of animals to market in anticipation of a strike in packing plants. Quotations for lambs were lower with dull trade. Calves and cows moved up seasonally. Among the grains, wheat prices dropped, while oats, still in heavy demand, continued to advance and rye moved up reflecting short supplies. Average prices for farm products were 1.0% below four weeks ago and 2.9% above mid-January, 1945.

"Lower prices for fruits and vegetables and for eggs were responsible for the decline of 0.4% in the group index for foods. In addition, quotations for rye flour dropped. Quotations for butter rose in Chicago as additional sellers moved toward higher ceilings permitted with the end of subsidies but still were generally below ceilings. Quotations for dressed poultry moved up in accordance with the usual seasonal change in ceilings.

"Other Commodities—Average prices for all commodities other than farm products and foods advanced 0.1% to a level 1.5% above a year ago. Quotations for cotton underwear increased following revision of OPA ceilings to allow cost-plus-fixed-margin pricing. Iron ore prices rose under ceiling increases granted by OPA late in December and made retroactive for the 1945 shipping season. Fractionally higher prices for cement were reported in Rocky Mountain states under increased ceilings. Quotations for anthracite and bituminous coal continued to advance to higher ceilings allowed in December."

The Labor Department included the following notation in its report:

NOTE—The Bureau of Labor Statistics' wholesale price data, for the most part, represent prices in primary markets. In general, the prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week to week changes and should not be compared directly with the monthly index.

The following tables show (1) indexes for the past three weeks, for Dec. 15, 1945 and Jan. 13, 1946 and (2) percentage changes in subgroup indexes from Jan. 5, 1946 to Jan. 12, 1946.

WHOLESALE PRICES FOR WEEK ENDED JAN. 12, 1946
(1926 = 100)

Commodity Group—	Percentage changes to Jan. 12, 1946 from—					Percentage changes to Jan. 12, 1946 from—		
	1-12	1-5	12-29	12-15	1-13	1-5	12-15	1-13
All commodities	106.7	106.8	107.0	106.7	104.7	-0.1	0	+1.9
Farm products	130.0	131.3	132.7	131.3	126.3	-1.0	-1.0	+2.9
Foods	107.6	108.0	109.5	108.3	104.7	-0.4	-0.6	+2.8
Textile products	119.4	119.4	119.4	119.4	117.9	0	0	+1.3
Fuel and lighting materials	101.0	100.6	100.6	100.6	99.0	+0.4	+0.4	+2.0
Metals and metal products	85.5	85.2	85.3	85.2	83.9	+0.4	+0.4	+1.9
Building materials	105.4	105.3	105.3	105.3	104.0	+0.1	+0.1	+1.3
Chemicals and allied products	119.2	119.1	118.9	118.8	116.4	+0.1	+0.3	+2.4
Housefurnishing goods	96.1	96.1	96.1	96.1	94.9	0	0	+1.3
Miscellaneous commodities	106.4	106.4	106.4	106.4	106.1	0	0	+0.3
Raw materials	95.0	95.0	95.0	95.0	94.0	0	0	+1.1
Semi-manufactured articles	119.0	119.7	120.6	119.7	115.6	-0.6	-0.6	+2.9
Manufactured products	96.9	96.9	96.9	96.8	94.7	0	+0.1	+2.3
All commodities other than farm products	102.8	102.6	102.6	102.6	101.4	+0.2	+0.2	+1.4
All commodities other than farm products and foods	101.5	101.4	101.4	101.3	99.9	+0.1	+0.2	+1.6
All commodities other than farm products and foods	100.7	100.6	100.6	100.5	99.2	+0.1	+0.2	+1.5

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM Jan. 5, 1946 to Jan. 12, 1946

	Increases		
	Jan. 5	Jan. 12	
Hosiery and underwear	5.2	0.2	Iron and steel
Cement	0.8	0.2	Meats
Anthracite	0.7	0.1	Bituminous coal
Dairy products	0.4	0.1	Other building materials
Decreases			
Fruits and vegetables	1.4	1.1	Other foods
Other farm products	1.1	1.0	Livestock and poultry
Grains	0.6	0.6	

Civil Engineering Construction Totals \$45,381,000 for Week

Civil engineering construction volume in continental United States totals \$45,381,000 for the week ending Jan. 17, 1946, as reported to "Engineering News-Record." This volume is for the regular five-day week and when compared with the preceding seven-day week, it is 48% less, but 64% greater than the corresponding week of 1945 and 11% below the previous four-week moving average of \$50,726,000. The report issued on Jan. 17 continued as follows:

Private construction while 52% less than the previous week is 324% greater than the week last year. Public construction for the current week is down 38% from last week and down 27% from the week of 1945. State and municipal construction, 33% below last week, is 155% greater than the corresponding week of 1945. Federal work dropped 50% below last week and 77% below the week last year.

On a three-week cumulative basis, the 1946 total is \$176,647,000, or 122% greater than the \$79,402,000 recorded last year for the same period. The cumulative total for private construction in 1946 is 305% greater than last year, and state and municipal construction,

204% greater than last year. Public construction is 13% greater than the corresponding total for last year, but federal work is down 62%.

Civil engineering construction volume for the current week, last week and the 1945 week are:

	Jan. 17, 1946	Jan. 10, 1946	Jan. 18, 1945
Total U. S. Construction	\$45,381,000	\$87,971,000	\$27,702,000
Private Construction	30,394,000	63,638,000	7,175,000
Public Construction	14,987,000	24,333,000	20,527,000
State & Municipal	11,213,000	16,834,000	4,401,000
Federal	3,774,000	7,499,000	16,126,000

In the classified construction groups, only one of the nine classes recorded a gain over the preceding (seven-day) week and that was waterworks. Six of the nine classes gained over the week last year as follows: Waterworks, sewerage, earthwork and drainage, highways, industrial buildings and commercial buildings.

NEW CAPITAL

New capital for construction purposes this week totals, \$10,363,000 and is made up of \$5,492,000 in state and municipal bond sales and \$4,871,000 in corporate security issues. The corresponding week of 1945 recorded \$14,716,000, of new capital consisting of \$13,341,000 in state and municipal bond sales and \$1,375,000 in corporate security issues. The three-week cumulative figure for 1946 is 58% below the corresponding period of 1945.

Electric Output for Week Ended Jan. 19, 1946 9.6% Below That for Same Week a Year Ago

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Jan. 19, 1946, was approximately 4,150,000,000 kwh., which compares with 4,588,214,000 kwh. in the corresponding week a year ago, and 4,163,206,000 kwh. in the week ended Jan. 12, 1946. The output for the week ended Jan. 19, 1946 was 9.6% below that of the same week in 1945.

PERCENTAGE DECREASE UNDER SAME WEEK LAST YEAR

Major Geographical Divisions—	Week Ended—			
	Jan. 19	Jan. 12	Jan. 5	Dec. 29
New England	3.1	4.6	7.5	4.5
Middle Atlantic	4.6	4.9	6.7	4.8
Central Industrial	14.3	12.0	14.3	13.0
West Central	1.8	0.2	2.3	1.7
Southern States	10.5	10.9	14.7	15.3
Rocky Mountain	6.2	0.2	4.8	1.2
Pacific Coast	12.4	16.1	20.1	14.1
Total United States	9.6	19.8	12.7	11.0

*Preliminary. †Revised.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1945		% Change under 1944	1944	1943	1932	1929
	1945	1944					
Oct. 6	4,028,286	4,375,079	-7.9	4,341,754	1,507,503	1,806,403	1,798,633
Oct. 13	3,934,394	4,354,575	-9.6	4,382,268	1,528,145	1,798,633	1,824,160
Oct. 20	3,914,738	4,345,352	-9.9	4,415,405	1,533,028	1,824,160	1,815,749
Oct. 27	3,937,420	4,358,293	-9.7	4,452,592	1,525,410	1,815,749	1,798,164
Nov. 3	3,899,293	4,354,939	-10.5	4,413,863	1,520,730	1,798,164	1,793,584
Nov. 10	3,948,024	4,396,595	-10.2	4,482,665	1,531,584	1,793,584	1,818,169
Nov. 17	3,984,608	4,450,047	-10.5	4,513,299	1,475,268	1,818,169	1,718,002
Nov. 24	3,841,350	4,368,519	-12.1	4,403,342	1,510,337	1,718,002	1,806,225
Dec. 1	4,042,915	4,524,257	-10.6	4,560,158	1,518,922	1,806,225	1,840,863
Dec. 8	4,096,954	4,538,012	-9.7	4,566,905	1,563,384	1,840,863	1,860,221
Dec. 15	4,154,061	4,563,079	-9.0	4,612,994	1,554,473	1,860,221	1,637,683
Dec. 22	4,239,376	4,616,975	-8.2	4,295,010	1,414,710	1,637,683	1,542,000
Dec. 29	3,758,942	4,225,514	-11.0	4,337,287	1,619,265	1,542,000	

Week Ended—	1946		% Change under 1945	1944	1932	1929
	1946	1945				
Jan. 5	3,865,362	4,427,281	-12.7	4,567,959	1,602,482	1,733,810
Jan. 12	4,163,206	4,614,334	-9.8	4,539,083	1,598,201	1,736,721
Jan. 19	4,150,000	4,588,214	-9.6	4,531,662	1,588,967	1,717,315
Jan. 26	4,576,713	4,576,713	0	4,523,763	1,588,853	1,728,208
Feb. 2	4,538,552	4,538,552	0	4,524,134	1,578,817	1,726,161

*Revised. †Preliminary.

Non-Ferrous Metals—Lead Price Up Sharply In British Market—Quicksilver Lower in N. Y.

"E. & M. J. Metal and Mineral Markets," in its issue of Jan. 17, stated: "Outstanding in developments in non-ferrous metals last week was the sharp advance in the price of lead in the British market to the equivalent of 7c. a pound. To maintain a steady flow of foreign lead into the United States market, price adjustments here will be necessary, the industry believes. Renewal of copper contracts with South American producers is expected before the end of the month. The order limiting purchases of cadmium has not yet been issued, but is expected shortly. Quicksilver was unsettled, and sold at \$105 per flask, spot, a reduction of \$3. Antimony remains tight." The publication further went on to say in part as follows:

Copper

The industry continues to hope for early official announcement that purchases of copper by the Government in Latin America have been resumed. Copper requirements are being studied at present to arrive at a decision on the tonnage that is to be brought into the country in the first half of 1946. So far, no definite commitments for foreign copper have been made. The price that will be paid is expected to remain unchanged.

Deliveries of refined copper in the United States in December amounted to 103,464 tons, making the total for the year 1,517,842

tons, against 1,636,295 tons in 1944. Except for some delay in moving copper because of strikes the tonnage shipped in December would have been larger, the industry believes. The trade is moving slowly in regard to taking care of February requirements, as numerous problems have been injected into the situation by labor developments.

Lead

Effective Jan. 15, the British Ministry of Supply advanced the price of lead in the British market £9 per long ton, establishing the quotation at £39, or the equivalent of approximately 7c. a pound. This step was taken to attract more lead to the British market. It recognizes that the world supply situation is tight and that little or no metal would be forthcoming from foreign sources

except at a higher purchasing basis. To conserve supplies, the British consumer during the first quarter of 1946 will not obtain more than 80% of the quantity that he received in the last four months of 1945.

The advisory committee of the lead industry was scheduled to meet with officials in Washington on Jan. 22 to discuss the supply situation, which has become more involved because of the up-lift in prices in England, the strike in Mexico, and a possible strike in Utah. Some members of the industry believe that the question of raising the price will be brought up at the conference. With England a buyer at above domestic parity, foreign lead is certain to move to the highest bidder.

Sales of lead in the domestic market for the week involved 5,294.

Zinc

The tight situation in Special High Grade zinc should be eased slightly as soon as production is resumed at the electrolytic refinery of the American Zinc, Lead & Smelting Co., at Monsanto, Ill. Officials of the company announced on Jan. 15 that workers there, who had been out on strike since early December, agreed to return to their jobs at unchanged wage rates. Workers originally demanded that wages be increased 25c. an hour.

Despite the continued unsettlement in the labor situation, demand for both Special High Grade and Prime Western grades of zinc remained fairly active last week.

Tin

Production of tin at the smelter in Texas amounted to 40,591 long tons in 1945, according to the Civilian Production Administration. This compares with 30,619 tons in 1944 and 20,727 tons in 1943. Output in December was 3,676 tons, or at the rate of 44,112 tons a year, the highest since the plant began operating in April, 1942. More than 90% of the smelter's 1945 production was Grade A quality tin.

Consumption of primary tin in the United States at present is believed to amount to slightly more than 5,000 tons a month.

The price situation remains unchanged. Straits quality tin for shipment, cents per pound, was nominally as follows:

	Jan.	Feb.	March
Jan. 10	52.000	52.000	52.000
Jan. 11	52.000	52.000	52.000
Jan. 12	52.000	52.000	52.000
Jan. 14	52.000	52.000	52.000
Jan. 15	52.000	52.000	52.000
Jan. 16	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c. per pound.

Quicksilver

A moderate volume of business has been placed in quicksilver during the last week, but at prices averaging around \$3 per flask below the level of recent weeks. Quotations in New York settled at \$105 to \$108 per flask, spot and nearby metal. The market was anything but active and the undertone in so far as forward business was concerned was barely steady at the lower level.

Preliminary figures issued by the Dominion Bureau of Statistics indicate that Canada produced no quicksilver during 1945.

Silver

Advices from Washington were lukewarm on prospects for early action on reconsideration of the Green bill. As Congress reconvened, most of the Senators from the silver states had not yet arrived.

Silver refineries in the United States recovered 6,763,000 oz. of silver during November, of which 2,654,000 oz. was from domestic sources and 4,109,000 oz. foreign. Output in October totaled 7,002,000 oz., of which 2,780,000 oz. was domestic and 4,222,000 oz. foreign.

The New York Official price of foreign silver continued at 70 3/4c. London was unchanged at 44d.

Daily Average Crude Oil Production for Week Ended Jan. 12, 1946 Increased 30,300 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Jan. 12, 1946 was 4,578,400 barrels, a gain of 30,300 barrels per day over the preceding week and 78,400 barrels in excess of the daily average figure of 4,500,000 barrels recommended by the Bureau of Mines for the month of January, 1946. The current figure, however, was 144,250 barrels per day lower than output in the week ended Jan. 13, 1945. Daily production for the four weeks ended Jan. 12, 1946 averaged 4,520,000 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,498,000 barrels of crude oil daily and produced 14,246,000 barrels of gasoline; 2,101,000 barrels of kerosene; 5,325,000 barrels of distillate fuel, and 8,223,000 barrels of residual fuel oil during the week ended Jan. 12, 1946; and had in storage at the end of that week 99,574,000 barrels of finished and unfinished gasoline; 9,641,000 barrels of kerosene; 33,359,000 barrels of distillate fuel, and 40,499,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements January	State Allowables Began Jan. 1	Actual Production Week Ended Jan. 12, 1946	Change from Previous Week	4 Weeks Ended Jan. 12, 1946	Week Ended Jan. 13, 1945
Oklahoma	382,000	390,000	+391,050	-1,750	390,000	360,750
Kansas	260,000	249,400	+249,200	+43,250	238,400	272,650
Nebraska	800		+750		750	1,000
Panhandle Texas			81,000		81,000	88,700
North Texas			152,800		151,200	143,150
West Texas			489,300	-100	477,600	478,600
East Central Texas			140,050	+250	137,600	144,050
East Texas			320,000		313,500	370,900
Southwest Texas			328,900	+100	321,700	342,350
Coastal Texas			488,750	+1,250	478,600	552,600
Total Texas	1,950,000	2,122,696	2,000,800	+1,500	1,961,200	2,120,350
North Louisiana			78,700	+950	77,550	69,050
Coastal Louisiana			288,850	-6,450	293,700	289,200
Total Louisiana	365,000	409,214	367,550	-5,500	371,250	358,250
Arkansas	76,000	77,311	77,311	+750	76,600	81,400
Mississippi	48,000		53,600	-900	54,100	50,150
Alabama	500		800	+150	550	300
Florida			100		100	50
Illinois	205,000		207,450	+2,250	204,800	203,650
Indiana	13,000		15,450	+1,300	14,050	13,000
Eastern						
(Not incl. Ill., Ind., Ky.)	63,200		66,200	+2,650	59,950	62,350
Kentucky	28,500		29,800	-250	29,600	29,650
Michigan	46,000		47,100	+1,850	45,450	50,700
Wyoming	50,000		94,700	+3,050	91,500	97,900
Montana	21,000		19,500	-1,900	19,900	20,400
Colorado	20,000		23,750	-1,300	25,050	9,350
New Mexico	98,000	104,000	98,300		98,100	103,250
Total East of Calif.	3,668,000	3,748,000	3,748,000	-47,050	3,681,350	3,835,150
California	832,000	824,000	830,000	-16,750	838,650	887,500
Total United States	4,500,000	4,578,400	4,578,400	+30,300	4,520,000	4,722,650

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of January. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced. In some areas the weekly estimates do, however, include small but indeterminate amounts of condensate which is mixed with crude oil in the field.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Jan. 9, 1946. ‡This is the net basic allowable as of Jan. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 12 days, the entire state was ordered shut down for 5 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 5 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILL; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSENE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JAN. 12, 1946

(Figures in thousands of barrels of 42 gallons each)

District	Daily Crude Runs Report'g	Crude Runs to Stills Daily % Operated	Gasoline Produced at Ref. Inc. Blended	Unfinished Gasoline Stocks	Kerosene Stocks	Gas Oil & Dist. Oil	Stks. of Fuel Oil	Stks. of Resid. Fuel Oil	Bureau of Mines Basis	
									% Daily Crude Runs Report'g	% Gasoline Produced at Ref. Inc. Blended
East Coast	99.5	650	82.2	1,757	20,711	3,621	9,835	5,883		
Appalachian										
District No. 1	76.8	87	59.6	283	2,952	294	527	286		
District No. 2	81.2	61	122.0	316	1,168	38	151	155		
Ind., Ill., Ky.	87.2	707	82.5	2,593	20,520	1,620	4,927	2,492		
Okl., Kan., Mo.	78.3	383	81.7	1,441	9,007	479	1,713	1,017		
Inland Texas	59.8	208	63.0	866	2,864	208	365	764		
Texas Gulf Coast	89.3	1,155	93.4	3,624	17,344	1,529	5,939	5,397		
Louisiana Gulf Coast	96.8	314	120.8	839	5,296	929	1,870	1,163		
Lo. La. & Arkansas	55.9	57	45.2	158	1,969	261	457	260		
Rocky Mountain										
District No. 3	17.1	13	100.0	36	103	20	17	29		
District No. 4	72.1	115	72.3	369	1,913	88	411	713		
California	86.5	748	77.4	1,959	15,727	554	7,147	22,340		
Total U. S. B. of M. basis Jan. 12, 1946	85.7	4,438	83.2	14,246	99,574	9,641	33,359	40,499		
Total U. S. B. of M. basis Jan. 5, 1946	85.7	4,651	86.0	14,483	98,494	10,530	35,199	42,371		
U. S. B. of M. basis Jan. 13, 1945		4,580		14,312	188,464	10,093	35,490	53,763		

*Includes 8,082,000 barrels of unfinished gasoline stocks. †Includes 12,864,000 barrels of unfinished gasoline stocks. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 2,101,000 barrels of kerosene, 5,325,000 barrels of gas oil and distillate fuel oil and 8,223,000 barrels of residual fuel oil produced during the week ended Jan. 12, 1946, which compares with 2,201,000 barrels, 5,293,000 barrels and 8,867,000 barrels, respectively, in the preceding week and 1,478,000 barrels, 4,464,000 barrels and 9,236,000 barrels, respectively, in the week ended Jan. 13, 1945.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Jan. 16, 1946, figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Dec. 29, 1945, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Dec. 29 (in round-lot transactions) totaled 1,604,404 shares, which amount was 16.51% of the total transactions on the Exchange of 4,859,910 shares. This compares with member trading during the week ended Dec. 22 of 2,436,025 shares, or 15.90% of the total trading of 7,659,410 shares. On the New York Curb Exchange, member trading during the week ended Dec. 29 amounted to 463,310 shares or 11.29% of the total volume on that Exchange of 2,051,500 shares. During the week ended Dec. 22 trading for the account of Curb members of 598,455 shares was 11.29% of the total trading of 2,649,005 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED DEC. 29, 1945		Total for Week	%
1. Total Round-Lot Sales:			
Short sales	122,450		
†Other sales	4,737,460		
Total sales	4,859,910		
2. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:			
1. Transactions of specialists in stocks in which they are registered—			
Total purchases	504,430		
Short sales	72,990		
†Other sales	420,910		
Total sales	493,900		10.27
2. Other transactions initiated on the floor—			
Total purchases	94,690		
Short sales	4,200		
†Other sales	83,520		
Total sales	87,720		1.88
3. Other transactions initiated off the floor—			
Total purchases	166,075		
Short sales	17,240		
†Other sales	240,349		
Total sales	257,589		4.36
4. Total—			
Total purchases	765,195		
Short sales	94,430		
†Other sales	744,779		
Total sales	839,203		16.51

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED DEC. 29, 1945		Total for Week	%
1. Total Round-Lot Sales:			
Short sales	16,030		
†Other sales	2,055,470		
Total sales	2,051,500		
2. Round-Lot Transactions for Account of Members:			
1. Transactions of specialists in stocks in which they are registered—			
Total purchases	147,085		
Short sales	7,240		
†Other sales	129,555		
Total sales	136,795		6.92
2. Other transactions initiated on the floor—			
Total purchases	28,070		
Short sales	700		
†Other sales	26,100		
Total sales	26,800		1.34
3. Other transactions initiated off the floor—			
Total purchases	48,770		
Short sales	1,000		
†Other sales	74,790		
Total sales	75,790		3.03
4. Total—			
Total purchases	223,925		
Short sales	8,940		
†Other sales	230,445		
Total sales	239,385		11.29
3. Odd-Lot Transactions for Account of Specialists—			
Customers' short sales	0		
†Customers' other sales	74,378		
Total purchases	74,378		
Total sales	72,362		

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Pres. Hasler Reports Increase in Net Earnings, Resources of Continental Bank & Trust

The Continental Bank & Trust Co. of New York attained new high levels in resources, net earnings and deposits last year, it was disclosed on Jan. 13 in the annual report of Frederick E. Hasler, Chairman and President, which was mailed to stockholders in advance of the annual meeting on Jan. 16. Resources of \$218,680,271 and deposits of \$204,765,283 at the year-end were both more than 23% higher than at the close of 1944. After payment of \$340,000 in dividends to shareholders, the surplus and undivided profits account stood at \$6,336,025 compared to \$5,789,436 at the previous year-end. Net earnings passed the \$2,000,000 mark for the first time in the bank's 75 years history. They totaled \$2,113,346 and compared to \$1,177,443 for the year 1944, an increase of 79%. Net earnings from current operations increased from \$803,013 in 1944 to \$886,588, a gain of 10%. Earnings based on present capitalization were \$4.22 per share of stock

compared to \$2.35 for the previous year. Investments of \$94,978,370, of which \$72,858,181 represented holdings of United States Government obligations, compared to \$78,701,819 at the close of 1944. Government holdings increased \$11,481,834, and municipal bond holdings \$3,296,556.

Commenting on the damage to recovery caused by the wave of labor-management disputes which has swept the country, Mr. Hasler said that the dissension "had focused attention on Congress whose duty it is to protect the public, workers and business alike."

"Congress must determine whether we shall have two sets of laws—one governing the obligations of the union and the other governing the obligations of individuals and of business—a single standard of laws with equal responsibilities for all," he continued. "Much will depend on the decision of Congress, and it is the hope of every person who has the welfare of our country at heart that there will be no double standard of law or of enforcement. This is a responsibility which Congress cannot evade. Once assured of a labor-management peace in which the basic interests and rights of both are conserved, the United States should be in a position to forge ahead to new peacetime levels of employment, production and national income."

Mr. Hasler was optimistic as to the outlook for expansion of our foreign trade, provided we take a long-range view and do not treat our advantage as a "temporary windfall." He saw no important competition for American manufacturers in foreign markets for the next three years, except that of Great Britain.

He warned that if the United States hoped to increase its exports substantially on a sound and permanent basis, it must be prepared to import more raw materials and finished goods than heretofore from the countries to which it sells. "Only in this way, by an exchange of goods of approximate monetary value," he said, "can other countries secure the dollars to pay for their purchases from us."

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Jan. 16, a summary for the week ended Jan. 5 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Jan. 5, 1946		Total
Odd-Lot Sales by Dealers—		
(Customers' purchases)		
Number of orders	24,662	
Number of shares	694,556	
Dollar Value	\$23,735,790	
Odd-Lot Purchases by Dealers—		
(Customers' sales)		
Number of Orders:		
Customers' short sales	48	
Customers' other sales	23,458	
Customers' total sales	23,506	
Number of Shares:		
Customers' short sales	1,690	
Customers' other sales	626,742	
Customers' total sales	628,432	
Dollar Value	\$26,557,823	
Round-Lot Sales by Dealers—		
Number of Shares:		
Short sales	150	
†Other sales	137,960	
Total sales	138,110	
Round-Lot Purchases by Dealers—		
Number of shares	199,730	
†Sales marked "short exempt" are reported with "other sales."		
†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."		

Weekly Coal and Coke Production Statistics

The total production of soft coal in the week ended Jan. 12, 1946, as estimated by the United States Bureau of Mines, amounted to 11,500,000 net tons, an increase of 1,245,000 tons over the output in the holiday week preceding. Production in the corresponding week of 1945 amounted to 12,150,000 tons. For the year to Jan. 12, 1946 soft coal output was estimated at 20,080,000 net tons, a decrease of 11.6% when compared with the 22,725,000 tons produced from Jan. 1 to Jan. 13, 1945.

Production of Pennsylvania anthracite for the week ended Jan. 12, 1946, as estimated by the Bureau of Mines, was 1,060,000 tons, an increase of 324,000 tons (44%) over the preceding week. When compared with the output in the corresponding week of 1945 there was a decrease of 49,000 tons, or 4.4%. For the calendar year to date, anthracite production amounted to 1,657,000 tons, compared with 1,888,000 tons in the corresponding period of 1945.

The Bureau also reported that the estimated production of bee-hive coke in the United States for the week ended Jan. 12, 1946, showed an increase of 5,800 tons when compared with the output for the week ended Jan. 5, 1946, but was 5,000 tons less than for the corresponding week of 1945.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE (In Net Tons)

	Week Ended			Jan. 1 to Date	
	Jan. 12, 1946	Jan. 5, 1946	Jan. 13, 1945	Jan. 12, 1946	Jan. 13, 1945
Bituminous coal & lignite—	11,500,000	10,255,000	12,150,000	20,080,000	22,725,000
Total, including mine fuel—	1,917,000	2,011,000	2,325,000	1,988,000	1,959,000
Daily average	1,917,000	2,011,000	2,325,000	1,988,000	1,959,000

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE (In Net Tons)

	Week Ended			Calendar Year to Date		
	Jan. 12, 1946	Jan. 5, 1946	Jan. 13, 1945	Jan. 12, 1946	Jan. 13, 1945	Jan. 16, 1937
Penn. Anthracite—	1,060,000	736,000	1,109,000	1,557,000	1,888,000	2,277,000
*Total incl. coll. fuel—	1,018,000	707,000	1,065,000	1,591,000	1,812,000	2,163,000
†Commercial produc.	1,018,000	707,000	1,065,000	1,591,000	1,812,000	2,163,000
Beehive coke—	95,000	89,200	100,000	158,700	176,600	145,200
United States total.	1,113,000	820,200	1,165,000	1,750,000	2,000,000	2,308,200

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State	Week Ended		
	Jan. 5, 1946	Dec. 29, 1945	Jan. 6, 1946
Alabama	331,000	186,000	360,000
Alaska	6,000	6,000	7,000
Arkansas and Oklahoma	84,000	75,000	95,000
Colorado	122,000	110,000	147,000
Georgia and North Carolina	1,000	1,000	1,000
Illinois	1,218,000	1,016,000	1,307,000
Indiana	445,000	362,000	525,000
Iowa	42,000	28,000	55,000
Kansas and Missouri	104,000	104,000	160,000
Kentucky—Eastern	945,000	530,000	987,000
Kentucky—Western	398,000	270,000	330,000
Michigan	39,000	27,000	26,000
Minnesota	2,000	3,000	2,000
Montana (bitum. & lignite)	104,000	104,000	101,000
New Mexico	25,000	23,000	33,000
North and South Dakota (lignite)	83,000	64,000	53,000
Ohio	615,000	410,000	502,000
Pennsylvania (bituminous)	2,290,000	1,765,000	2,195,000
Tennessee	136,000	83,000	130,000
Texas (bituminous & lignite)	1,000	2,000	4,000
Utah	117,000	81,000	134,000
Virginia	300,000	165,000	378,000
Washington	28,000	29,000	25,000
West Virginia—Southern	1,715,000	892,000	1,980,000
West Virginia—Northern	920,000	618,000	853,000
Wyoming	183,000	147,000	185,000
Other Western States	0	0	0
Total bituminous & lignite	10,255,000	7,100,000	10,575,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Steel Strike Called—Scheduled Operating Rate Lowest in History—Priorities Sought

The greatest shutdown in the history of the steel industry became effective at 12:01 a.m. on Jan. 20 when between 750,000 and 800,000 members of the United Steel Workers of America (CIO) went on strike. This was 24 hours in advance of the deadline set for 12:01 a.m. on Jan. 21.

"Unless the Administration finds some new basis upon which negotiations in the steel labor controversy can be resumed, the current nationwide steel strike, largest in the country's history, will be long and bitter," states "The Iron Age" in its issue of today (Jan. 24), which further adds: "Chances of such a move this week on the part of the Administration seem even less than slim."

"Government advisors are toying with two principal methods of attack. The more immediate one is said to be a liberalized pricing policy. 'The Iron Age' has been told that the 'price situation is open at both ends.' By this it was meant that neither the \$2.50 per ton increase on steel products on which Price Administrator Chester Bowles, once firmly stood, nor the \$4 increase said to have later been approved by the President is any longer a limiting factor. Reports have been current that a 'bait' of \$6 a ton in an attempt to assure acceptance of Mr. Truman's 18.5¢ hourly wage increase has been talked over.

"The only other alternative for the Administration, if it wishes to play a major part in stopping the strike, would be seizure of the steel industry—a move fraught with danger for the Government. Such an action would not necessarily mean the strike would be settled or that the entire problem would not be reopened again at a later date.

"The serious aspect of the current impasse which has caused the steel operating rate this week to reach its lowest point in recorded statistics is that both sides now seem farther away from an agreement than at any time since demands were made and rejected.

That the United States Steel Corp., which is an important part of the solid front presented by the industry, would go any higher than its 15¢ an hour offer, is highly improbable, unless an unusual steel price development comes out of Washington. In other words the current controversy looks this week like a fight to the finish.

"The steel union having once postponed the steel strike and having accepted President Truman's compromise offer after having stood firm on its 19.5¢ an hour demand is in no position at this time to give ground. It will attempt to win its fight by keeping the mills shut down and adopting the same principle as the industry—an appeal to public opinion by radio and press.

"It is probable that in the near future the United States Steel Corp. or another steel producer may cancel its union contract. Such an action would be followed by other steel companies. Steel firms have taken the position that the current strike is a violation of the no-strike pledge contained in present contracts which run out on Oct. 15. The union denies this charge.

"The cancellation of steel contracts would not only increase the bitterness in the present controversy, but would present many more points of differences. If a settlement were to be made on the basis of the present steel contracts, the industry fears that a new strike issue would be raised upon its expiration in October. The wiping out of these contracts would mean a battle on the part of the industry to change present provisions such as maintenance of membership which were based on War Labor Board directives."

Because of the steel strike, the percentage of steel capacity in

operation this week, as announced by American Iron and Steel Institute, is believed to have dropped to the lowest rate in the 300-year history of iron and steel in this country. The tonnage scheduled to be produced this week is the lowest in 53 years, or since 1893.

For the week beginning Jan. 21, steel operations were scheduled at only 4.9% of capacity, equivalent to 89,700 tons of ingots and castings. That rate represents a decrease of 71.6 points or 93.6% from the week before when operations were scheduled at 76.5% of capacity, equivalent to 1,401,200 tons. One month ago, the operating rate was 62.8% of capacity and indicated tonnage was 1,150,300 tons. One year ago, operations were at 91.2% of capacity, equivalent to 1,670,300 tons.

The tonnage scheduled to be produced this week according to the Institute, is far shorter than was made in any during the depression of the 1930's and also was well below minimum recorded output during the steel strike of 1919. It was necessary to go back 53 years to 1893, when the average weekly tonnage was 86,352 tons, to find output comparable with that scheduled for this week.

"Steel," of Cleveland, in its summary of the iron and steel markets, on Jan. 21 stated in part as follows: "Growing tightness in steel supply is evidenced by a noticeable increase in requests for priorities assistance, particularly in sheets, including galvanized, electrical and enameling.

"While total assistance being granted at present does not represent sufficient tonnage to interfere with distribution schedules the amount is increasing despite best efforts of Washington and producers to keep it down. In addition to sheets, increasing difficulty is arising in other products, especially in structural shapes, where in some quarters the feeling exists that the industry will have to give serious thought to further expansion in production. Rolling facilities are adequate, but there is need for diverting more steel to this product. At present, shape deliveries fall late in first half, with some important producers entirely out of the market for that period.

"At the same time a large accumulation of building construction is awaiting more stable conditions before going ahead and will require not only heavy sections but light shapes as well. Particularly in view of scarcity of lumber, the proposed housing program, which may involve 400,000 to 500,000 units this year, probably will require a substantial tonnage of standard structurals.

"Up to the present smaller consumers have shared substantially in such priority assistance as has been given and with relatively few exceptions the assistance has been given through CC ratings and in no case has provided for more than 60 days' supply. Shortage in galvanized and electrical sheets is ascribed to especially heavy demand and the fact that production in neither case has returned to prewar levels.

"Deliveries on all these products, where promises actually are being made, run well into the latter part of the year and in the case of some producers, especially of galvanized, schedules are cleared for the year.

"Strike in the electrical industry has resulted in no im-

suspensions, as consumers, as in the case of the automotive strike, apparently are laying plans to take in steel in their own plants or in commercial warehouses for the time being. However, so tight is the situation in light flat-rolled products that some of the producers themselves will bring pressure on electrical equipment manufacturers for permission to divert shipments to others in a position to handle it. Some sheet sellers who are operating on a quarterly quota basis have not yet opened books for second quarter, because of the labor situation and its effects, one of which has been to delay issuance of directives against the program for allocating more than 900,000 tons of various steel products for export during first half, this to take precedence over unrated domestic and other export business.

"In spite of threats to steel production, steel mills have continued to buy scrap wherever it is available, believing, in view of the short supply, the tonnage will be needed when conditions right themselves and production is more stable. Scarcity persists in all grades, especially in heavy melting steel, borings and turnings and cast."

More Freight Cars On Order on Jan. 1

The Class I railroads on Jan. 1, 1946, had 37,160 new freight cars on order, the Association of American Railroads announced on Jan. 21. This included 13,566 plain box, 3,653 automobile box, 4,391 gondolas, 13,997 hoppers (which included 3,201 covered hoppers), 735 refrigerator, and 100 miscellaneous cars. New freight cars on order on Dec. 1, last, totaled 35,908 and on Jan. 1, 1945, amounted to 36,597.

The railroads also had 471 locomotives on order on Jan. 1, this year, which included 92 steam, six electric, and 373 Diesel locomotives. On Jan. 1, 1945, they had 468 locomotives on order which included 66 steam, two electric and 400 Diesel.

The Class I railroads put 38,987 freight cars and 643 locomotives in service in 1945. This was a decrease of 1,405 cars and a decrease of 295 locomotives compared with the number installed in 1944. In 1943 the railroads put in service 28,708 new freight cars and 773 new locomotives.

Of the new freight cars installed in the past calendar year, there were 18,977 plain box, 2,134 automobile, 5,971 gondolas, 8,489 hopper, 1,218 flat, 1,860 refrigerator, 239 stock cars, and 99 miscellaneous cars.

The new locomotives installed in 1945 included 109 steam and 534 Diesel, compared with 329 steam, one electric and 608 Diesel in 1944.

Dec. Freight Traffic Off

The volume of freight traffic, handled by Class I railroads in December, 1945, measured in ton-miles of revenue freight, amounted to 42,500,000 ton-miles, according to a preliminary estimate based on reports received from the railroads by the Association of American Railroads. The decrease under December, 1944, was 25.2%.

Revenue ton-miles of service performed by Class I railroads in 1945 was 8.2% under 1944, according to preliminary statistics, and 6.9% less than two years ago. However, compared with 1939, the 1945 total was 1% greater.

The following summarizes revenue ton-miles for 1945 and 1944 (000 omitted):

	1945	1944	% Dec.
1st 10 mos.	584,608,520	726,575,575	5.7
% of Nov.	50,000,000	54,815,161	16.1
% of Dec.	42,500,000	55,425,258	25.8

1st 12 mos. 677,000,000 vs. 749,414,820
*Revised estimate. †Preliminary estimate.

National Fertilizer Association Commodity Price Index Remains Unchanged

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on Jan. 21, remained unchanged in the week ended Jan. 19, 1946, at 142.1, the same as in the previous week. A month ago the index stood at 141.8, and a year ago at 139.9, all based on the 1935-1939 average as 100. The Association's report added:

Price changes were mixed during the latest week with 7 price series in the index advancing and 7 declining. The prices for cotton, rye, good cattle, lambs, live poultry flour and potatoes advanced during the week and were just a little more than offset by declining quotations for choice cattle, calves, eggs and wool, with the net result that the farm products, food, and textile groups declined fractionally, but not enough to affect the general index.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Preceding Month Year			
		Week	Week	Age	Jan. 20, 1946
25.3	Foods	1946	1946	1945	143.6
		142.5	143.1	144.2	143.6
		146.6	146.6	146.6	144.9
23.0	Farm Products	163.1	163.1	163.1	161.8
		170.5	170.8	172.3	164.5
		232.9	232.6	233.1	206.4
17.3	Fuels	169.6	169.3	167.1	159.0
		161.7	162.3	165.5	159.6
		129.4	129.4	129.0	130.4
10.8	Miscellaneous commodities	133.5	133.5	133.5	133.4
		159.0	159.2	159.3	156.0
		110.2	110.2	110.2	106.4
8.2	Textiles	160.4	160.4	154.7	154.1
		127.0	127.0	127.5	125.4
		118.2	118.2	118.2	118.3
7.1	Metals	119.8	119.9	119.9	119.9
		105.2	105.2	105.0	104.8
		142.1	142.1	141.8	139.9

*Indexes on 1926-1928 base were: Jan. 19, 1946, 110.7; Jan. 12, 1946, 110.7; Jan. 20, 1945, 109.0.

Revenue Freight Car Loadings During Week Ended Jan. 12, 1946 Increased 120,100 Cars

Loading of revenue freight for the week ended Jan. 12, 1946 totaled 772,558 cars the Association of American Railroads announced on Jan. 17. This was a decrease below the corresponding week of 1945 of 10,502 cars, or 1.3%, and a decrease below the same week in 1944 of 6,973 cars or 0.9%.

Loading of revenue freight for the week of Jan. 12, increased 120,101 cars, or 18.4% above the preceding week which included New Year holiday.

Miscellaneous freight loading totaled 358,456 cars, an increase of 62,824 cars above the preceding week, but a decrease of 21,994 cars below the corresponding week in 1945.

Loading of merchandise less than carload lot freight totaled 115,948 cars, an increase of 18,093 cars above the preceding week, and an increase of 15,709 cars above the corresponding week in 1945.

Coal loading amounted to 170,032 cars, an increase of 23,849 cars above the preceding week, but a decrease of 3,818 cars below the corresponding week in 1945.

Grain and grain products loading totaled 54,453 cars, an increase of 10,541 cars above the preceding week and an increase of 7,766 cars above the corresponding week in 1945. In the Western Districts alone, grain and grain products loading for the week of Jan. 12 totaled 36,496 cars, an increase of 7,502 cars above the preceding week and an increase of 4,465 cars above the corresponding week in 1945.

Livestock loading amounted to 18,126 cars, a decrease of 2,678 cars below the preceding week but an increase of 204 cars above the corresponding week in 1945. In the Western Districts alone loading of livestock for the week of Jan. 12 totaled 13,532 cars a decrease of 1,803 cars below the preceding week, but an increase of 413 cars above the corresponding week in 1945.

Forest products loading totaled 32,840 cars an increase of 6,750 cars above the preceding week but a decrease of 6,114 cars below the corresponding week in 1945.

Ore loading amounted to 9,720 cars, an increase of 587 cars above the preceding week but a decrease of 1,459 cars below the corresponding week in 1945.

Coke loading amounted to 12,983 cars, an increase of 135 cars above the preceding week, but a decrease of 796 cars below the corresponding week in 1945.

All districts reported decreases compared with the corresponding week in 1945 except the Eastern and Northwestern but all reported increases compared with 1944, except the Allegheny, Pechontas and Southwestern.

	1946	1945	1944
Week of January 5	652,457	683,398	769,625
Week of January 12	772,558	783,060	779,531
Total	1,425,015	1,466,458	1,549,160

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Jan. 12, 1946. During this period 63 roads reported gains over the week ended Jan. 13, 1945.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED JAN. 12

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Eastern District—					
Ann Arbor	372	298	257	1,505	1,459
Bangor & Aroostook	3,270	2,565	2,068	500	536
Boston & Maine	7,601	6,314	6,490	14,042	13,286
Chicago, Indianapolis & Louisville	1,108	1,210	1,346	1,924	2,139
Central Indiana	20	29	26	54	44
Central Vermont	1,180	983	987	2,315	1,632
Delaware & Hudson	4,369	4,434	5,432	11,245	12,552
Delaware, Lackawanna & Western	7,599	7,465	7,340	8,215	10,172
Detroit & Mackinac	235	182	167	179	89
Detroit, Toledo & Ironton	2,265	1,601	2,278	2,937	1,619
Detroit & Toledo Shore Line	313	367	239	3,353	3,257
Erie	11,796	11,336	11,725	14,983	16,337
Grand Trunk Western	3,140	3,725	3,697	7,948	8,497
Lehigh & Hudson River	147	167	191	2,406	2,929
Lehigh & New England	2,030	1,700	1,797	1,546	1,064
Lehigh Valley	3,395	7,274	8,264	7,600	11,374
Maine Central	3,031	2,257	2,246	5,163	4,146
Monongahela	6,083	5,558	6,322	241	289
Montour	2,574	2,435	2,669	23	15
New York Central Lines	45,114	43,928	46,438	49,003	49,381
N. Y., N. H. & Hartford	11,238	9,497	9,801	14,632	16,651
New York, Ontario & Western	724	803	1,096	1,902	2,487
New York, Chicago & St. Louis	5,906	6,015	6,445	13,080	14,781
N. Y., Susquehanna & Western	471	385	515	2,046	2,078
Pittsburgh & Lake Erie	7,360	7,305	7,643	7,659	7,028
Pere Marquette	4,973	4,800	4,429	6,794	7,430
Pittsburgh & Shawmut	796	726	945	8	10
Pittsburgh, Shawmut & North	257	252	345	253	228
Pittsburgh & West Virginia	869	907	1,056	1,994	2,880
Rutland	387	350	352	1,311	664
Wabash	5,944	6,175	6,197	11,291	12,238
Wheeling & Lake Erie	4,685	5,286	4,518	3,677	4,675
Total	155,302	146,377	153,424	198,935	211,987
Pechontas District—					
Chesapeake & Ohio	27,805	28,556	29,246	10,436	11,252
Norfolk & Western	21,491	21,607	22,769	6,524	9,609
Virginian	5,254	4,810	4,770	1,480	2,156
Total	54,550	54,973	56,785	18,440	23,017
Allegheny District—					
Akron, Canton & Youngstown	622	790	719	1,209	1,353
Baltimore & Ohio	40,572	39,722	42,031	23,750	26,803
Bessemer & Lake Erie	2,178	2,190	2,915	1,168	1,410
Cambria & Indiana	1,556	1,604	1,869	5	4
Central R. E. of New Jersey	5,905	6,090	6,822	17,241	18,704
Cornwall	423	367	564	52	48
Cumberland & Pennsylvania	213	171	239	16	7
Ligonier Valley	28	91	143	6	44
Long Island	1,590	1,566	1,257	4,308	3,822
Penn-Reading Seashore Lines	1,798	1,780	1,570	1,899	2,093
Pennsylvania System	74,327	75,465	75,728	57,089	63,755
Reading & Coalinga	14,738	14,292	14,194	25,793	28,436
Union (Pittsburgh)	17,811	18,682	20,497	3,177	3,232
Western Maryland	4,180	3,925	4,201	11,801	13,420
Total	165,941	166,735	172,749	147,514	163,135

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Southern District—					
Alabama, Tennessee & Northern	373	447	242	180	423
Atl. & W. P.—W. R. E. of Ala.	752	797	693	1,838	2,579
Atlanta, Birmingham & Coast	1	1	647	1	1
Atlantic Coast Line	15,007	14,744	12,569	9,679	13,246
Central of Georgia	3,989	3,730	3,516	4,459	5,233
Charleston & Western Carolina	362	420	341	1,380	1,812
Clinchfield	1,512	1,744	1,590	2,847	3,542
Columbus & Greenville	262	324	248	280	305
Durham & Southern	125	108	98	596	807
Florida East Coast	3,021	3,173	3,084	1,227	1,470
Gainesville Midland	47	39	42	131	123
Georgia	1,075	1,072	964	2,521	2,621
Georgia & Florida	401	434	333	816	760
Gulf, Mobile & Ohio	4,235	4,396	3,513	3,751	3,834
Illinois Central System	25,423	26,916	28,754	14,663	17,637
Louisville & Nashville	21,948	26,199	24,918	9,826	12,568
Macon, Dublin & Savannah	309	179	137	1,013	818
Mississippi Central	247	317	165	471	466
Nashville, Chattanooga & St. L.	2,690	3,135	3,012	3,914	4,504
Norfolk Southern	1,173	1,000	779	1,484	1,714
Piedmont Northern	418	450	368	1,342	1,276
Richmond, Fred. & Potomac	363	420	369	9,920	10,815
Seaboard Air Line	11,054	10,536	10,026	7,782	8,597
Southern System	23,146	23,642	21,351	21,748	26,133
Tennessee Central	531	743	670	803	725
Winston-Salem Southbound	125	135	129	778	1,176
Total	119,188	125,102	118,558	103,449	123,184
Northwestern District—					
Chicago & North Western	16,396	15,027	15,506	12,907	13,351
Chicago Great Western	3,008	2,585	2,776	2,768	3,558
Chicago, Milw., St. P. & Pac.	22,279	21,572	21,763	9,995	11,032
Chicago, St. Paul, Minn. & Omaha	4,070	3,570	4,300	3,844	3,604
Duluth, Missabe & Iron Range	1,140	1,103	1,356	267	193
Duluth, South Shore & Atlantic	719	651	832	516	503
Elgin, Joliet & Eastern	9,316	8,787	8,893	9,778	12,528
Ft. Dodge, Des Moines & South	447	352	388	166	99
Great Northern	12,165	11,677	12,388	4,038	5,090
Green Bay & Western	528	546	533	949	793
Lake Superior & Ishpeming	289	243	281	70	77
Minneapolis & St. Louis	2,415	2,018	2,407	2,205	2,648
Minn., St. Paul & S. S. M.	5,953	4,644	5,799	3,488	2,719
Northern Pacific	10,284	10,461	10,764	4,604	5,508
Spokane International	121	244	98	385	500
Spokane, Portland & Seattle	1,899	2,409	2,286	2,122	3,513
Total	91,029	85,889	90,370	58,102	65,716
Central Western District—					
Atch., Top. & Santa Fe System	24,560	24,532	21,849	9,258	13,080
Alton	3,353	3,266	3,295	3,108	3,925
Bingham & Garfield	243	424	457	87	82
Chicago, Burlington & Quincy	21,107	19,797	20,537	10,399	11,530
Chicago & Illinois Midland	3,333	3,048	2,935	790	940
Chicago, Rock Island & Pacific	13,910	12,501	11,544	11,214	13,629
Chicago & Eastern Illinois	2,918	2,659	2,652	3,064	5,061
Colorado & Southern	602	758	774	1,805	2,046
Denver & Rio Grande Western	3,389	4,203	3,814	3,835	5,760
Denver & Salt Lake	980	838	923	49	49
Fort Worth & Denver City	926	838	713	1,231	1,206
Illinois Terminal	2,276	2,258	2,106	1,505	1,989
Nevada Northern	777	833	970	486	527
Norfolk Western Pacific	1,314	1,222	1,707	138	118
Peoria & Pekin Union	584	774	712	599	791
Southern Pacific (Pacific)	4	4	45	0	0
Toledo, Peoria & Western	26,933	31,005	28,534	9,074	14,035
Union Pacific System	0	306	474	0	2,044
Utah	17,610	18,599	17,443	11,200	15,440
Western Pacific	810	581	690	5	3
Total	127,684	130,773	124,093	70,706	96,256
Southwestern District—					
Burlington-Rock Island	371	342	226	463	610
Gulf Coast Lines	5,221	6,451	5,580	2,485	2,553
International-Great Northern	2,021	2,760	1,273	3,542	3,928
K. O. & G. M. V. & O. C. A.-A.	1,214	1,351	964	1,449	1,608
Kansas City Southern	2,424	4,553	4,660	3,014	2,637
Louisiana & Arkansas	2,172	3,330	2,872	2,246	2,512
Litchfield & Madison	353	307	330	1,138	1,183
Missouri & Arkansas	134	129	153	306	517
Missouri-Kansas-Texas Lines	5,162	6,330	4,831	3,710	5,604
Missouri Pacific	16,155	17,948	15,885	13,462	18,049
Quanaah Acme & Pacific	107	63	81	102	389
St. Louis-San Francisco	8,554	9,347	7,791	6,652	8,366
St. Louis-Southwestern	2,310	3,561	2,680	4,641	6,740
Texas & New Orleans	8,682	11,846	11,767	5,196	5,395
Texas & Pacific	3,821	4,766	4,349	5,632	8,203
Wichita Falls & Southern	77	94	92	44	42
Weatherford M. W. & N. W.	86	33	18	14	30
Total	58,864	73,211	63,552	54,096	68,344

*Previous week's figure. †Included in Atlantic Coast Line RR. ‡Includes Midland Valley Ry. and Kansas, Oklahoma & Gulf Ry. only in 1944 and also Oklahoma City-Ada-Atoka Ry. in 1945 and 1946.
NOTE—Previous year's figures revised.

Results of Treasury Bill Offering
The Secretary of Treasury announced on Jan. 21 that the tenders for \$1,300,000,000 or thereabout of 91-day Treasury bills to be dated Jan. 24 and to mature April 25, which were offered on Jan. 18, were opened at the Federal Reserve Banks on Jan. 21. Total applied for, \$2,016,155,000. Total accepted, \$1,316,79

Promotions in Official Staff of Federal Reserve Bank of Cleveland

The promotion of five bank officers and the appointment of four new officers and a chief examiner of the Federal Reserve Bank of Cleveland was announced on Jan. 11 by President Ray M. Gidney of the Reserve Bank.

This action, approved by the board of directors effective Jan. 10, is attributable in part to the growth during the last four years in



Walter L. Findeisen



Wilbur D. Fulton



James R. Lowe



L. Merle Hostetler



Joseph M. Miller



George R. Ross

nearly every phase of the Reserve Bank's operations, President Gidney said. Officers promoted were: Wilbur D. Fulton, Vice-President. Mr. Fulton had been Assistant Vice-President in charge of the Bank Examination Department, and chief examiner; Martin Morrison, Vice President. Mr. Morrison had been Assistant Vice President in charge of the Fiscal Agency Department; Walter L. Findeisen, Assistant Vice President. Mr. Findeisen had been Assistant Cashier in charge of the Fiscal Accounting and Foreign Funds Control Departments; Paul C. Stetzelberger, Assistant Vice President. Mr. Stetzelberger had been Assistant Cashier in charge of the Personnel Department; Wilbur T. Blair Jr., Secretary. Mr. Blair had been Assistant Secretary.

The new officers are:

James R. Lowe, Assistant Cashier, formerly manager of the Currency and Coin Department; Joseph M. Miller, Assistant Cashier, formerly manager of the Check Collection Department; George R. Ross, Assistant Cashier, formerly manager of the Accounting Department; L. Merle Hostetler, Manager, Research Department, formerly financial economist of the bank.

Promoted to chief examiner was Hugh M. Boyd, formerly an examiner in the Bank Examination Department.

An indication of the growth of the Federal Reserve Bank of Cleveland during the last four years is contained in the announcement that resources of the bank have been increased by 66%, from \$2,036,000,000 to \$3,385,000,000. Also during this period from December, 1941, to December, 1945:

The number of member banks rose from 673 to 721, including 232 state banks — nearly double the number of state member banks four years ago; the volume of fiscal agency work handled for the Federal Government has increased more than ten-fold; employees have approximately doubled in number; the amount of Federal Reserve notes in circulation in the Fourth [Cleveland]

Federal Reserve District rose from \$778,000,000 to \$2,112,000,000; the average number of checks cleared daily by the bank and its branches at Cincinnati and Pittsburgh increased from 541,000 to 719,000; services in the interest of the financial, industrial and agricultural advancement of the Fourth District have been expanded by the bank's Research Department during recent years and further development in this field is contemplated.

Humphrey to Commerce Post

Henry A. Wallace, Secretary of Commerce, announced on Jan. 17 that the Business Advisory Council for the Department of Commerce has elected G. M. Humphrey, President of the M. A. Hanna Company, Cleveland, Ohio, Chairman for 1946.

The Commerce Department's announcement continued:

Vice chairmen elected were: Gibson Carey, Jr., President, of The Yale and Towne Mfg. Co., New York; Marion B. Folsom, Treasurer, Eastman Kodak Co., Rochester, N. Y.; John L. Collyer, President, The B. F. Goodrich Co., Akron, Ohio; and Harrison Jones, Chairman of the Board, The Coca-Cola Company, Atlanta, Ga. Mr. Humphrey who succeeds Thomas B. McCabe as Chairman of the Council practiced law in Saginaw from 1911 until 1918, becoming General Attorney for the M. A. Hanna Company in 1918 and President in 1929. Mr. Humphrey is a director of subsidiary and affiliated companies of the M. A. Hanna Company, Chairman of the Executive Committee of the National Steel Corp., Vice President Susquehanna Collieries Co., member of the Executive Committee of the National City Bank of Cleveland and of the Industrial Rayon Corporation, and Director of the Phelps Dodge Corporation.

Items About Banks, Trust Companies

(Continued from page 443)

tant Manager, Hough-Crawford branch; M. H. Nelson, Assistant Manager, Euclid — Windermere branch, and Stephen Mullian, transferred as Assistant Manager, Euclid-Ivanhoe branch.

The Farmers and Merchants Bank of Williamsburg, Hamilton County, Ohio, has become a member of the Federal Reserve System, it is announced by President Ray M. Gidney of the Federal Reserve Bank of Cleveland. The Reserve Bank advises also state: "The Farmers and Merchants Bank was organized in 1944. It was formed from a consolidation of the Farmers and Merchants Bank of Williamsburg, Ohio, and The Peoples Bank of Williamsburg, both of which had been in operation for many years. Officers of the bank are J. B. Cover, President; Joseph A. Dyer, Vice-President; Ora Stockton, Cashier; Margaret Chatterton, Assistant Cashier, and P. Elton Elrod, Secretary. Directors are J. B. Cover, E. L. Dugan, J. A. Dyer, P. Elton Elrod, J. W. Foster, J. C. Fuhr, C. L. Jones, Ecton Myers, A. Ruffner, Otis Walker and N. J. White.

The board of directors of the Old National Bank in Evansville, Evansville, Ind., announce the election of Holly Stover, President of the Chicago & Eastern Illinois Railroad, as director of the bank.

Paul S. Russell was elected President of the Harris Trust and Savings Bank of Chicago on Jan. 9, to succeed Frank R. Elliott, who announced his retirement after 46 years with the bank and its predecessor, N. W. Harris & Co., said the Chicago "Journal of Commerce," which continued:

At the same time, Frank McNair was advanced from Executive Vice-President to Vice-Chairman of the Executive Committee and Mark A. Brown was made Executive Vice-President.

A number of other promotions were announced following the bank's directors' meeting on Jan. 9.

Four new Vice-Presidents elected were George Slight, formerly Cashier; Hardin H. Hawes and Kenneth V. Zwiener, both formerly Assistant Vice-Presidents, and E. J. Altgelt, Jr., New York representative of the bank, formerly an Assistant Vice-President.

M. C. Burkhard, formerly Assistant Vice-President, was elected Cashier. Paul C. Martin, formerly Assistant Cashier, and William O. Heath, Assistant Secretary, both on leave until recently in the armed services, were made Assistant Vice-Presidents.

A. Newell Rumpf, formerly Assistant Cashier, and Paul N. Mitchell and Wendell C. Griffith, formerly Assistant Secretaries, were made Assistant Vice-Presidents.

Henry F. Weiler, E. L. Miestand, Thomas G. Cobb and Bruce Maeter were elected Assistant Cashiers. Henry M. Tibbits, returned from service with the armed forces, was re-elected Assistant Secretary.

In addition, Henry L. Parker, Philip O. Gentry and W. D. Bradock were elected Assistant Secretaries. Fred M. Gillespie was made Sales Manager and William J. Dumper Assistant Manager. Edward Moritz was made Assistant Auditor.

At the annual meeting of the stockholders of The Northern Trust Co. of Chicago held today, Edward Byron Smith, Vice-President, was elected director to fill the vacancy caused by the death, on April 2, 1945, of his uncle, Walter Byron Smith. All other directors were re-elected. The newly elected director is a son of Solomon A. Smith, President, and a grandson of Byron L. Smith, founded of the bank. Mr. Smith returned to the bank last fall fol-

lowing a leave of absence of four years in Government service.

The Belmont National Bank of Chicago will open about March 15 in quarters on the corner of Belmont Avenue and Clark Street, it has been announced, according to the Chicago "Journal of Commerce" of Jan. 7, from which we also quote:

Warren H. Orr, former Associate and Chief Justice of the Illinois Supreme Court, heads the organizing group of the new bank. Capitalization consists of 4,000 common shares of \$50 par value which will sell for \$75 a share. The additional \$25 will be divided equally between surplus and undivided profits.

Net earnings of Manufacturers National Bank of Detroit amounted to \$27.28 a share in 1945 as compared with \$24.73 a share in 1944. Total net earnings were \$1,637,276 in 1945 and \$1,483,730 in 1944. The figures were announced Jan. 8 by Charles A. Kanter, President of the bank, at the annual meeting of stockholders. The report for the year 1945 showed total income of \$6,762,611.

Of this income, \$5,796,586 came from loans and securities and \$966,025 from other sources. Total expenses of Manufacturers National Bank were \$5,125,336. Almost half of these expenses consisted of \$696,996, representing interest on time deposits and \$1,850,334 paid and reserved for taxes and Federal Deposit Insurance.

The bank ended the year with total deposits of \$442,818,348. Demand deposits decreased \$94,712,315 and time deposits increased \$14,263,690 from the previous year-end. Loans and discounts, including mortgage loans, were \$251,577 more on Dec. 31, 1945, than at the end of 1944. The bank reduced its investments by \$48,479,507.

The year-end investment account stood at \$317,085,085, with securities being valued at cost price, less amortization. Present market values are higher. The investment account contained Government bonds, notes and certificates of indebtedness carried at \$315,290,626. The average maturity of the portfolio is approximately four years. 46% of all securities will mature in less than one year, 9% in from one to five years and 45% in more than five years. The bank's invested capital accounts increased \$1,277,276 in 1945 and were \$13,076,060 on Dec. 31. Stockholders approved a proposal to increase the common stock of the bank from \$3,000,000 to \$4,000,000 by issuance of a stock dividend of \$1,000,000. The dividend would be effected by transfer of \$1,000,000 from undivided profits. If the Comptroller of the Currency approves the plan, 20,000 new shares of stock will be divided among stockholders at the ratio of one new share to three present shares. Stockholders re-elected all members of the board of directors. The board then met, re-elected all officers and elected William C. Maynard, of the Highland Park office, an Assistant Cashier.

Wiley R. Reynolds, President of the First National Bank in Palm Beach, Fla., purchased controlling interest in the First National Bank in Ft. Lauderdale with deposits of over \$12,000,000, it was announced on Jan. 19. Four new directors were added to the board at the stockholders' meeting; Wiley R. Reynolds, Bert C. Teed, Wiley R. Reynolds, Jr., of Palm Beach, and Arthur H. Ogle, a long-time resident of Ft. Lauderdale. Mr. Reynolds, after being elected Chairman of the board at the directors' meeting, announced an increase in the capital by the sale of 10,000 additional shares at \$20 per share. This will add \$100,000 to the cap-

ital, making it \$200,000 and \$100,000 to the surplus account, making it \$252,500 for total in capital funds, including reserves of over \$500,000. Each stockholder will have the privilege of buying one new share for each share of old stock. It was also said that the bank will construct a new building on land already purchased just as soon as heavy construction again becomes possible. Deposits in the four Reynolds' banks on the lower East Coast total over \$114,000,000 as follows: \$52,000,000 in the First National Bank in Palm Beach, \$10,000,000 in the First National Bank in Lake Worth, \$40,000,000 in the American National Bank in Miami and \$12,000,000 in the First National Bank in Ft. Lauderdale. W. W. McEachern will remain as President of the bank as well as all other officers, employees and directors, Mr. Reynolds said. Mr. McEachern is State Chairman of the Florida War Finance Committee and past President of the Florida Bankers' Association.

The board of directors of The Republic National Bank of Dallas, Tex., announced on Jan. 10 the election of Col. James W. Aston, formerly City Manager of Dallas, to the office of Vice-President.

Total resources of Barclays Bank Limited as of Dec. 31, 1945, are reported at £1,049,737,849, representing an all-time high in the history of the institution and the first time that it has exceeded one billion pounds, according to cable advices received by the New York representative of the bank at 120 Broadway, New York City. Deposits have also reached a record figure, namely, £1,007,951,468, representing an increase of 90,000,000 pounds compared with a year ago. Investments are shown at £229,440,878, of which £215,615,783 are securities or guaranteed by the British Government. Advances to customers have increased by approximately 10,000,000 pounds and are reported at £168,523,812. It is reported that a noticeable change is that in bills discounted, which have increased from £30,665,202 to £95,508,899 indicating increased use by British commerce and industries of the bank's facilities. Other asset figures are given as:

Cash in hand with the Bank of England, £111,690,130; balances with other banks and checks in course of collection, £37,528,120; money at call and short notice, £41,954,200.

Barclays Bank Limited, one of "The Big Five" English Banks, recently declared dividends at the rates of 10% on the "A" stock and 14% on the "B" and "C" stock, which rates are identical with those paid for many years past.

Bank Executives to Assist Red Cross Drive

Five executives of New York banks are among the nearly two score businessmen whose services have been loaned by their firms to the Manhattan Commerce and Industry Committee of the Red Cross 1946 Fund. They will assist in administrative work during this year's campaign and all the men are devoting their full time to their present duties, which will continue until the close of the drive, March 30. Richard G. Macgill of the Bankers Trust Company, New York is serving as assistant to James Bruce, Vice-President, of the National Dairy Products Corporation and Chairman of the Red Cross Commerce and Industry Committee. Others are James V. Bohlen, City Bank Farmers' Trust Company; Ludevit Cerven, Guaranty Trust Company; Gerald West, branch manager, Public National Bank and Trust Company, and A. Raymond Kutz, of the New Business Department Manufacturers Trust Company.