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Truman Calls for Unity OPA Program Dangerous

In Jackson Day Address, He Urges Democratic Party to Gain People's Support by Continuously Advancing Toward Higher Goals. Says His Administration's Program Is to Make Free Enterprise Work. Hits at "Selfishness" and Warns of Inflationary Danger. Holds New Wage-Price Policy Will Break Bottlenecks in Reconstruction. Promises a Balanced Budget.

President Harry S. Truman in the annual Jackson Day Dinner at Washington on March 23, called for support of his party in the program "to make free enterprise work" and asserted that "just plain selfishness" was causing a delay in effecting reconversion of our "gigantic industrial machine from war to peacetime production." He praised the new wage-price policy and predicted "the greatest outpouring of consumer goods that the world has ever seen."



President Truman

The text of the address follows: Fellow Democrats Everywhere:

Throughout America this evening, we of the Democratic Party are gathered to reaffirm our faith in the ideals of democracy. We are assembled in some three hundred cities and towns to pledge ourselves again to the oldest and most practical principle in the

A. Wilfred May's column, "Observations," is omitted because of the current meeting of the UNO Security Council in New York City. Mr. May's commentary thereon will be found in Section 1 of today's issue

history of men and nations—the democratic ideal in which America was conceived 170 years ago.

On this occasion we pay honor to the memory of a great American leader, and a soldier of Democracy—Andrew Jackson.

It was Andrew Jackson who led the good fight for social advancement and political progress against the forces of reaction. As the standard bearer of our Party, Jackson made a living reality of the high democratic doctrines for which men of our nation fought and died—the extension of basic rights to all men. Down through the years, these doctrines have (Continued on page 1711)

Brig. Gen. Leonard P. Ayres Says It Means Profit Control, Which Is Dangerous in Peacetime. Urges Amendment of Price Control Act.

In the current issue of the Cleveland Trust Co.'s "Business Bulletin," Brig. Gen. Leonard P. Ayres, Vice - President, severely castigates the economic program of Chester Bowles.



Leonard P. Ayres

General Ayres states in the opening pages of the Bulletin:

It is a highly dangerous economic program that Chester Bowles has been advocating before the Congressional committee that is considering the extension of

OPA. It is a wages-prices-profits program, and it proposes to control all three phases of the plan. It intends to continue to foster wage increases, and that is inevitable, both because of announced administration policies and because the increases that have already taken place make numerous other increases unavoidable. It proposes a rigid limitation of price advances, and that part of the program will fail because the wage advances have already committed us to accept price advances if the workers are to get the higher wages and the customers are to purchase the goods.

Peacetime control of profits is a dangerous innovation, and one that ought to be specifically prohibited in any legislation extending OPA. It is proposed to sanction price advances large enough to permit an industry or establish- (Continued from page 1691)

GENERAL CONTENTS

<i>Editorial</i>	
Financial Situation.....	1685
<i>Regular Features</i>	
From Washington Ahead of the News.....	1685
Moody's Bond Prices and Yields.....	1712
Items About Banks and Trust Cos.....	1716
Trading on New York Exchanges.....	1714
NYSE Odd-Lot Trading.....	1714
<i>State of Trade</i>	
General Review.....	1686
Commodity Prices, Domestic Index.....	1714
Weekly Carloadings.....	1715
Weekly Engineering Construction.....	1712
Paperboard Industry Statistics.....	1715
Weekly Lumber Movement.....	1715
Fertilizer Association Price Index.....	1714
Weekly Coal and Coke Output.....	1713
Weekly Steel Review.....	1712
Moody's Daily Commodity Index.....	1712
Weekly Crude Oil Production.....	1713
Non-Ferrous Metals Market.....	1714
Weekly Electric Output.....	1712

The Financial Situation

For our part, we venture the hope that Democratic leaders currently engaged in an endeavor to bring unity to their party on their own terms will fail. It was the repeated success of Mr. Roosevelt in precisely such efforts that was responsible for the overthrow of the American way of doing things and the substitution therefor of a strange conglomeration of Medievalism and modern Communism usually termed the New Deal.

For essentially the same reasons we find ourselves quite out of sympathy with Republican leaders who would "unite" the party on a sort of "Bull Moose" platform so deeply tinctured with New Dealism that it is often difficult, if not impossible, to tell Democrats from Republicans save by the label or the campaign buttons they wear. Of course, such "unity" in a party among whose influential members we find ex-President Hoover, Senator Taft, Governor Bricker and others of their turn of mind, along with the New Deal-ized Bull Moosers and their fellow travelers, is obviously wholly out of the question except as respects outward appearances for election purposes—as it is also, of course, with a Democratic party which (at the moment anyhow) includes Senator George, Senator Glass, Senator Byrd, and others of their political coloration along with Henry Wallace, Harold Ickes, Sidney Hillman, Senator Wagner, and others of their notions.

"Split" Parties

But there is a good deal more in all this current talk about "unity" than the old, old question of "split" political parties. Many, many years have elapsed since there was full harmony on basic questions in either party, if indeed there ever was such a time. Not for a good many years (Continued on page 1688)

GOP Normalcy Means Chaos: Wallace

Secretary Wallace at Jackson Day Dinner Praises President Truman and Scores Democrats Who "Have Joined a Coalition Against Themselves." Pleads for Unity in Democratic Party and Praises Free Enterprise. Warns of Danger of Republican Majority in Congress.

Secretary of Commerce Henry A. Wallace in a speech which preceded that of the President at the Jackson Day Dinner on March 23 in Washington, expressed particular concern regarding Democratic members of Congress joining "a coalition with Republicans and warned that a Republican victory next Fall would have "a gravely disturbing effect on the whole, international situation."



Henry A. Wallace

He characterized Republicans as reactionaries and asserted that the Democratic Party must welcome "every American, white and black, who believes in the rights of man."

The text of his address follows: Mr. President and Fellow Democrats: The plain folks first marched

into Washington when Andrew Jackson came to the White House. Ever since, Jackson Day has been the people's day—because Jackson, like Jefferson, stood for people first and property second.

Thomas Jefferson gave the Democratic party its philosophy and spirit—the determination that our democratic system must provide both political and economic freedom. But it was Jackson who was able to make the first great strides in putting that belief into practice.

After Jackson, the Democratic party became fat and lazy. Property became more important than people—and the plain folks looked elsewhere for leadership. Lincoln was put into the White House by the spiritual descendants of Andrew Jackson because he, like Jackson, put people first and property second.

Scores Reactionary Republicans Only one other Republican President followed Jacksonian principles. That man was Theodor Roosevelt. (Continued on page 1710)

From Washington Ahead of the News

By CARLISLE BARGERON

There is something happening in this country today, to speak ponderously, that really has our students of human behavior bewildered. We are experiencing increasing radicalism in the presence of boom times. You look back through the tomes of history and it is difficult to find anything like this. Certainly, without going back into those tomes, it is the first time this correspondent of more than 20 years experience with the Washington scene has seen such a situation. We have discussed it with many of our colleagues, with high Government officials, and the fellows in Congress who make their living by keeping their ears close to the ground. It has got the latter two groups upset, to say the least. It is making its impression on Mr. Truman's councils.



Carlisle Bargeron

Our history has been that there was nothing more impoverished, or more of a human curiosity, than a soap box orator in good times. In such times Henry Wallace would have been a freak such as the late P. T. Barnum might have exhibited. In depression times the agitators went to town. There was a tremendous demand for their quack medicine. They lived at the best hotels, enjoyed the pick of the ballet dancers and the other cream of life. But come good times and grease spots appeared on their vests and patches in their pants. The record is that our labor unions have had more members in depression times than in good ones, that their membership fell off when the stress of living was relieved. That is not now the situation, and it is a thought for thinking people. According to our economists, and it is something that Chester Bowles and John W. Snyder agree upon, our production is at the highest point in history. It is not apparent be- (Continued on page 1692)

Postwar Taxation and Economic Progress

By HAROLD GROVES*

Professor of Economics, University of Wisconsin

Viewing the Problems of Adjusting Taxes to Postwar Conditions, Dr. Groves Lists, Among Others, the Following Taxation Objectives: (1) Taxes Should Be Fair and Progressive; (2) They Should Reduce Inequalities in Wealth, Income and Power; (3) They Should Conserve Human Resources; (4) They Should Preserve a Wide Market; (5) They Should Preserve Incentives; (6) They Should Be Direct as Feasible and Widely Shared; and (7) They Should Be Administered to Mitigate and Not Aggravate Business Instability, Defend Deficit Financing in Depressions, and Advocate Retention of Personal Income Taxes With a Broadened Base and Substantial Graduation. Hold Capital Gains Should Be Taxed Like Other Incomes.

The postwar fiscal problem will involve public expenditures, public debts, and taxes. As to public expenditures, total outlay in the years just preceding the war was around nine billion dollars. This included military expenditures in the neighborhood of one billion dollars. What we will need for protection in the postwar period is variously estimated at from three to ten billion dollars. Much will depend upon the peace and our postwar international relations. The principal further item with which to contend in the postwar period will be interest on public debt, which might run to six billion dollars without retirement of principal. This says nothing about expansion



Harold M. Groves

of social security and outlays for veterans. One might hope that most prewar outlays for public works and for agriculture need not be continued.

There are several attitudes toward the public debt. One view holds it to be a minor concern because we owe it to ourselves (it is true, of course, that an internal debt is less cause for worry than an external one, but even the former may involve a strain upon the tax mechanism which is called upon to transfer large quantities of wealth from taxpayers to bond holders). It is even argued that the debt may be extended with equanimity. Further indebtedness will not increase prices, it is said, as long as there is unemployment; and if the debt service becomes too onerous, the debt can be monetized (non-interest-bearing notes

*An address by Dr. Groves at the University of Pittsburgh, March, 1946.

(Continued on page 1709)

Protests Mr. Bowles' Tactics

Correspondent Points Out One-Sidedness Attitude of Stabilization Director. Says He Condemns and Villifies Certain Pressure Groups While Favoring and Following the Dictates of Others.

Editor, Commercial and Financial Chronicle:

In your issue of March 14 you published in full an address delivered by Chester Bowles, Director of the Office of Economic Stabilization, before the annual convention of the National Farmers Union at Topeka, Kansas. The first of the address was devoted to an explanation of the problems faced by the country in the transition from a war to a peace economy.

He stated that control of production was dropped too soon after peace with Japan was declared. It is his thought that controls should not have been dropped before June of 1947. In the next few weeks he claims Congress must decide whether we will move forward in the fight to maintain a stabilized economy or not. It was at this point in his address that I think he showed his unfitness for the office he holds. In place of a cool and intelligent discussion of the position of those opposed to his views and plans he stated: "On the one side we have all the millions of inarticulate little people who have made our country great in the past and on whom its future depends. . . . Opposed to them are some of the most irresponsible, reckless, greedy organizations in America." He named the National Association of Manufacturers and the National Dry Goods Association. Thousands of the small business men group belong to both.

In the past it has been considered fair and just to hear both sides of a question and not for a public servant to resort to villification and abuse of those who happen to disagree with him. When these citizens, along with the real estate men and backers, tried to present their views and opinions they were met with the

cry of "phony propaganda" and charged with maintaining a lobby. When addressing the farmers did he charge them with the same offense? It has been stated many times that the farmers organizations have the largest, most expensive and most powerful lobby in Washington but that seems all right with Mr. Bowles.

Why does not Mr. Bowles come out openly, honestly and fairly and tell the people why one lobby is a blessing and another a curse? Does he not forget that those organizations which he damns are composed of many of what he calls "little people"? Does he not also forget that it is estimated we have thirty million of people in this country who own stocks or bonds, life insurance, homes or real estate? These people depend in whole, or part, upon the securities of the very corporations he damns.

Not satisfied with the charges already made he adds another by accusing all of these "little people" with favoring inflation. I deny that charge flatly. There is not a handful of thinking people in the country who favor inflation. It was a statement made for votes only as was much of the last of his speech; pure political hokum. Before the farmers he defends subsidies paid to them but says nothing about the workers and city people who in the end must pay the additional costs.

He charges that lobbies and pressure groups are endangering our democracy. Are you speaking of the C.I.O.-P.A.C. and the Farm-

Fairchild Retail Price Index Unchanged in February

The Fairchild Publications Retail Price Index remained unchanged at 113.5 (Jan. 3, 1931-100), on March 1. Only changes in the major components of the Index were a decline of 0.1 point for women's apparel and a gain of 0.1 point for infants' wear and children's wear.

The advices state that the decrease in the women's apparel component was due entirely to a decline in aprons and house-dresses. The index for these items dropped from 138.9 as of Feb. 1 to 138.6. This compares with an Index of 139.1 at the beginning of the year and 140.5 as of March 1, 1945. It is added that this price decline in aprons and house-dresses department is explained by Government regulations and preticketing of merchandise in this field. The Fairchild report issued on March 16 continued:

The price advance reported for infants' and children's wear was caused entirely by a gain in shoes. The Index increased from 106.2 last month to 106.5. This compares with an Index of 106.0 as of March 1, 1945.

As a measure of the advance from the low point of 1939-40 the Composite Index shows a gain of 27.7%. Chief categories rising more than the average have been piece goods, women's apparel and home furnishings. Men's apparel and infants' wear have shown increases smaller than the average.

The combined index shows a gain of only 0.1% above March 1, 1945. This change reflects decreases for piece goods, men's clothing and home furnishings and a gain for infants' wear. Among the individual items furs show the largest increase, one of 2.6% while women's underwear shows a decrease of 0.8 and infants' underwear one of 0.5%.

In comparison with earlier periods the March 1 Index was 17.5% above the high point reached in 1937. It was 29.1% above the low of 1936. As compared with the depression low, which was reached May 1, 1943, the gain is 63.5%.

Although the new wage price policy will result in a further rise for Wholesale prices, this will not be fully reflected in retail prices unless OPA is greatly weakened or eliminated altogether. According to A. W. Zelomek, Economist, under whose supervision the Index is prepared, OPA officials will make strong efforts to prevent further increases in living costs and retail prices, even though a liberal policy is adopted for manufacturers. However, the outcome of this effort depends greatly on whatever action Congress may take in the next month or two.

ers Union Mr. Bowles? If he does not believe in our system of private enterprise why does he not honestly, openly and frankly say as much? If he favors some system based on socialism or communism why not say as much? His speech was a masterpiece if it was made with the idea of creating class hatred and dissension among our people. These men he defames are the same ones who were so highly praised a few months ago for their efforts to help win the war. Then we all thought we were fighting for a free and democratic country in which all men would be treated alike and in which all would have the right to petition their government without the answer being abuse and villification. Is it right for one group of citizens to petition our government and wrong for another?

S. CRAIG LITTLE
Spartanburg, S. C.
March 20, 1946.

The State of Trade

Much the same factors were present last week as in previous weeks preventing industrial production from making the necessary progress toward bringing the supply within the bounds of prevailing demand. Notwithstanding shortages of many raw materials, overall industrial output did manage to show some slight increase again the past week. With an increase in payrolls and more employees absorbed in the labor force, unemployment compensation claims reflected a decline of 9.3% during the week ending March 9.

In the carpet industry some increase was noted in output, but labor shortages worked to limit expansion. In the case of the leather industry operators were confined closely to previously prepared schedules with depleted inventories and high demand continuing to aggravate the appearance of current shortages. There was some increase during the week in output of yarn, but some spinners were rejecting new orders. Production of woolen and worsted cloth also rose last week with many mills limiting output to lightweight fabrics. In the automotive industry estimates the past week revealed that before the end of 1946 the automobile price level will rise from 15 to 30%, according to "American Machinist," trade authority. The paper adds that it will not reach the 1929 level, but it will be far beyond the 1942 price list. Companies such as Chrysler, Ford and Hudson have been notified that they will get price increases for their 1946 models but the amount of the increase has not been determined. The industry at present is looking forward to greatly stepped up production starting in June.

In the meanwhile industry is clamoring for the lifting of all controls on production as the most effective way of restoring a more normal economy to the nation. Speaking on behalf of the National Lumber Manufacturers Association, Richard A. Colgon, Jr., told the House Banking Committee:

"The dilatory, unrealistic, inconsistent and almost confiscatory methods of the OPA in the pricing of lumber are the major cause of the large and tragic decline in the production of lumber." Expressions in a similar vein were being uttered by other industries pointing out that further continuation of price control was proving inimical to the best interests of industry and the general public. The Office of Price Administration expires on June 30 of the present year if it is not extended by the Congress beyond that date.

While many economists and business men have expressed their disapproval of the proposed extension of OPA, Bernard M. Baruch, in a statement before the House Banking and Currency Committee on Monday last, took an opposite stand on this issue. Scoring the Administration's wage policy and some features of the reconversion program, he appealed to Congress to continue price controls for another year, but at the same time asserted, that above everything it was necessary to increase production. He further stated that the government should "stop increasing the money supply, stop decreasing taxes until the budget is balanced, stop balking the public by saying wage increases can be granted without increase in price levels, do not fear to increase prices or wages where necessary to get and stimulate production." Continuing, he added, "allow profit but no profiteering, avoid favoritism to any particular group, take care of those between the millstones—clerks, Government employees, pensioners, et al."

Steel Industry—With major industrial strikes over or in the final stages of negotiations, steel consumers the past week were in a mad scramble to be placed on mill order books for tonnages regardless of delivery promises, states the

"Iron Age," national metalworking paper, in its current survey of the steel trade. Order books are loaded already and backlogs are sufficient to represent several months, production at high levels but this has had little effect in keeping customers from putting pressure on steel firms, according to the magazine.

Some current factors point to a rapid acceleration in steel output after the coal controversy is out of the way. It is more than probable that the operating rate at that time will go beyond 90% of operations and might reach 95% for an extended period. Major reasons for this optimism, the above trade authority notes, are based on the equipment and manpower outlook.

The combination of an easier manpower situation, a shorter week and one of the greatest wage increases in steel history is expected to bring about a sharp change for the better in productivity. Equipment is now in much better shape because of an intensive repair and rehabilitation program. The steel industry is now on the threshold of a period which will see not only high operating rates but continuous ones over long periods and if this movement is held back by the coal strike or slowed up it will nevertheless pick up momentum at a later date, the magazine points out.

The coal strike outlook the past week remained serious and there was nothing to indicate that the country would not face a mine shutdown. The calm and orderly beginning of the negotiations between coal operators and the United Mine Workers covers up a considerable number of explosive demands and counter-demands. However, within the past two weeks some steel companies have been able to show slightly better supplies of coal and in a number of instances stockpiles will support the current operating rates for at least four weeks. There is still a large segment of the steel industry, however, which would be sharply affected if the coal strike should last three weeks. There also remains a necessity for slowing down operations in anticipation of a long shutdown at the mines, the "Iron Age" observes.

Steel companies and their customers are closely watching the latest moves towards the possible allocations or directives on steel for foreign shipment. Last fall a plan was set up calling for enforced allocation of 840,000 tons of steel for export to various countries. This plan never got underway and was seriously affected by the steel strike. It is now understood, according to the magazine, that the Department of Commerce is trying to convince the Civilian Production Administration that a new export allocation program is necessary.

The new program, which is by no means settled, involves close to 1,000,000 tons of steel products to be allocated for export over the next nine months. Resistance to this plan is based on the fact that steel firms already are shipping steel abroad using as a pattern the distribution in the prewar years. It is argued that this process makes unnecessary actual allocations by governmental agencies and at the same time presents a fair policy whereby domestic customers are not discriminated against by unusually high exports.

The American Iron and Steel Institute announced on Monday of this week the operating rate of

(Continued on page 1692)

The Anglo-American Loan and U. S. International Policy

By FRED M. VINSON*
Secretary of the Treasury

Maintaining That the Proposed Loan to Britain Is an Essential and Integral Part of Our Program of International Economic Cooperation, Secretary Vinson Points Out the Importance of an Expanded and Unhindered World Trade to Our Economy. Cites the British Problem as Peculiar and Calls Attention to the Adverse Effects to U. S. of a Continuation of the Sterling Area and Blocked Sterling Dollar Pool. Holds Conflicting Economic Blocs Will Be Established if Great Britain Is Not Aided, and Denies Loan Will Furnish Precedent for Similar Grants to Other Nations. Contends Loan Could Not Take Form of Special Bond Issue and Refutes Assertion It Will Be Inflationary.

This morning we are concerned particularly with our international economic program. In my judgment, the best milestone we have seen on the road to peace and prosperity is our international economic program. This program is well developed and we can soon put it into full effect. But if this program is to succeed it is necessary to have the full participation of England. That is why the President stated in his message "that the next order of international business before the Congress should be our financial relations with the United Kingdom." The purpose of the Financial Agreement with England, which is now before you, is to make it possible to put this program into immediate operation.



Secretary Vinson

We have based our policy on a simple proposition: conflicts between nations should not be settled by fire and sword; international problems should be solved in the common-sense way. The common-sense way is to deal with them through discussion and agreement, through international cooperation. It is essential, of course, for the United Nations to cooperate on political problems that affect world security. But that is not enough. There must be a sound economic foundation for peace. That foundation can be built only through cooperation among the nations.

Our International Economic Policy

For the past five years this Government has stood for, and has advocated, a definite international economic policy. That

*A statement by Secretary Vinson before the Senate Banking and Currency Committee, March 5, 1946.

(Continued on page 1696)

UNRRA Council Meets

The fourth Council meeting of the United Nations Relief and Rehabilitation Administration opened with a plenary session on Mar. 15, at Atlantic City, N. J., where its retiring Director-General, Herbert H. Lehman, and Representative Sol Bloom (D.-N. Y.) Chairman of the House Foreign Affairs Committee, told the delegates from 47 nations that the organization's relief work would have to be carried on beyond this year. Mr. Bloom had been designated by President Truman and Secretary of State Byrnes to welcome the delegates on behalf of the United States.

Previously, the Associated Press pointed out, it had been believed generally that UNRRA would concentrate its efforts on finding a way to transfer its functions gradually to the United Nations Organization, winding up its own operations in Europe by the end of this year and in Asia by the middle of 1947. Mr. Bloom is reported to have said that he had no idea of the total amount of money which would be necessary to complete the organization's work, but he stated that UNRRA "just can't fold at the end of 1946."

President Truman sent a message to the Council, hailing the work of UNRRA and pledging America's aid in feeding the starving millions in the areas freed from war. Said the President: "I regard UNRRA as the best instrument the United Nations could have to deal with this critical situation, and the emergency measures taken in this country will have as their purpose the further support of UNRRA."

On Mar. 16, at the Council's second session, a report was made by the Combined Food Boards, outlining proposals for distribution through 1946 and 1947 of the world's bread grains. Present supply was stated to be 40% of requirements. It was recommended that exporting and importing countries institute grain conservation measures to assure maximum supply for direct human consumption, with cutting down on feed for livestock. The report stated pessimistically: "Starvation and hunger are inevitable for large groups of populations of Europe and Asia."

Remittances by Americans Abroad in 1945

During 1945 Americans and foreigners residing in the United States made remittances estimated at more than \$300,000,000 (M) to friends and relatives abroad, chiefly in Europe, Latin America and China, and the prospect is that these remittances will increase sharply in the next few years, according to the Department of Commerce. The Department's advices Feb. 26 added:

"The figures so far available are only a preliminary estimate, but a more accurate compilation is now being assembled by the International Payments Unit, Office of Business Economics, under the direction of Hal B. Lary, Chief.

"All of the large banks and other remitting agencies in the country have been requested to provide current information on such payments. Mr. Lary said, and the results will be published by the Department of Commerce on a quarterly basis, beginning in the spring of 1946. Before the war, in 1939, such personal remittances of a non-commercial nature totaled \$1444,000,000 (M), but they dropped during the war and hit a low of about \$100,000,000 (M) in 1942.

"Since the close of the war there has been a sharp rise, but on the basis of present estimates it is not considered likely that the record payments of \$700,000,000 (M) set in 1919 will be equalled," Mr. Lary said.

Reconversion

The reconversion of British industry presents many of the same

*An address by Mr. Bliss before the Commerce and Industry Association of New York, Feb. 27, 1946

(Continued on page 1704)

The Anglo-American Loan And World Peace

By MARRINER S. ECCLES*

Chairman, Board of Governors, Federal Reserve System

Head of Federal Reserve Tells Senate Banking Committee Proposed Loan to Britain Is Essential to Maintain Economic Stability and World Peace. Sees Economic Warfare With Britain if Loan Is Refused, and Economic Cooperation in World Recovery and Reconstruction, if Loan Is Granted. Belittles Danger of Further Inflation From Loans and Holds It Is Within Britain's Ability to Repay. Denies Advocacy of Foreign Lending to Create Employment or to Increase Exports.

Mr. Chairman, I appreciate this opportunity to appear before this Committee to express my views on the proposed British loan. I learned about



Marriner S. Eccles

the British problem the hard way—by weeks of continuous negotiations in which we thoroughly explored the British situation and every proposal for dealing with it. I should like to summarize my conclusions by offering answers to three questions:

1. Why do the British need our help?
2. What would it cost us to give this help?
3. What would we get in return?

First: Why Do the British Need Our Help?

They need it because they have just finished an exhausting war against our common enemies. They need a blood transfusion to

help them regain their international economic health. The proposed credit is not and, therefore, should not be judged as a commercial loan. It is more like a draft on a blood bank.

Why has the war left Britain in this anemic state? Because in their extremity the British threw all their resources into the battle without reckoning the cost in terms of where they would be left after victory. Domestically, their economy can be readily converted to peacetime purposes. Internationally, the wartime drains on their resources have reduced them to the point where their only alternatives are to gain recuperative help from us or else to attempt recovery through exploitation of the Empire system.

The British Isles are normally a great workshop. The British people depend for their existence upon large imports of food and raw materials. They need the food to exist. They need the raw materials for manufacture into the goods which they consume

*Statement of Mr. Eccles before the Senate Banking and Currency Committee, March 8, 1946.

(Continued on page 1706)

Trade Conditions in Great Britain

By DON C. BLISS, JR.*

United States Commercial Attache in London

U. S. Official Observer Points Out That the British Economy Is Still Operating Under Wartime Restrictions and, Because of Shortages of Equipment, Material and Trained Manpower, Recovery of British Industry Is Severely Handicapped. Says Nation Requires Rehabilitation of Its Capital Equipment, Much of Which Is Obsolete. Sees Need of Heavy Increase in British Exports to Offset Investment Losses Abroad, and Points Out Difficulties in Exporting When Domestic Demand for Goods Is Not Adequately Supplied, Despite Preference Given to Export Production. Holds American Loan Will Be Drawn on Gradually and Will Help in Restoring Anglo-American Trade. Sees Possibilities of American Direct Investment in British Industry.

In most respects London, as I left it at the end of December, presented much the same aspect that it did in 1944, and in fact during most of the war. There is no black-out, but street lighting has not been fully restored. The wreckage created by bombs has been cleared away, but the gaps they left in the skyline have not been filled. There is no longer an absolute prohibition against pleasure-driving of automobiles, but gasoline is still closely rationed. Food is still the perennial problem of the British housewife, the queues before the fish shops are as long as ever, and the only foods unrationed and in relatively plentiful supply are bread and potatoes and cabbages. The clothing situation is even worse than it was in the war years, to such a degree that cur-



Don C. Bliss, Jr.

rent supplies are not adequate to meet even the meagre ration of coupons. That ration was established on the assumption that the average citizen possessed a wardrobe, and in war-time would require only replacements. During six years of war his wardrobe is worn out, the ration has actually been reduced in 1946, and the population is distinctly shabby.

In short, peace has brought the British citizen no relief as yet from war-time austerity, and his political leaders can promise him little more than a continuation of that austerity until British industry can reconvert fully from war to peace-time production, until foreign trade can revive, and until the British economy can recover from war-time strains.

Reconversion

The reconversion of British industry presents many of the same

*An address by Mr. Bliss before the Commerce and Industry Association of New York, Feb. 27, 1946

(Continued on page 1704)

Monetary Aspects of National Debt Policy

By ROLAND I. ROBINSON*

Division of Research and Statistics, Board of Governors, Federal Reserve System

Reserve Board Analyst, Asserting That Prime Objective of Debt Policy Is Economic Stability, Describes Wartime Monetary Expansion, and Sees Inflationary Potentials in (1) Easy Access of Banks With Large Government Holdings to Reserves; (2) Insecure Non-Bank Ownership of Government Securities; and (3) Policy of Maintaining Interest Rates and Prices of Government Securities Which Virtually Makes Them Equivalent to Money. Advocates (1) Banks Be Required to Invest Proportion of Deposits in Special Non-Marketable Bonds, Redeemable to Meet Deposit Losses Only; (2) Requiring Banks to Hold Additionally Non-Marketable Government Bonds to Cover Increases in Deposits Above a Fixed Base; and (3) Raising Cash Reserve Requirements on Demand Deposits.

The primary objective of postwar management of the public debt must be economic stability, but this in turn, if it is to be achieved, requires monetary stability. The wartime expansion of the Federal debt has already caused a vast increase in money holdings and has weakened the resistance of the economy to further monetary expansion. If large postwar demands for capital outlays and deferred consumption should create the initial conditions of inflation, the money supply, already large, could under present conditions expand further and so prevent the realization of even approximate monetary stability.

There are indeed other objectives of debt management than monetary stability. The budgetary problems of the Federal Government would be simplified by a low debt service charge. Other considerations permitting, it would be desirable to avoid instability in the market value of Government securities. The large debt should not be permitted to create a new or expanded rentier class. But all of these objectives are subsidiary; if conflicts be-

tween objectives should emerge, they must be resolved in favor of monetary stability.

Discussion of the effect of the national debt and its management on monetary stability is focused on the long-range possibility of inflation, not because inflation is more likely than deflation, but because it is the powers of the credit authorities to resist further credit expansion that have been impaired by the wartime increase in the Federal debt. Unavoidable inertia toward modifying the debt structure and the overhang of

*Reprinted from "Public Finance and Full Employment" published by the Board of Governors of the Federal Reserve System as "Post War Economic Studies No. 3." Mr. Robinson's opinions are his own, and according to the preface in the pamphlet, do not necessarily represent the opinions of the Board.

(Continued on page 1694)

The Financial Situation

(Continued from first page)

has either party been able regularly to act as if there were complete harmony within itself, except perhaps when election campaigns were under way. So diversified is opinion—and group interests—that it may be questioned whether it would be possible to divide the vast majority of voters in this country into two major political parties which would be closely united on all public questions, although doubtless, if feasible in practical life to dissolve the two major parties and reshuffle their elements into two national parties, a larger degree of genuine unity of thought and desire than now exists in the Democratic and Republican parties could be attained.

But all this is an old, old question into which we do not intend at this time to enter. What concerns us at the moment, and what the American people would do well to consider carefully at once, is this notion of "unity" now being so ardently preached in the Democratic party and without question with equal ardor desired or presently will be desired in the Republican party. It seems to us that there is little or no essential difference between this type of "unity" and what the communists and their fellow travelers are fond of terming "solidarity"—and for that matter what the Fascists and the Nazis insisted upon in their party by whatever name they chose to call it. It seems to represent a vast extension of the party caucus idea into what has of late years become known as the "party line."

Dangers to Freedom

There may be grave dangers to one or the other, or possibly both, of the major political parties in failure to develop an effective "party line" and forcing it down the throats of all members in public life or wishing to enter public life, but far more important, there is at least equal danger to all of our free political and other institutions, and even to our individual freedom, in their success, in doing so. A consideration of the conditions existing in the Democratic party will well illustrate the point, although any such development and enforcement of a party line as that contemplated, if not actually undertaken, by Democratic leaders at present would hold equal danger in other circumstances.

It has often been said that what is now known as the Democratic party is not really a political party at all, but rather a group of essentially dissident elements held together by means of a semi-permanent political deal worked out by the master

politician who founded and managed the New Deal. In that melange are many of the old "Bull Moosers" who had attracted to themselves a rather motley collection of professional dissidents and trouble makers. Another element in the "party" consists of what used to be termed the "parlor pinks," individuals, mostly "intellectuals," centered about institutions of learning—"little groups of serious thinkers," one satirist used to call them. The influence of such groups as these has resulted in tying to the Democratic party with rather uncertain strings those elements in the population comprising what is usually termed "the independent vote."

Farmers and the Unions

But basically, the feat of the architect of the New Deal consisted of capturing the machinery of the old Democratic party and through it working out and giving effect to a deal with the farmers and the labor unions. Now it is to us quite conceivable that a good deal of honest intellectual common ground can be found among the labor unionists, the "parlor pinks" and the former "Bull Moosers" now associated with the Democratic party. While all these elements are essentially "dissenters," and are much happier when they are condemning or forcing their own pet schemes upon others, their general views are probably closely enough alike to render it possible for them to agree with conviction upon some line of political action.

But we should find it very difficult to believe that such a "line" would of itself meet with much favor from the farmer or from a great many of the groups which constituted the old Democratic party or at least ruled its counsels. Nor do we believe for a moment that it would ever have been possible to attach the so-called "farm vote" to any such political congeries except by the use of large amounts of the coin of the realm. In fine, this strange aggregation which for a dozen years has been known as the Democratic party has been functioning as a going political concern primarily out of considerations of practical politics, not out of basic agreements as to political or social means or ends. Indeed, the interests of farmers, who are essentially entrepreneurs, and the professional union laborer are competitive rather than identical.

Unity on Their Terms

Now the articulate elements which for the past dozen years have been functioning more or less together un-

Non Federal Home Financing Grows

Actual figures from the savings and loan and cooperative bank system as to year-end financial position have brought about an upward revision of the estimated growth of the non-governmental home financing resources of the nation in 1945, and point to still greater adequacy of private credit to finance the drastically needed home building this year. This is the conclusion reached by A. D. Theobald, Chicago, Vice-President-Assistant Manager of the United States Savings and Loan League, statistical clearing house for these home-owner credit institutions since 1892.

"The group of institutions which have so far reported had a gain of 20.9% this past year," said Mr. Theobald. "From this latest detailed information and from observation of other trends we estimate that these institutions as a whole increased their assets by approximately \$1,100,000,000 last year and that their total assets reached \$8,600,000,000 by Dec. 31, 1945. This means that we are rapidly approaching the former peak in assets which was \$8,829,000,000 at the close of 1930." He added:

"An analysis of the statements of the institutions submitted thus far indicates cash and salable government bonds of about 38% which gives some idea of their unprecedented capacity to meet an expanding loan demand from home-owners and home builders in the months and years ahead. The Associations' government bond holdings have reached a peak both in dollar amount and percentage-wise, being 32.8% of aggregate assets.

"By contrast at the time of the previous \$8,829,000,000 status of these institutions, mortgage loans constituted 88% of their assets, and liquidity was less than a third of what it is, percentage-wise, at present. That peak in savings and loan development was reached at the end of the last home building expansion in the nation instead of at the beginning as is now the case."

der the banner of the Democratic party and are now most insistently demanding "unity" are not the agricultural elements, not the labor unions interests, not the old-line Democratic machine groups, but are the "parlor pinks," the old-time "Bull Moosers," and certain professional politicians some of whom are under a sort of spell cast upon them by the "intelligentsia" by which they are surrounded and others of whom have become convinced that this new and strange version of "liberalism" has the public interest and the votes. But their demand is for unquestioning support of their crack-brain program liberally salted with largesse—a program not formulated by the party itself or with full participation of all its elements but by self-appointed party-line manufacturers. This is the way not of democracy but of dictatorship.

The same line of reasoning would apply to many who demand "unity" in the Republican party. What is needed today is not "unity," but careful and understanding study of the requirements of the times.

Scrap the Present Crazy-Quilt Stabilization

By WILLIAM GREEN*

President, American Federation of Labor

Accusing the Government of Making Pledges to Hold the Line and at Same Time Deliberately Creating a Serious Bulge, Mr. Green Expresses Opposition to Establishment of a Regimented Economy. Says President Has Acted on Wrong Advice and Through New Wage-Price Stabilization Policy Has Interfered With Free Collective Bargaining, and Has Put Labor in an "Unescapable Strait-jacket." Proposes That (1) "Present Crazy-Quilt Stabilization Program Be Scrapped"; (2) That a New Control Policy Be Adopted With Unequivocal Commitment to End in One Year; and (3) That Government Eliminate Itself From Sphere of Labor-Management Relations.

More than six months have passed since V-J Day. By this time, we should have been well along on the road to postwar recovery. Such is not the case.

Instead of peace bringing order out of chaos, it has added even worse confusion to our economy. Rapid expansion of industrial production has failed to materialize. Shortages of the necessities of life and housing are daily becoming more acute. Prices are still going up. The forces of inflation are on the march. The Government with one hand solemnly pledges to hold the line and with the other deliberately creates a serious bulge. Federal agencies, instead of eliminating wartime controls, are imposing new



William Green

and even more baffling regulations. Increases in wage rates obtained by organized labor through collective bargaining are rapidly being wiped out by higher living costs. Congress is in revolt against anything the President recommends.

This is not an exaggerated picture I have drawn. It squares with the harsh facts in every particular. And these facts, added together, represent a threat to the future of the American way of life which the workers of our country dare not ignore.

It is not my purpose here to place the blame for the present unsatisfactory situation on any individual or group. I prefer to point out where our national policies have deviated from the true path and to indicate how we can

*An address by Mr. Green before the annual dinner of the Carbondale Central Labor Union, Carbondale, Pa., March 15, 1946. (Continued on page 1703)

A Hindrance Not a Help

"Under our Democratic leadership we have set a goal of 2,700,000 new homes by the end of 1947—the greatest home construction program in the history of this or any other country.

"We have proposed legislation for this task. That legislation is now before the Congress. I have strongly urged its prompt enactment. In this connection, there are two proposed amendments to the pending housing measure which also are of vital importance: One to provide premium payments for expanded production of materials, the other to prevent further speculation in existing housing.

"There is constant pressure for an increase in the price of building materials. No one questions that some adjustments—both up and down—are needed, if we are to complete our building program at full speed. But price increases all along the line are clearly out of the question. The price of homes already is too high.

"We must stimulate home building by methods which will not send prices sky-rocketing far beyond the means of the average citizen. That is the reason for premium payments, which would be used to break bottlenecks.

"The price controls we advocate are aimed specifically at halting further inflation in real estate.

* * *

"The veterans returning from battlefronts all over the world deserve the opportunity to obtain homes—and at reasonable prices. They must not become the victims of speculators. I am satisfied that the American people intend to give them a fair break. I am convinced that the veterans' emergency housing program can and will succeed."

—President Truman.

The President seems merely to assume and to expect others to assume the success of this scheme of his, which in actual practice threatens to do as much as, if not more than, the many other impediments to limit or curtail building operations.

Cornerstone of Our Domestic Policy

By HAROLD L. ICKES*
Formerly Secretary of the Interior

Former New Deal Spokesman, in Decrying Clashes Between Management and Labor, Warns That Because of the Monopolistic Power of John L. Lewis, a Coal Strike Will Be Only One in a Series of Industrial Disturbances That Will Shake the Country. Holds We Were Unprepared for Peace, and Because We Cannot Get Together at Home to Settle Domestic Difficulties, We Will Not Be Able to Solve Foreign Problems. Contends We Need Moral Leadership and That the President Can Furnish It, if He Desires, and Pleads for Exercise of the Golden Rule. Says America "Is Sorely Ill" and Requires Immediate Remedies. Pleads for Civilian Control of Atomic Energy and Asserts That Violation of Law Is Condoned by Administration. Concludes We Have Entered a New and Frightening Age.

The first thing that I wish to do tonight is to dispel any notion that you may have that you are about to listen to an expert. I am not an expert.



Harold Ickes

I am not even a bureaucrat any more. Furthermore, I am not an economist. And what is still more strange, particularly in this day and age, I do not pose as either an expert or an economist. I hope that you will let me have my say, just the same. When I had the pleasure of being your guest on three other occasions I may have spoken with conviction—I sometimes do that—but I am certain that you were far too shrewd not to understand that I was not so sure of the convictions that I expressed as I might have been. Despite what any of you may have heard to the contrary, I always allow a rather large margin for possible personal error. I never pretend to speak with unchallengeable authority. One would be rash to do so in these days when so many pretenses have

been torn into shreds; when so many masks have been snatched from grinning skulls.

And so, without any claim to expertness and without whatever prestige a temporary public position might afford, I have again availed myself of the privilege of coming before you, not to expound wisdom or to exude infallibility, but merely to talk to you as one troubled American citizen to others who are probably as disturbed as I am even if you may not be willing to admit it.

I am concerned about the position that America is to occupy in a world that, physically, has become greatly shrunken, and which for us, politically, has suddenly swollen to the size of a planetary system. I am concerned about what is happening or is likely to happen within the four borders of this country that we love. I am concerned because upon these happenings depend not only our own prosperity and well being but the role that we will be able to play on the larger stage of international relations.

I doubt whether anyone has

*An address by Mr. Ickes before the Economic Club of New York on March 13, 1946.

(Continued on page 1700)

Sec'y of Agriculture Reports to President

In his annual report to the President, Secretary of Agriculture Clinton P. Anderson stated, "Now that the war is over, we are moving back toward our old position of virtual security in the matter of the food supply," and he went on to say, according to the Associated Press from Washington, Feb. 16, that although the current outlook showed demand for farm products substantially exceeding the supply, increasing production could easily result in an eventual price-depressing surplus. In an effort to plan now the means of avoiding this situation, Mr. Anderson recommended high-level employment at good pay for consumers as the primary solution, with development of exports and of industrial uses for farm products as other necessary factors.

The Secretary declared that agriculture had emerged from the war with an expanded productive capacity, and added that such capacity does not readily contract. "The story of the war-time increase in capacity is thus a warning," he said, "that in the future we must work constantly for the expansion of demand."

Secretary Anderson expressed the view that if agriculture is not to suffer economically from this increased productive capacity, it must help see to it that full employment at good wages is maintained for those working outside of agriculture and that steps are taken to hold a "considerable" portion of the present export market.

"Like the rest of our economy, agriculture faces difficult reconversion problems. In order to deal with them it must look back and look ahead. The look back will show how war has changed agriculture—how it has altered the type and volume of production, the production capacity, the soil and other farm resources.

"These resources," he said, "must now be fitted to the tasks of the future."

Enforcement of the Anti-Trust Laws

By WENDELL BERGE*
Assistant Attorney General

Justice Official Calls Attention to Universal Support by Political Parties of Vigorous Enforcement of Anti-Trust Laws. Scores Both Private and Government Cartels as Interfering With a Free Economy and Says There Should Be a Reversal of the Concentration Trend in Industry, but Denies Proposal to Break Up the Mass Production System. Says There Is No Uncertainty in Anti-Trust Laws and That Justice Department Is Always Ready to Give Advice Regarding Them. Outlines Present Enforcement Plans as (1) Eliminating International Cartels; (2) Helping Small Business; (3) Protecting Consumer and Farmers; and (4) Removing Restraints That Lower Production and Reduce Employment.

On certain principles all of us Americans are in general agreement. We want a way of life in which there are many free choices for us to exercise as individuals. We resent seeing anybody pushed around. We want free opportunity for the little fellow. We want a government of law because we know that only under law can there be freedom. And we want laws that create and strengthen equal opportunity; not laws that create special advantages for particular classes. We believe in private property and the capitalistic system, but not in special privileges for propertied people.



Wendell Berge

With respect to these basic principles, most of us are in agreement. No sizable group of citizens advocates any radical departure from the pathways of our political and economic freedoms. Most of the argument among us moves on the plane of ways and

means of choosing the instruments and procedures to attain the ends we all seek. Our machine is one we like; the one in which we want to ride. The only difficulty is in finding the route to take.

With the constant struggle among different groups to get their hands on the steering wheel the machine seems to be forever veering from one side of the road to the other. When it goes too far to the right, public clamor joins the demands of the opposition, and then sometimes it is jerked too abruptly to the left. Our complaints are generally against the driver rather than the machine itself, and we are constantly accusing each other of tampering with the mechanism.

Some believe the machine would work if it were operated by businessmen; others point to the decade prior to 1932 when business had the wheel and the country was steered into a terrific economic disaster. Some are convinced that the system would work if the machine were turned

*An address by Mr. Berge before the City Club, Cleveland, O., March 9, 1946.

(Continued on page 1698)

GED Offers Preventives of Inflation

In Report It Lists Ten Recommendations, Comprising a Program of Fiscal, Monetary and Price Control Policies to Prevent Inflation and Depression and to Speed Production and Employment. Stresses the Importance of Labor Management Cooperation.

In a publication, entitled "Jobs and Markets," the Research Staff of the Committee for Economic Development presents a program of fiscal, monetary and price control policies to speed the expansion of civilian production and employment, to prevent inflation and depression in the return to free markets, and to remove the need for price control at the earliest possible time. Key recommendations of the report follow:

1. Price control authority should be extended to June 30, 1947, but not beyond (except for rents). To leave open the possibility of further extension of price control "would be an invitation to drift into a position where we are always confronted by a choice between continued price control and runaway inflation. We must, sooner rather than later, accept the responsibility for preventing inflation by monetary and fiscal means without price control."

2. While it lasts, price control must be streamlined and liberalized. The OPA must follow a course of "calculated risk" in suspending controls. Price ceilings must be adjusted if they seriously deter or distort production. Pricing standards should permit the average profit expectations of normal prosperity. The present "earnings" standard for price relief—the 1936-39 average return on net worth, before taxes—should be raised by about one-third. Increases should also be permitted whenever the price of a product fails to cover average

total costs of production and not, as at present, average direct costs only. All price adjustments under these standards should be based on actual cost experience of the most recent quarter of "normal" operations, without distinction between "approved" and "unapproved" wage increases.

3. The period before the end of price control (June 30, 1947) should be employed to strengthen the instruments of monetary and fiscal policy. Once the present excess of demand has done its necessary work of speeding reemployment, monetary and fiscal measures should be used to curb the excess or prevent demand from becoming deficient, as may be needed.

4. The Congress and the Administration should plan to balance the Federal budget at existing tax rates in fiscal year 1946-47 and if possible run a budget surplus. The Government should be prepared to generate a substantial budget surplus if inflationary pressure continues strong at high employment levels. We should remember that tax revision is not a one-way street. Although tax rates in the post-transition period may appropriately be lower than they are now, taxes may still have to be raised before they can be lowered.

5. To prepare for a possible reversal in which demand-support-

ing measures would be needed, a large shelf of public works which could be quickly started should be made ready.

6. In view of the uncertainties of the transition, the speed with which fiscal policy can be brought to bear upon an excess or deficiency of demand should be increased. When tax revisions are considered, priority should be given to measures which add "built-in flexibility"—the capacity of the tax system to yield higher revenues when incomes increase and lower revenues when incomes decrease. This can be done by placing relatively more reliance on pay-as-you-go income taxes and relatively less on excises, by permitting the averaging of incomes in tax computations and by speeding up the payment of tax refunds.

7. Congress should authorize temporary (three or six month) variations from the permanent tax rate on the first bracket of the personal income tax and the Bureau of Internal Revenue should prepare the necessary regulations and forms. The change of rate should be enacted by Congress when it finds the change necessary to avoid inflation or prevent unemployment. This would be a powerful instrument to restrict or stimulate consumers' spending but would not unsettle those taxes that chiefly affect business decisions.

8. Congress should authorize the Board of Governors of the Federal Reserve System to raise reserve requirements substantially above present limits and to count Government securities held by banks as reserves. This will enable the Federal Reserve to prevent the banks from obtaining additional reserves by selling Gov-

ernment securities to the Federal Reserve Banks and using the reserves thus acquired to expand bank assets and deposits. It will restore to the Federal Reserve its power to limit the expansion of the money supply. So long as the banks are free to sell the billions of Governments which they own and the Federal Reserve is committed to buy them in order to support the Government securities market, a limit to monetary expansion is hopelessly remote.

9. The Federal Reserve should not prevent Government bonds from falling slightly below par if a tendency develops for the public to sell bonds in order to buy stocks, real estate, other investments or consumption goods. Under present policy, to prevent a drop in bond prices the Federal Reserve would buy bonds, thus increasing the public's holdings of cash (bank deposits) and banks' holdings of reserves. Thus the money supply would be increased just when a decrease would be needed to protect against inflation. This unwanted monetary expansion could be reduced by a decline of bond prices below par, which would slightly increase yields and confront potential bond-sellers with a minor capital loss if they sold.

10. Executive responsibility for transition policy should be clearly lodged in a central authority. This authority should be charged with developing and directing a unified program of fiscal, monetary and price control action to maintain price stability and high employment in the transition. Congressional committee procedure should be consolidated to permit prompt consideration of transition policy from an over-all viewpoint.

The report emphasizes the importance of labor-management cooperative efforts to increase productivity during the transition and the need for raising the average level of real wages as productivity permits. If potential gains in productivity are realized, if business taxes can be and are reduced to prewar levels and if a high level of employment is achieved, real wages one-fourth to perhaps two-fifths above 1939 would be not only possible by 1948 but necessary to provide markets for postwar output. This full increase cannot be realized in 1946, but it is a feasible goal towards which we should start to work now.

This program, says the report, rests upon the belief that, although inflationary pressure is now large, both inflation and depression are real dangers in the course of the transition. Public policy must be prepared to deal with either. Policy must be developed in advance and flexible instruments must be at hand for prompt action. The continuation of price control for one year beyond next June is necessary, but anti-inflation policy involves more than that. Price control must be first supplemented and then supplanted by anti-inflation measures which do not restrict the full and free operation of the American productive system. In the traditional government functions of taxation, public expenditure and monetary control we can find instruments for such measures. But we must focus fiscal and monetary policies on preventing inflation and depression if we are to avoid these hazards and emerge from the transition with an expanding and unregulated economy.

The Investor: Key Man To American Industry

By HON. ALEXANDER WILEY*
U. S. Senator from Wisconsin

Senator Wiley Declares That the American Investor Fulfills One of the Most Important Roles in the Nation's Progress, Particularly Toward Higher Standards of Living. Hailing "The Investoric Age" as the Strongest Bulwark Against Collectivism, He Holds That Free Investment Is Indispensable to Free Labor and Employment. Decrying the "Poisoned Propaganda" Long Practised Against Investors, He Lists the Following Factors Undermining Their Position: (a) The Unbalanced Budget; (b) Bureaucracy; (c) Government Competition With Private Enterprise; (d) Throttling Tax System; (e) Despotic Centralization, and (f) Racketeering Labor Bosses.

There are few, if any, more important roles to be played in the continual growth and progress of our dear country than that of the American investor.

Why? Because it is the investor who provides the financial means for private enterprise to continue to expand so that our people may have an ever and ever higher standard of living. But before we go any further, let us see what this system is.



Alexander Wiley

The system of private enterprise is a system of human relations where all men are free to work at tasks of their own choice, to invest their resources at their own discretion, and to enjoy the fruits of their labor and of their investment.

Free labor and free investment are two sides of the same coin.

You cannot have one without the other. You cannot destroy freedom of labor without destroying freedom of investment. A system where men would be assigned to work by the Government or by unions, where men could not accumulate savings, where they could not invest those savings, where their investments were not protected but were instead confiscated and without due process of law—this would not be a free system. You and I need but look to Europe today to observe how these conditions exist in countless countries.

The Meaning of "Investor"

Now, when we speak of investors we mean both MATERIAL and SPIRITUAL INVESTORS.

By material investors we mean those who have invested in homes, in stores, in small and big businesses, in tools of their trade—the

*An address by Senator Wiley before the Investor's League, Buffalo, N. Y., Feb. 28, 1946.

(Continued on page 1693)

NWSB Gives New Wage Price Relief Basis

Wage increases which bring hourly rates up to 65 cents an hour have the automatic blanket approval of the National Wage Stabilization Board, which announced on March 21, according to Washington advices to the New York "Times," that such rate increases could be used as a basis for seeking price relief without specific approval of the board. The action raises the sub-standard level recognized by the Board from the 55-cent rate established Aug. 30, 1945. On Jan. 18, regional stabilization boards were authorized to approve increases to bring rates up to 65 cents an hour, for price relief purposes, where warranted in individual cases. In the ruling of March 21 industry members dissented.

The Board also ruled, said the "Times," that some classes of increases given in connection with incentive pay systems, merit and bonus schedules and job evaluation plans did not need specific approval in order to be used as a basis for seeking price relief. The "Times" continued:

The advance approvals were contained in a series of interim orders which will be incorporated later in regulations now being prepared.

In each of the four types of increases the Board authorized advance approval regardless of the date of pay increase.

As in other general approvals, the board's action means that pay increases within the specified limits may be taken into account by the Office of Price Administration in considering an employer's application to increase price or rent ceilings or the cost of goods purchased by the Government.

The same day in Washington, according to Associated Press advices, Democratic Leader, Senator Barkley of Kentucky, urged his colleagues to get down to work on the administration's minimum wage bill. Forced into difficulties by contesting groups, the measure had lately appeared to be sidetracked. Senator Barkley drew attention to the fact that other work too will fall behind if action is not soon taken for its early disposal.

ABA Convention to Be Held in Chicago

The 72nd Annual Convention of the American Bankers Association will be held in Chicago, Ill., Sept. 22 to 25 inclusive, it was announced in New York on March 11 by Merle E. Seleckman, Secretary of the Association. Official convention headquarters will be at the Stevens Hotel. With the convention being planned for this Fall, the A.B.A. will resume the annual meetings of its members which were interrupted last year at the request of the Office of Defense Transportation because of the military requirements of railroads.

The hosts for the 1946 convention will be the member banks of the Chicago Clearing House Association. Solomon A. Smith, President of the Northern Trust Co. of Chicago, and Chairman of the Clearing House Committee, has extended the invitation in behalf of the Chicago Clearing House banks. Mr. Smith will serve as Chairman of the General Convention committee. John J. Anton, Vice-President of the First National Bank of Chicago, will serve as Chairman of the Executive Committee. Mr. Anton served as Vice-Chairman of the Executive Committee in 1944 when the Association held its convention in Chicago. The personnel of the Chicago Convention Committee will be announced later.

*A talk by Mr. Thomas over the American Broadcasting network, Feb. 26, 1946.

(Continued on page 1707)

Anglo-American Friction and Cooperation

By the EARL OF HALIFAX*
British Ambassador to the United States

Lord Halifax, in Asserting That Anglo-American Cooperation Is Still Urgent, Explains Present Position of the British Empire. Points Out That India Has Been Offered Independence, but That the Hindu-Moslem Controversy Has Prevented Its Acceptance. Says British Mandates, With Exception of Trans-Jordania and Palestine, Have Been Handed Over to United Nations Organization, and That if the Joint Commission So Decides, Palestine Will Be Given Same Status. Defends British Action in Indonesia as Under Allied Direction, and Denies Britain Will Retain Troops in Greece. Holds American Loan to Britain Essential to World Trade and Maintenance of Pound-Dollar Stability, and Cautions That Without Loan, World Economic Recovery Is Jeopardized.

During my five years here as Ambassador I have had the pleasure of taking several journeys through the Middle Western States,



Lord Halifax

of making many friends and of meeting many representatives of your press, whom I am glad to see again here today. When I first came to this country, if I may let you into a secret, I was a I was warned about the special difficulties of approach to the people of the Middle West; that living as they did a good many hundred miles from the sea, they did not care much for foreigners, and were not particularly interested in what was happening in the world outside the great continent in which they lived.

Well, I very soon discovered

that was a long way from the truth. I have never found a more friendly welcome in any part of the United States than I have found here; and I have never met any group of people more interested in, or better informed about, the affairs of the world than I have met among those who follow the great profession of the Press in the states of the Middle West. Often I have thought what a good idea it would be if, by extending a principle which became familiar to us during the war, some of the members of this Association could be leased or lent to England for a period. Our newspaper men on the other side would have at least as much to learn from you about the affairs of the world as you might find to learn from them. At any rate, when I go home, I shall make a point of telling my friends, who

*An address by Lord Halifax before the Inland Daily Press Association, Chicago, Ill. Feb. 20, 1946.

(Continued on page 1705)

What America Needs

By NORMAN THOMAS*
Socialist Party Leader

Socialist Spokesman Asserts That True Prosperity Cannot Be Obtained by a Tug of War Between Corporations and Unions and That Raising Wages and Prices at Same Time Will Not Benefit Workers. Advocates Workers Voting for Corporation Directors and Attacks UNO as Inadequate to Assure World Peace and Urges Economic Planning Without Bureaucracy or Red Tape. Advocates a Political Realignment With a "Mass Party" and Criticizes Political Action Committee's Inability to Manipulate Old Parties Out of Hands of Those Who Own Them.

There is one word to describe the American scene to a degree unprecedented in my long experience. That word is bewilderment.



Norman Thomas

Ours is a country without leadership or dominant purpose. We have won a total military victory and find ourselves unable to win peace or in peace to guarantee to our people employment and prosperity.

We cannot equal the wartime national income unless the purchasing power of the masses of the plain people is vastly increased so that in satisfaction of their urgent needs they can take the place of war as the ultimate consumer. The workers have every right to demand more wages, but money wages extorted by the power of one union or another, accompanied by the price rises which are now inevitable, mean little even of the victors. It is only the United Automobile Workers' Union which has shown an intelligent understanding of

this fact. Real wages can only be raised in two ways: (1) By increasing the share of workers as against owners. This is more than reasonable in a country in which before the war, the top third of our citizens received 66% of the total national income while the bottom third received 10%. (2) By increasing the production of civilian goods. This is a necessity to true prosperity. That blessing cannot be obtained merely by a tug of war between corporations and unions. The conquest of poverty and unemployment, to say nothing of industrial peace, requires some fundamental purpose and plan. Yet the American people have been propagandized into an extravagant and indiscriminating fear of planning. We who long ago accepted planning in a dozen areas, from the education of our children to the preservation of public health, act as if planning of any sort were the enemy of liberty. We who have seen the fateful harnessing of atomic energy by man apparently believe

*A talk by Mr. Thomas over the American Broadcasting network, Feb. 26, 1946.

(Continued on page 1707)

Economic Reconstruction Abroad

By MARION B. FOLSOM*
Treasurer, Eastman Kodak Company
Staff Director, House Special Committee on Postwar Economic Policy and Planning

Mr. Folsom, in Praising Action of Congress in Planning Reconstruction, Recounts the Work of the Colmer Committee That Visited Devastated Nations of Europe. Attaches Great Significance to Restoration of Our Trade With Europe and Says Immediate Problem Is to Restore Transportation, Provide Food and Raw Materials and Work for Resumption of Economic Life in Germany and Liberated Areas. Upholds Loan to Great Britain and Forecasts Need of Additional Financial Aid by Both Government and Private Agencies to Facilitate Production and Trade in Foreign Countries. Says Loans Should Be for Productive Purposes.

I am glad to meet with you and give you my impressions of conditions in Europe, which I visited last fall with seven members of the Colmer



M. B. Folsom

Postwar Committee of the House. Before discussing Europe, however, I would like to make a few comments about Congress. I have had an unusual privilege during the past twenty months of working in close contact with Congress, as Staff Director of the House Special Committee on Postwar Economic Policy and Planning. It has given me the opportunity to become acquainted with many of the members to see at first-hand how Congress functions. I have been favorably impressed and I question whether constituents really appreciate the work which Congress, as a body,

and the individual Congressmen do. They are on the whole a hard-working, able, sincere group of men who face difficult tasks. Many complicated problems are put up to them and they devote considerable effort and study to their solution. The solutions, of course, are not always satisfactory to all groups, but many who are critical do not appreciate that democracy is a matter of compromise, that all groups must be heard and legislation should be considered from the point of view of the country as a whole.

Reconversion Legislation

The reconversion legislation passed by Congress during the past two years serves as a good illustration. Almost everyone agrees that reconversion today is far ahead of what had been an-

*An address by Mr. Folsom before the Mid-Winter Session of the New York State Bankers Association, New York City, Jan. 21, 1946.

(Continued on page 1702)

Earle Cites Russia as Greatest Danger That Ever Threatened America

In the view of George H. Earle, Russia is "the greatest danger that ever threatened America," and at the same time he declared that civilization's outlook was "the blackest in history." Mr. Earle, former Governor of Pennsylvania, and former Minister to Bulgaria, made his remarks as to Russia upon his arrival at Boston, Mass., on March 23 from Istanbul on the American Export liner Exhibitor after several years in the Middle East and the Balkans, part of the time as a diplomat and part as a commander in the Navy with orders to report conditions to the late President Roosevelt. Associated Press advices from Boston, which reported his views as above, also stated:

"Mr. Earle said he would tour the country and devote the immediate future to 'making America realize what a frightful menace we have in Russia.'"

He contended Russia should be given an ultimatum to "get back to her own territory and, if they refused, I would use the atomic bomb on them while we have it and before they get it."

The views of Mr. Earle were expressed extemporaneously, and in an account as to what he had to say the International News Service indicated him as saying that world peace "will be lost unless the United States delivers an immediate ultimatum to Russia to get out of Iran and eastern Europe." The INS advices from Boston, as given in the New York "Journal American" of March 24 continued:

Earle said Russia "understands only force and the threat of force." He said:

"Democracy made an appeal to Hitler and he overran Europe. Russia is following the same pattern today. Once the Russians manufacture the atomic bomb there will be few Americans left. They despise our economy."

Continuing, Earle termed Russia a "far greater threat than Hitler was."

"The United States must declare war on Russia, if the Soviet does not live up to its agreement to get out of Iran," he said.

"We must use the atomic bomb on them, too, if they refuse to heed our ultimatum, for they would use it on us. Stalin is spending millions to obtain information about the atomic bomb."

"They would not have attempted to steal atomic information for other than sinister purposes. The atomic bomb is so deadly that we cannot temporize with murderers like the Russian leaders."

"The Hearst newspapers are to be commended for warning the American people against their potential annihilators, the Russians. The Hearst newspapers are performing a great service to democracy."

He placed the blame for present American appeasement of Russia on American statesmen, saying: "Why certain liberals support Communism and Russia, I cannot understand. In Russia there is no liberalism. People are in constant, deadly fear of expressing an opinion."

Earle, who will report to President Truman on his mission, said he would urge him not to leave the current Russian crisis up to the United Nations Organization.

"Russia has made a farce of the UNO," he said. "It is a worthless, powerless organization. The Russians took all the teeth from it when they insisted on having a veto power."

"Don't believe Marshal Stalin's claims in support of the UNO any more than you would believe the word of Hitler. He is the same diabolical dictator."

"Russia's whole history is one of broken promises. The teachings of Lenin advocate deceit, theft, crime, immorality. In Lenin's creed anything unethical is all right—if it aids communism."

He declared Russia had permitted American envoys and rep-

resentatives to see only what the Soviet wanted them to see and that as a result they knew little more about Russia than does the average American.

"If Russia was sincere with the United States, would Russia keep our Ambassadors and other envoys virtual prisoners within the Soviet? Even after being in Russia for years, these men know little more about what goes on in Russia than does the average American."

"The Russians permitted Harriman, Davies and even President Roosevelt's late personal representative, Harry Hopkins, to see only what the Soviet wanted them to see."

"These men were in constant fear of offending the Russians by seeking too much information. Their hands were tied."

Earle said he went to eastern Europe on a secret mission for the late President Roosevelt long before the outbreak of World War II.

"I witnessed what I believe to be the world's worst atrocities," he said. "These horrible crimes were not committed by Nazis alone but by Russians as well."

"There are more than 15,000,000 people in Russian concentration camps today, suffering the same tortures the Japs committed on Americans at Bataan."

"I have first-hand accounts by officers of the merciless attacks of Russian soldiers on the women of Hungary. When Budapest fell, the women screamed for three days and were raped and killed in cold blood by the Russians."

Earle and his Belgian-born wife, the former Jacqueline Sacre, whom he married last December in Turkey, arrived in Boston from Istanbul aboard the export freighter Exhibitor.

OPA Program a Threat

(Continued from first page)

ment to make profits before taxes at as high a rate as those of the years 1936-1939. Besides the dangers inherent in profit controls by bureaucrats there are other sinister conditions connected with this proposal. One is that Federal taxes are now more than twice as high as they were in the four-year base period. Another is that most firms did not make profits in that base period.

In the four years from 1936 through 1939 only 40% of the corporations reporting for Federal income tax purposes reported any profits. The other 60% of them reported no profits at all and of course most of them reported losses. The Government's own figures on national income report that in that four-year period the "business savings" of all corporations were in red figures and amounted to a loss of nearly 700 million dollars a year, despite some small real savings in 1939.

Chester Bowles wants more power than it is safe to delegate to him, and more than he has shown himself competent to handle. Probably it would be dangerous to lift all rent controls in June, and probably price controls over sugar should be continued, and perhaps that is true also of controls over men's clothing. But controls should be selective and not widely inclusive. They ought not to be rigid and restrictive. We need much more production than we can get under the Bowles program. The Price Control Act should be sweepingly amended as well as selectively extended.

Baruch Named to UNO Atomic Commission

Bernard M. Baruch was chosen on March 18 by President Truman as United States representative on the Atomic Energy Commission of the United Nations Organization. The commission was created at the last London meeting of the United Nations. It will consist of one representative from each of the 11 countries making up the UNO Security Council, plus a representative of Canada, which shares the atomic energy secret with the United States and Great Britain. The Associated Press, indicating this in advices from Washington March 18, noted that the new appointee, Mr. Baruch, one of the nation's elder statesmen, was Chairman of the War Industries Board during the first World War. The late President Franklin D. Roosevelt called on him frequently during the last war for advice and for special missions. The press accounts added:

"One of his best known services in World War II involved a solution of the rubber crisis."

"In selecting Mr. Baruch, President Truman followed the lead of Great Britain in appointing a non-scientist to the Commission. Sir Alexander Cadogan, permanent Under-Secretary for Foreign Affairs, recently was named to represent the British."

The Associated Press also stated that in New York Mr. Baruch announced the following team of "alternates and co-workers" who will labor with him on the task that may determine the future of humanity:

"John Hancock, Wall Street banker, who worked with Mr. Baruch on his rubber and post-war reports;

"Ferdinand Eberstadt, New York investment banker and lawyer and former Vice-Chairman of the War Production Board;

"Herbert Bayard Swope, publicist and journalist, who was Mr. Baruch's assistant on the War Industries Board in World War I;

"Fred Searls, noted New York mining engineer, who was a dollar-a-year man with the Government in several capacities during the war. He was special assistant to Mr. Eberstadt on WPB and also was special assistant on munitions for the Office of War Mobilization and Reconversion. He now is a consultant to Secretary of State James F. Byrnes."

From the Associated Press Washington advices we also quote:

"Mr. Baruch told a reporter that Mr. Byrnes talked with him yesterday about the appointment and 'I felt it my duty to accept.'"

"He said he had no comment to make on the Commission's work and referred an interviewer to the resolution adopted by the United Nations, which specifies that the Commission shall recommend proposals:

"(1) For extending between nations exchange of basic scientific information for peaceful ends,

"(2) For control of atomic energy to the extent necessary to insure its use only for peaceful purposes,

"(3) For the elimination from national armaments of atomic weapons and all other major weapons adaptable to mass destruction,

"(4) For effective safeguards by way of inspection and other means to protect complying States against the hazards of violations and evasions.

"The State Department said that a study of atomic energy controls and safeguards now being made by a committee appointed by Mr. Byrnes would be given to Mr. Baruch upon its completion.

"That committee is headed by Under-Secretary of State Dean Acheson.

"Mr. Baruch said he did not ex-

Semi-Annual Report of Export-Import Bank

The Export-Import Bank of Washington submitted its first semi-annual report to Congress on March 18. The report describes the activities of the bank for the six months ending Dec. 31, 1945, and discusses certain policy questions pertaining to the bank's operations.

During the six months period, according to the bank, "requests from foreign governments for reconstruction credits were numerous and large." The Bank goes on to say:

"This was to be expected in view of the widespread destruction and economic dislocation resulting from the war. The bank's consideration of these requests has been generally limited to the immediate and urgent needs of those countries that could not wait upon the operations of the International Bank for Reconstruction and Development.

"At the same time the bank has continued its assistance to Ameri-

Country and Obligor	Amount (in millions of dollars)	Purpose
Asia		
Saudi Arabia:		
*Kingdom of Saudi Arabia...	5.0	Export of various goods and services.
Turkey:		
Turkish State Airways.....	3.06	Export of airport equipment.
Total Asia	8.06	
Various Countries		
Governments of various countries.....	5.0	Export of communications equipment.
Special exporter-importer credits	1.0	Various.
Total various countries....	6.0	
Grand total	1,039.76	

*Credits authorized before June 30, 1945 but not entered on the books of the Bank as commitments until after that date.

In presenting the above the Bank says:

"Actual loan advances during the period from July 1 to Dec. 31 totaled only \$58.6 million. Loan advances against authorized lines of credit are made for the most part only when goods are ready for shipment, usually some months and sometimes a year or more after purchase orders are signed. Frequently the credit lines are designed to cover a purchasing program that may extend over a period of several years. In some instances, furthermore, the bor-

rower never uses the full line of credit extended. The mere granting of a line of credit by the Bank not infrequently enables a borrower to secure credits from other sources. Thus, there is not only a great time lag between the authorization of credit lines and actual loans but also it is unlikely at any time that actual loan advances would be made to the extent of the Bank's total credit lines outstanding;

The total loan advances during the six months ending Dec. 31 are shown as follows:

(Continued on page 1716)

Prof. Corwin Says Roosevelt Acted Alone Without Consulting Congress

Japan's attack on Pearl Harbor averted a serious constitutional crisis in the United States, it was declared on March 19 by Edward Samuel Corwin, who asserted that the crisis was being precipitated by the late President Roosevelt's policy of using his commander-in-chief powers to push through action in the field of foreign affairs which had its full intended effect before Congress could be consulted.

The address by Mr. Corwin, Professor of Jurisprudence at Princeton University, was the first of a series of William W. Cook Foundation lectures presented by the University of Michigan, at Ann Arbor, Mich. His remarks, as given above, were contained in an account from Ann Arbor, as given in the New York "Sun," which further reported Prof. Corwin as saying:

Prior to the enactment of the Lend-lease Act in early 1941, Prof. Corwin said the late President followed a policy which recognized Congressional authority and sought collaboration. One notable exception was the trading of 50 over-age destroyers for rights to naval and air bases, he asserted. The Professor declared that even though this action was directly in violation of at least

"two statutes and represented an assertion by the President of power which by the Constitution is specifically assigned to Congress," the President did not seek ratification by Congress.

After the enactment of Lend-lease, Prof. Corwin asserted, Mr. Roosevelt began using Presidential initiative to chart action

without consulting Congress and added that this was "a course which must in the end have produced a serious constitutional crisis had not the Japanese obligingly come to the rescue."

In an historical summary of the growth of the President's wartime powers, Prof. Corwin said Lincoln was the first President to use the commander-in-chief clause to justify emergency war actions. He did this by joining the clause to the one which requires the President "to take care that the laws be faithfully executed." It was by this reasoning, the Professor pointed out, that Lincoln justified a series of extraordinary measures he took after the fall of Fort Sumter and before Congress could meet in special session.

Mr. Roosevelt exhibited the same persistency in holding to a predetermined course, Prof. Corwin declared, but by no means the same candor in explaining it or in justifying it to the American people. In his concluding remarks, the lecturer described the Rooseveltian policy "which eventuated in World War II" as resembling a river which occasionally disappears underground only to emerge nearer the sea, which in this case he declared was "the sea of total war."

pect to witness the forthcoming atomic bomb test in the Pacific.

Some of the members of the Commission, it is stated, will observe the forthcoming Army-Navy tests of the atomic bomb.

The State of Trade

(Continued from page 1686)

steel companies having 94% of the steel capacity of the industry will be 88.5% of capacity for the week beginning March 25, compared with 88.9% one week ago, 58.6% one month ago and 96.6% one year ago. This represents a decrease of 0.4 point or 0.5% from the previous week.

This week's operating rate is equivalent to 1,559,700 tons of steel ingots and castings and compares with 1,566,800 tons one week ago, 1,032,800 tons one month ago and 1,769,400 tons one year ago.

Electrical Production—The Edison Electric Institute reports that the output of electricity decreased to 3,987,877,000 kwh. in the week ended March 16, 1946, from 3,952,539,000 kwh. in the preceding week. Output for the week ended Mar. 16, 1946 was 9.3% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 181,000,000 kwh. in the week ended March 17, 1946, compared with 171,600,000 kwh. for the corresponding week of 1945, or an increase of 5.5%. Local distribution of electricity amounted to 179,700,000 kwh., compared with 167,700,000 kwh. for the corresponding week of last year, an increase of 7.2%.

Railroad Freight Loadings—Car loadings of revenue freight for the week ended Mar. 16, 1946, totaled 799,882 cars, the Association of American Railroads announced. This was an increase of 13,680 cars (or 1.7%) above the preceding week and 16,674 cars, or 2.0% below the corresponding week of 1945. Compared with the similar period of 1944, an increase of 14,687 cars, or 1.9% is shown.

Paper and Paperboard Production—Paper production in the United States for the week ending March 16, was 104.1% of mill capacity, against 103.4% in the preceding week and 89.4% in the like 1945 week, according to the American Paper & Pulp Association. Paperboard output for the current week was 100%, compared with 99% in the preceding week and 95% in the like 1945 week.

Business Failures Higher—Increasing in the week ending March 21, commercial and industrial failures exceeded both the number occurring in the previous week and the number in the comparable week of 1945. Dun & Bradstreet, Inc., reports 22 concerns failing as compared with 17 last week and 14 a year ago. Concerns failing this year have continued for 10 straight weeks, with one exception, at a higher level than in 1945.

Almost two-thirds of this week's failures involved liabilities of \$5,000 or more. These large failures, at 16 in the week just ended, exceeded the 13 reported a week ago and the 11 in the corresponding week of last year. Six small concerns failed with losses under \$5,000.

Twelve of the 22 failures occurring during the week were concentrated in manufacturing. The second-highest number, 6, occurred in retailing where failures were up from 2 a week ago—the only marked change from the preceding week in any trade or industry group. Compared with the corresponding week of 1945, concerns failing in wholesale and retail trade, construction, and commercial service remained at exactly the same number. However, in manufacturing failures were three times as numerous as a year ago.

Canadian failures numbered 4 as compared with 1 both last week and a year ago.

Wholesale Commodity Price Index—The general level of wholesale prices trended higher toward the close of the current week following a short period of steadiness. The daily wholesale commodity price index, compiled by

Dun & Bradstreet, Inc., registered a new postwar peak of 187.30 on March 18, and closed at 187.26 on March 19, as against 186.75 a week earlier. The latest figure reflects a rise of 6.1% over the 176.48 recorded a year ago at this time.

Domestic flour business showed some increase and considerable buying for export was noted but mill offerings remained on a limited basis due to inventory restrictions and uncertainty over wheat supplies. Following the advance of 25 cents per hundred-weight in lard prices last week, domestic trading in that commodity showed a moderate increase. Hogs were firm as receipts at leading western markets rose slightly over a week ago.

Wheat futures as well as the cash grain closed strong at the permissible maximums. The wheat supply situation remained tight; visible stocks continued to decline rapidly and Government purchases for export reached heavy proportions. Winter wheat crop prospects were enhanced by good rains in some dry areas of the West. Trading in rye and oats was comparatively heavy with futures moving over a fairly wide range. Corn held at the new ceiling as supplies continued very tight.

Cotton prices during the week held within a narrow range, averaging slightly under the twenty-two-year highs recorded earlier this month. The market was under pressure at times, resulting from unsettling developments abroad and the efforts of the Government to stabilize cotton prices through higher margin requirements. There was also considerable hedge-selling against purchases of CCC cotton.

Consumption of cotton during the short February month, according to the Census Bureau, dropped to 746,994 bales, from 811,368 in January, and 781,149 in February last year. Carded gray goods markets displayed more activity following the recent advance in textile ceilings. Volume reached only moderate proportions, however, due to uncertainty as to the method of computing the new prices.

Despite existing uncertainties, buying of domestic wools in the Boston market broadened last week, with practically all top-makers and manufacturers participating. Much of the purchasing was for blending with foreign wools, supplies of which continued light. Consumption of raw wool, on a scoured basis, averaged 12,800,000 pounds per week during January, according to the Bureau of the Census. This compared with a weekly average of 11,500,000 pounds during December 1945.

Food Price Index at New 25½-Year Peak—Up 1 cent to a further new peak since October, 1920, the wholesale food price index, compiled by Dun & Bradstreet, Inc., for March 19 stood at \$4.18. This was 2.0% higher than last year's \$4.10, and 3.5% above the comparable 1944 index of \$4.04. Commodities rising during the week included rye, eggs, potatoes and lambs. There were no declines. The index represents the sum total of the price per pound of 31 foods in general use.

Wholesale and Retail Trade—An early anticipation of Easter needs, favorable shopping weather, and the proximity of spring have succeeded in sustaining retail volume for the country as a whole this week well above that for the corresponding week a year ago and moderately above that for last week, according to Dun & Bradstreet, Inc., in its current survey of trade. The demand for staples and seasonal articles continued high with many areas reporting larger selections available than during previous weeks.

Food volume was above that of last week and supplies were generally adequate. Fresh vegetables

were plentiful with some easing in the shortage of onions. Strawberries, apples, and pineapples remained scarce but citrus fruits were abundant. Requests for dried fruits were less frequent this week. The supply of poultry was plentiful. Reports on meat supplies were mixed with a few localities reporting acute shortages. Fresh fish appeared in greater quantity with the advent of Lent.

Some areas reported that rugs and furniture were best sellers this week with interest directed toward the higher priced lines. Garden supplies and equipment are beginning to attract much attention with the arrival of Spring. Request for housewares continued to be numerous; china and tableware appeared in limited quantities. The selection of curtains and draperies was disappointing to many shoppers.

The shortage of men's clothing remained acute although it was less severe than it has been in previous weeks. Nylon hosiery appeared more frequently and it continued to attract many eager buyers. The mounting interest in suits and coats has succeeded in holding women's apparel high in the ranks of best sellers. Millinery, neckwear, and blouse departments reported a very brisk business.

The retail volume for the country was estimated at between 11 and 15% over the corresponding week a year ago when Easter was only a week away. Estimates of regional percentage increases were: New England 7 to 11, East 10 to 14, Middle West 6 to 9, Northwest 12 to 16, South 18 to 22, Southwest 8 to 12, and Pacific Coast 17 to 20.

Wholesale volume exceeded slightly that of last week and the high level of the corresponding week a year ago with new orders continuing to be placed in large numbers. Some improvement in deliveries was reported although they remained below previously established schedules.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended March 16, 1946, increased by 13% above the same period of last year. This compared with an increase of 14% in the preceding week. For the four weeks ended March 16, 1946, sales increased by 17% and for the year to date by 16%.

Continued easement in some lines occurred here in New York last week in the supply situation, but in others it remained tight notwithstanding OPA price adjustments. As an illustration, under the new pricing order governing men's clothing retailers began to receive shipments but cotton and piece goods remained scarce with most suppliers still figuring their prices under the new order.

Food sales rose slightly during the week as a result of greater quantities of fresh fruits and vegetables entering the market. There was, however, the customary seasonal decline in sales of alcoholic beverages which usually occurs in the early part of Lent.

A slight gain in dollar volume was noted in furniture sales but the picture for unit volume reflected a distinct change for the worse because of the increasingly acute lumber shortage which worked to curtail output.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to March 16, 1946, increased 20% above the same period last year and was without change from the preceding week. For the four weeks ended March 16, 1946, sales rose by 22% and for the year to date by a like figure.

From Washington Ahead of the News

(Continued from first page)

cause it takes sometime for it to get into distribution, and we all know that certain highly important products have been held up because of labor strife. The important thing, however, is that employment is at the highest point in history. There are no mobs of people looking for jobs or wondering where their next meal is coming from. At our home, we were amazed the other day when a fellow came around trying to sell magazines by way of working his way through college. We decided that he was an obvious social misfit. We were also surprised that we could get somebody to resod our lawn within a reasonable time, and it is a pleasant experience to have a waiter in a restaurant thank you for your tip. But our laundry is still hysterical and still losing our shirts and underwear. The point is that there is plenty of work for everybody and there certainly seems to be money everywhere.

Yet in the face of this situation the radicals are still going strong. Contemplate this situation before we go any further. The GM workers were on strike for 121 days. It was unquestionably a fact that GM hoped that when the end came they would have some less radical workers and workers who were more inclined to work, that they would get back workers who appreciated their jobs. The GM management figured that as a part of the cost they were paying for the strike, they would get an increasing efficiency, less trouble from the union shop stewards.

Your correspondent, having been in and associated with strikes thought he knew a little about them. We would have said that the GM management was right in its thinking. The youngsters with no responsibility usually dominate strike votes. They like the adventure, the excitement of a strike. An older man with a family to support always dreads these disturbances. Usually, even if the strike is won, he loses out in the shuffle and the surge of new and younger blood.

But what has happened? As of this writing, GM is still trying to get its men back to work. We are amazed, in the first instance, that these workers would have remained intact after the 121 days of strife. That has not been the experience in the past. A strike of this long duration, incidentally seldom settled by an agreement with the union but through a war of attrition, would have found the workers scattered. A new crowd would have come in. GM wanted a new crowd and rightly so. But instead of getting a new crowd, instead of finding the workers scattered, they find 19 of their plant locals refusing to ratify the agreement. Nineteen locals after being on strike for 121 days, instead of hallelujahing and rushing back to work when the International organization has signed an agreement, still remain out. GM first took the stand that until all locals had ratified the agreement, no plant would be reopened. It has backed down on that and is now attempting to open the rest of the plants.

There is really a study in human relationships involved here.

We should think that by this time your Henry Wallaces and Claude Peppers et al would be trying to get jobs with the National Manufacturers' Association, explaining that it had all been just clean fun. But those are not the facts. Harold Ickes is getting \$50,000 a year as the head of the Leftist political action committee of composers, artists, etc., whatever it is, Jo Davidson's outfit, and Jimmy Roosevelt is getting

\$25,000 a year with the same outfit. Radicalism in our country has become Big Business. It is not a depression business any more at all and not confined to the Townsends and Ham and Eggers. It is an industry with big boards of directors. And there is money to be made.

We are still amazed that even high priced entrepreneurs could continue to traffic in human beings, in good times, as is being done so profitably. But there is no doubt about what is happening.

At the UAW meeting in Atlantic City, we have R. J. Thomas, trying to hold onto his job as President, charging Walter Reuther with having called the GM strike at the most inopportune time and having continued it unnecessarily. Reuther is charging that Thomas is the Communists' candidate. It is all baffling to the imagination. We should think that the workers would really be at Reuther's neck. We hear otherwise. We hear they might even promote him.

But don't make the mistake of thinking this docility and herd-like spirit is peculiar to the UAW workers. We are all becoming that way. If you don't think so, just realize that the present food saving campaign to feed the Russian controlled starving countries and which is threatening to bring back rationing and prohibition, was the sole enterprise of Eugene Meyer, publisher of the Washington "Post," who wanted to throw his weight around.

Churchill Off for England Address in Virginia

Winston Churchill sailed out of New York harbor on the Queen Mary on Mar. 21 to return to London after a vacation in this country which began on Jan. 14. Most of the time in the United States was spent in Florida, resting, but the former British Prime Minister also managed a few speeches which drew the eyes of the world on a man whose opinion has for many years been listened to with respect. One in particular, delivered at Fulton, Mo., at Westminster College, will probably long be outstanding.

As he boarded the ship at 11:45 the night before she sailed, Mr. Churchill gave his familiar V-for-Victory sign, and called a "Good luck", and "God bless you all."

Britain's wartime Prime Minister. Winston Churchill, addressed a joint session of the Legislature of Virginia at Richmond, on March 8, and called on the English speaking peoples to unite in standing "together in malice to none, in greed for nothing, but in defense of those causes which we hold dear not only for our own benefit, but because we believe they mean the honor and the happiness of long generations of men." Applause greeted the remarks of Mr. Churchill as he emphasized the close working unity of British and American troops in the war just ended and urged a continuance of the strong ties between Great Britain and the United States.

The former Prime Minister took occasion to give warm praise to General Dwight Eisenhower, who was present, for his work in welding the Allied troops into a force which fought "as soldiers of a single nation," the Associated Press reported. The General, in turn, paid tribute to Mr. Churchill: "Of all the things that supported me in the years of the war none other was so inspiring as the courage and indomitable support of the Prime Minister of Great Britain."

The Investor: Key Man To American Industry

(Continued from page 1690)
dentist's and doctor's equipment, the carpenter's tool kit. These men and women are *sustainers, builders, creators* of jobs and of wealth.

Of course, the most obvious example of material investors are the 85 million holders of U. S. War Bonds, the 70 million holders of life insurance policies, the 40 million bank depositors, the 15 and more million stockholders and bondholders.

We know how crucial these financial investments have been to our country. We know how the purchase of war bonds enabled our Government to finance the war program, how private life insurance policies insure the security of our people, how bank deposits prove so vital in times of personal emergency and, too, when things run smoothly.

We are also aware of the indispensable role of the stockholders and bondholders. It is they who have made our system of small and large businesses possible. It is they who have enabled America to be technologically head and shoulders above all the rest of the world combined.

Statisticians have estimated that it takes an average of \$7,000 of capital investment to create a single industrial job today. Without that \$7,000, the job cannot be created nor continued. Every year, there is an addition of 700,000 new workers to our labor force. That means that there must be an investment of \$7,000 times 700,000 workers or about 5 billion dollars in investment capital simply to provide jobs for new workers.

Where does that capital come from? From the great mass of small investors, the men of industry, of thrift, of vision.

It is these small investors—425,000 of them—who hold stock in the great General Motors concern. 700,000 of them hold stock in the American Telephone and Telegraph Company. 270,000 hold stock in The Radio Corporation of America.

When we speak of these corporations, we must think of the investors in them, just as we must think of their labor and their management. *The investor, the laborer, the manager—these are the three pillars* of our industrial structure. Each must be free of termites, of wreckers. Each must be free to make its greatest contribution to the whole. Each must work as a team-mate with the others.

The Investor Age

For too long has the role of one of the vital members of this team—the investor—been ignored and misrepresented. Actually, as I have indicated, the investor, by making his savings available to management, has become a **KEY MAN TO AMERICAN INDUSTRY**. So true is this that your able Forum Director, Mr. William Jackman, has called ours an **"INVESTORIC SYSTEM."**

This is indeed AN INVESTORIC AGE, an age when it is absolutely necessary that great masses of men and women be encouraged to invest soundly and wisely so as to expand and develop our complex system.

Since 1870, over 15 million new jobs have been created in 15 major industries brought about by new inventions. Had investment money not been available to stimulate the development of these inventions, the auto industry, the aircraft industry, plastics, electronics and so on would not have developed to their present advanced stages.

It was the industry, the inventive genius and accumulated savings of our forbears which in the brief span of 150 years have brought us the highest standard of living in the world.

Even before the war, America, with only 7% of the world's pop-

ulation and 3% of the world's land surface, possessed:

- 71% of the world's autos.
- 59% of the world's telephones.
- 52% of the radio sets.
- 31% of the railroad mileage.

Our entertainment and recreation facilities, our educational system, our health, surpass those of any power on earth.

The Terrible Alternative of Collectivism

And yet, there are those in our midst—Collectivists in word and deed—who would divide our house, who would tear down our industrial structure, who would make investments insecure and then confiscate those investments, who would replace our way of life with the *slavery* of bygone days and of today. We call that slavery "Statism" or Collectivism or Communism.

The alien way is apparent in Russia today in its economic system, in its political system, in its utter disregard of what we call the democratic way—the way of the Bill of Rights. We know that Russia has experienced centuries of submerged thinking and living—the past of the Czars and the Revolution. But before any American should be persuaded by the glib tongues of those who think that the Russian way should be exchanged for the American way, we should see what they way is.

Private property there is the exception. Her farmers are as serfs on their collective farms. Labor is regimented like soldiers. She has practically no middle class.

Many of the Russian people may be happy. They did a great job in this war. But they do not know freedom of speech, freedom of press, freedom of religion, freedom of assembly, trial by a jury of their peers. With our background, we could not be happy without those freedoms.

How could any clear-thinking, fair-minded man or woman be willing to trade our way of life for Russia's, our freedom for her slavery?

The Menace of Collectivism Here

And yet there are considerable numbers of vicious-minded or misguided individuals who would lead our beloved land down THE ROAD TO SERFDOM.

It is these Collectivists in our midst who seek to poison our minds against the Investor System. They picture the investor as a worthless parasite, as a bloated plutocrat. They try to smear the builders, the creators of wealth—men like the Fords and Rockefellers—and make them appear as enemies of Main Street.

They try to create a landless, homeless, rootless so-called proletariat—a mob of wreckers who would tear down our society.

We must antidote this Collectivist poison. You ladies and gentlemen, through your national organization, your publications, your forums, your industrious Washington representative, Mr. Nathan J. Paulson, you have a genuine article to sell in this Investor System—this American system. You have a job on your hands to bring light, to bring truth, so as to dispel ignorance and misunderstanding.

You have a righteous cause in upholding the investor—key man for industry, for prosperity—men of thrift, of initiative, of vision—the farmer, the small and big businessman, the professional.

You have a right to prove that *Wall Street and its Exchanges*, wisely and soundly administered, are the friends of Main Street and are absolutely dependent on Main Street.

You have the right to uphold as an ideal not the so-called rootless proletariat but the homeowner, the small and big businessman, the stockholder, the bondholder—men

and women with roots, with stability.

The Signs of Collectivism Here

Your challenge is an inspiring one, and it is not an easy one. Already, there are many signs of Collectivism contesting our way of life. One symptom I have already cited—the poisoned propaganda against investors. But there are also deeds and conditions which would undermine the position of investors and thus undermine our system. I will name six of these "wrecking" conditions:

(1) *The unbalanced budget*, with Government deficit financing blowing up the national debt balloon—now almost 300 billion dollars—until it bursts and inflation results. Then the Collectivists expect to pay off the debt with worthless currency, although such payments would ruin our people.

(2) *An octopus bureaucracy* with a stranglehold on agriculture and business, sending out arbitrary orders, nuisance questionnaires and incomprehensible directions. I wish that you could be in my office for one or two days to hear the factual stories of the small and large businessmen who write, wire and call me about bureaucratic maladministration which is holding back production.

(3) *Government competition with private enterprise*. We need only to look around us to see how Government today has invaded innumerable spheres of private enterprise and is apparently seeking to drive private enterprise to the wall—in utilities, in lending functions, and in many others.

(4) *A throttling tax system* which punishes initiative instead of encouraging it, which deprives men of the fruits of their labor and of their investment.

(5) *A despotic centralization of authority* which, through the bait of money, takes away from our States and localities, functions which are rightfully theirs, which discourages them from solving their local problems at their local level, which sends them running to the Federal treasury for more and more handouts.

(6) *The rule by a segment of our population—racketeering labor bosses* who dictatorially command what amount to field armies of men. These bosses can order strikes which can paralyze our nation, which can lay us open helpless to atomic and rocket invasion. These bosses can levy tribute upon the consumer, upon management, upon labor itself.

The Counter-Attack Against Collectivism

Yes, these are six conditions which warn us of worse conditions to come, ending finally in Statism, in a situation where there are no economic, political or social checks and balances but where power is centralized, unopposed and capable of going to any excess. And let me say, my fellow Americans, that *this system of checks and balances*, this system of three separate branches of Government, of big and little business, of investor, laborer and manager is the very *woof and warp* of our American Way of Life.

Well, how are we going to preserve this system? How are we going to counterattack Collectivism?

Let me suggest six ways. Other ways will occur to you, I am sure.

(1) *We must balance the budget* and make the Federal Government live *within* its means. We must reduce the national debt and demobilize useless agencies and jobholders.

(2) *We must get rid of those in Government who are activated by a master complex*, who do not recognize their function as public servants, who do not recognize public office as a public trust, who

do not believe in the system of private profit and private enterprise. Get Government out of the "red" and the Reds out of Government.

(3) *We must get Government out of spheres which rightfully belong in the hands of private enterprise*.

(4) *We must set up a tax system that is simple, clear-cut, and follows plans of justice and equity*.

(5) *We must encourage local initiative and local self-reliance*, rather than dependence upon the Federal Government.

(6) *We must curb the racketeer in labor* just as we must curb any racketeers in management. We must provide for the responsibility of unions before the law, for publicized union finances, for democratic union elections. We must prohibit strikes in utilities and nationwide industries and provide for compulsory arbitration as a last resort to prevent strikes and to insure continuous production.

This country belongs to *all of us*—to the general public. It does not belong to this segment or that segment but to all segments—the working, saving, investing public.

Clearing Up Basic Terms

I know that a Collectivist hearing my views and recommendations might falsely denounce them as "reactionary." I do not want to bandy terms about, but I say that it is the Collectivists who are the reactionaries. It is they who would turn the clock back. It is they who would return us to the Dark Ages of Slavery, who would force us back to the days before there was a Constitution, a Bill of Rights, a system of checks and balances.

I, for one, seek to conserve the best that is in America, to conserve our Investor System, to conserve our unsurpassed standard of living, our Constitutional Way of Life—protection for all American rights. I want progress in the American Way. If that makes me a *Conservative*, then I am one.

There are too many folks about who are mistakenly called "Liberals" who are "liberal" only with other people's money, who are prodigal with other people's resources and other people's liberties.

Their program is "tax and tax, spend and spend, elect and elect"—not the American program. That is an alien program.

Your program, on the other hand, to encourage prudent investment, to safeguard such investment, to get full production, is an American program.

Spiritual Investment

My fellow citizens, we have seen that the **INVESTOR IS A KEY MAN FOR AMERICAN PROSPERITY**. We have seen the ways in which our *Investor System* may be developed.

But at an earlier point I referred also to **SPIRITUAL INVESTORS**, and to the old colored man, Mose, who worked out his problem.

I feel I would be remiss if I did not emphasize as my concluding theme the importance of *spiritual investment*.

You and I know that money and material values are but means to an end, not ends in themselves. Man must not make money a fetish. An individual in our great land may accumulate much worldly possessions by dint of ingenuity and industry. But he can't take those possessions with him. There are no pockets in a shroud.

While he is here on earth, his wealth gives him added responsibility to use it wisely, with discretion and judgment. It is his responsibility to help bring light to other men. "Ye shall know the truth and the truth shall set you free." It is confusion, ignorance and darkness which make wreckers of men.

The material investors of America have the responsibility of wise

spiritual investment. "Man does not live by bread alone." In this great land, we do not count only our material blessings. Far from it, we reckon our *spiritual blessings as the supreme blessings*. These are the blessings that give us that inner glow of a job well done, that inner glow of growth and fruition.

But just how may we invest spiritually? May I cite three ways. They are the ways of the great, humble man whose birthday we celebrated earlier this month—Abraham Lincoln. They were the ways, too, of the Father of our Country—George Washington,

Lincoln, in particular, the lowly backwoodsman, the humble rail-splitter, invested spiritually:

In faith in God and the common man.

In love of the Republic.

In humor.

His faith "moved mountains." His faith was "the substance (mark you, the substance) of things hoped for, the evidence of things unseen." His was the kind of faith that prompted an old dorky to say:

"Lord, there ain't nothing that you and me can't handle."

Lincoln's love of the Republic, of its freedom, its opportunities, its checks and balances was another investment that could never fall in value.

So, too, was his *humor*, his use of mirth—of a wholesome yarn, to refresh men, to release their taut nerves so they could work out their problems.

You and I can invest, too, spiritually—restoring, strengthening and broadening the spiritual foundations of the Republic. You and I can hold "*unlimited shares of preferred stock*" in *faith, in humor, in love of the Republic*. You and I can help make the home, the school and the church still stronger foundations of the Republic.

Conclusion

My fellow Americans, I have stated that yours is a great challenge, a *gallant challenge*, to bring light so that our fellow citizens will understand the job of the investors of America.

I conclude with this thought: You, ladies and gentlemen, leaders, trailblazers, will rise to that challenge.

You will be adequate. Of this I am certain. YOU WILL BE ADEQUATE.

George Amy Named Sec'y of ABA Group

Appointment of George R. Amy to the post of Secretary of the Commission on Country Bank Operations of the American Bankers Association was announced in New York on March 14 by ABA Executive Manager Harold Stonier. Mr. Amy has been Assistant Secretary of the Commission for the past year. The Country Bank Operations Commission was created three years ago to serve country banks in connection with their internal operating problems. Mr. Amy has been in direct charge of the cost analysis service which the Commission rendered to 3,000 country banks last year. The Commission under Mr. Amy's direction is now in the process of analyzing costs for approximately 5,000 banks which have asked to be included in the program this year and is completing a service charge study soon to be published. Mr. Amy is a graduate of Elizabeth, N. J., chapter of the AIB, class of 1931, and the class of 1944 of the Graduate School of Banking. He began his banking career with the First National Bank in Bound Brook, N. J., in 1927. In 1942 he was elected an Assistant Cashier of the bank. He joined the staff of the ABA in January 1945.

Monetary Aspects of National Debt Policy

(Continued from page 1687)
 contractual rights and obligations probably means that the structure of the debt cannot be modified quickly enough to meet transitional postwar inflation should it develop. The wartime tax structure and such direct controls as are still in effect are much more suitable weapons for that purpose. For the longer term, however, these instruments will be much less potent and unless the problems of debt management are met, the possibility of unwarranted monetary expansion will persist.

If a general inflationary problem in the postwar should arise from a steady excess of business and consumer capital expenditures over savings, the appropriate offset would be a budget surplus which would be used to retire public debt held in the banking system and therefore to limit the growth or possibly even contract the volume of deposits and currency. But if inflationary developments should come rapidly, the retirement of debt with budgetary surpluses would be too slow to be an effective control. The direct controls which have been instrumental in preventing excessive use of monetary holdings during the war could not and should not be revived at such a time. It is to prepare for the contingency of marked inflation in the absence of direct controls that there is advanced at the end of this paper a series of suggestions for stabilizing Government security ownership and revitalizing the quantitative credit controls.

Monetary Expansion During the War

The wartime expansion of the Federal debt has been responsible for a very large growth in currency and deposits. Great efforts have been made in the War Loan

drives and through pay-roll deduction plans to sell securities to individuals and corporations and other nonbank buyers. But what could not be sold this way had to be sold to the banks. Either directly or indirectly new funds so created passed into the hands of private owners and were held as demand deposits, savings accounts, or currency. In a very broad sense, the proportion of the Federal debt sold to the banking system is an index of the proportion of wartime savings in money form. The distribution of Federal security ownership and of its wartime increase is shown in the accompanying table.

Almost half of the United States Government securities held outside of the Federal Government are owned by the banking system and about the same proportion of the increase in net Federal debt since the end of 1939 was absorbed by the banking system. A little over one-quarter of the increase has been taken by individuals and about one-seventh by corporations (excluding banks and insurance companies). Insurance companies and mutual savings banks have accounted for about one-ninth.

Some expansion of deposits and currency would, of course, have been appropriate to the wartime growth of production and income. Expanded production and income call for larger working balances. Even a more than proportionate growth in cash balances is justified. In the first place the uncertainties of war are legitimate grounds for larger precautionary balances. Furthermore, in the case of business concerns the inability to make capital expenditures as great as depreciation allowances and other business reserves has tended to build up cash balances.

quantitative measures of monetary control to limit the access of banks to additional reserve funds. If banks seek to replenish their reserves by selling Government securities or by letting them mature without replacement, the banking system as a whole will secure an increase in reserve holdings, unless either one of two conditions is met. The first condition would be the existence in the Federal Treasury of adequate budget surpluses to retire debt equivalent in amount to the reduction of bank holdings. The second condition would be the presence of nonbank buyers for an amount equivalent to the reduction in bank holdings. But bank holdings, particularly of short-term securities, are so large that the amounts sold by the banking system could exceed any conceivable budget surplus. And the discipline of market price decline and capital loss is not very effective because banks can depend on maturing issues to supply any conceivable need for reserve funds. At present, commercial banks have more than 25 billion dollars of securities maturing within one year. Furthermore, in a period of emerging inflation it is not likely that nonbank buyers would appear in sufficient numbers, even with a considerable rise in interest rates. Consequently, net sales of securities by the commercial banking system would probably mean net purchases of securities by the Federal Reserve System and therefore an expansion of member bank reserve balances.

With reserves freely available about the only limitations on credit expansion by the banks would be either that demand was lacking or that the banks were reluctant to expand credit because of a shrinking ratio of capital to deposits. Even though the reliance of corporations upon bank credit has shown a secular tendency to decline, a private demand for bank credit could emerge under inflationary circumstances. We have no experience which would warrant reliance upon decreasing capital-deposit ratios to limit bank lending. Without an effective control of the access of banks to reserves, further credit inflation would be possible.

Insecure Ownership of Government Securities. Further monetary expansion could occur if nonbank holders of short term or redeemable issues were to show a general disposition to convert their holdings into cash. This would force the Government into further financing through the banks. If there is reasonable economic stability, this threat may not materialize; but inflation would change the picture. Fixed dollar obligations are not attractive when the price level is rising. And, if a price decline in Government securities or difficulties in refunding were given much publicity, the holders of savings bonds might redeem them in large volume, even though these holders were not directly affected by the fall in price of marketable securities.

Critical Matter Is Not Interest Rates Alone. The critical issue is not solely or even primarily, as it is sometimes argued, whether interest rates on the public debt should be stabilized or whether there should be flexibility in market rates: the structure of the debt itself—that is, the types of securities that evidence the debt—is equally important. With the present debt structure, dominated by short-term marketable debt and by nonmarketable issues redeemable virtually on demand, neither a stable nor a flexible interest rate policy will establish the conditions of monetary stability.

The policy of maintaining stability of interest rates and prices of Government securities makes

virtually the whole public debt equivalent to money. It assures individual holders that they can convert their securities into money without appreciable capital loss. It would be hazardous to base monetary policy on the rather tenuous hope that this right would not be used. Banks, particularly, would be left as free agents since there would be no effective central control of their reserves. By selling Government securities, they could replenish reserves and finance private credit expansion.

Although stability of interest rates and bond prices might well impede monetary stability, it is by no means clear that a policy of permitting fluctuations in the rates and prices of Government securities would promote stability as long as the present public debt structure is retained. To be effective against inflation, higher interest rates would have to result in the conversion of idle or excess monetary balances into holdings of Government securities or into time deposits. In the long run, the rate of interest probably has a great deal of influence both on the employment and holding of money. But in the face of short-run inflationary developments of any real magnitude, a very great increase in interest rates might be necessary to resist the conversion of Government securities into deposits. Interest rates of 5 and 6% on Government securities following the last war were not an adequate curb on credit expansion by banks and did not promote nonbanking absorption of Government securities to any significant extent. When prices of commodities can increase more than 10% in a year, high interest rates probably do not have much effect.

Even with advancing rates, banks could afford to use Federal Government securities to replenish reserves. They could probably obtain higher rates from their customers, for rising interest rates are probably a very weak impediment to private credit demands. The influence of short-term interest rates on business decisions may be slight, since in many cases interest is a small part of business costs. Speculative and expansionary activities in the past may have been inhibited less by high rates than by the underlying scarcity of funds.

Furthermore, flexible interest rates and fluctuating Government security prices present an obstacle to stable ownership of securities. Stable ownership of Government securities is itself a desirable goal because it minimizes the chances of concentrated periods of sale and redemption which lead to periods of concentration in expenditures. Some holders are no doubt attracted by the very fact of stability and would hesitate to hold any investment, no matter what the yield, if it were not "dependable." One practical problem is that banks often seem to be very sensitive to Government security prices, probably because of their capital position. Changes in the level of interest rates and therefore security prices in the past have sometimes led to concentrated and panicky selling of securities by banks. Offerings have sometimes come to the market so precipitously that buyers could not be found without rapid and unnecessarily large markdowns in prices. In other words, once a change in prices is set in motion it may tend to go a considerable distance without finding an automatic corrective in the mechanisms of the market. And Federal Reserve buying in such circumstances, though "for the purpose of maintaining an orderly market," expands reserves and creates the potential of credit expansion.

It is sometimes maintained that there is a compromise policy that can be pursued even with the existing debt structure—a policy of maintaining "reasonable" stability

in the long-term interest rate while permitting rather large fluctuations in short-term interest rates. No appraisal of this compromise policy can be made without more exact definition of what is meant by "reasonable" stability in long-term yields. If this sort of stability means relatively narrow price fluctuation with a guarantee for a long period in the future, it is doubtful whether many short-term securities could be sold except at yields very close to the long-term rates. Why should investors hold short-term securities and accept an appreciably lower return if the long-term rate is held within fairly narrow margins? On the other hand would the Treasury go to the short-term market if rates there were above the long-term rate? And in the absence of Treasury demand, and with prospective stability of the long-term rate, could a short-term rate higher than the long-term rate prevail?

Existence of fluctuation in the short-term rate requires that the long-term rate also move within margins wide enough to produce appreciable capital losses or gains and to endow longer term investment with enough risk to deter some investors. But, expanded to this range, the policy becomes essentially one of fully flexible interest rates and, as such, is subject to the limitations discussed above.

Practical Considerations in Public Debt Planning

The first part of this essay has been devoted mainly to diagnosis of the shortcomings of the present debt structure for purposes of monetary control. The remainder will be devoted to prescription. Before undertaking to make concrete suggestions for changing the debt structure it is necessary to recollect a variety of practical considerations that must weigh in any public debt planning. Some of these considerations are more political than economic. The leading ones are:

(1) Planning for financing the public debt must be done as a whole since special limitations or restrictions in one sector of the Government security market have immediate repercussions in all other sectors. In other words, such proposals as are later discussed for limitation of bank ownership carry with them an equally important corollary that dependable markets must be developed in other sectors of the economy.

(2) The kind of new securities issues will have to allow for substantial changes in the structure of public debt ownership. Nonfinancial corporations, State and local governments, and some other groups cannot be expected to hold large amounts of the public debt indefinitely. Holdings may be liquidated by these groups at a greater rate than they can be absorbed by budget surpluses and may therefore have to be absorbed by individuals or by financial institutions. Public debt plans in the postwar period, therefore, should look toward not only steady but increasing ownership of Government securities by individuals, insurance companies, and savings banks.

(3) Other factors being equal, the interest cost of carrying the Federal debt should be as low as possible. Practical budgetary considerations argue for low cost. Also, as explained by Henry C. Wallich in "Public Debt and Income Flow," interest payments on the Federal debt probably support consumption less than other types of Government expenditures.

(4) The sentiment to require price stability for all marketable Government securities must be recognized. The fact that Liberty Bonds declined to the low 80's following the last war is still pointed to as a breach of faith by the Government. It is not clear that a politically sensitive administration could afford to permit

OWNERSHIP OF FEDERAL DEBT

Holders of debt—	Percentage distribution of debt held outside Government	
	Dec. 31, 1939 (In billions of dollars)	Sept. 20, 1945 (In billions of dollars)
Total Federal debt outstanding	47.1	260.2
Held by U. S. Government agencies and trust funds	6.5	26.6
Held outside Federal Government	40.6	233.5
Commercial and Federal Reserve Banks	18.4	106.8
Individuals	9.8	58.5
Corporations	2.7	30.0
Insurance companies and mutual savings banks	9.4	33.2
Other	0.3	5.0

Source.—Published regularly in the "Treasury Bulletin"; corporation includes "other associations," dealers, brokers, and related business. The "other" category consists mainly of State and local governments

But the creation of new money has very substantially exceeded the growth of production and national income and some further expansion seems unavoidable. The present (late 1945) levels of demand deposits and currency are more than three and one-half times prewar levels, and total liquid assets have grown by the same proportion. Over the same period, gross national product at current prices and income payments to individuals have both expanded about two and one-half times, as is shown in the accompanying table.

In the postwar period, presumably, the need for idle or precautionary balances will not be as great as it is now, since gross national product and income payments presumably will recede moderately from wartime levels even if full employment is maintained. In other words, present money levels are probably adequate, possibly excessive, for a number of years to come. The problem then is that of so managing the public debt that it does not lead to further monetary expansion.

RELATIVE MONETARY EXPANSION (1935-1939=100)

Year (June dates for liquid assets, deposits, and currency)	Gross National Product	Income payments	Total liquid assets of individuals and corporations	Deposits and currency	Demand deposits and currency
1935-1939	100	100	100	100	100
1939	108	105	108	108	112
1940	119	114	116	118	130
1941	147	138	128	131	155
1942	185	175	154	143	183
1943	230	213	226	187	261
1944	243	233	293	218	294
1945 (Est.)	242	245	357	260	354

Inflationary Potential of Present Debt Structure

Without further growth, the public debt could be the basis for considerable further expansion of the money supply. The selling of Government securities held outside the banking system to banks (including redemption of nonmarketable issues) and a growth of private indebtedness to banks would occasion such expansion.

And banks would be able to expand credit in these circumstances because they have virtually uncurbed access to reserve funds.

Easy Access of Banks to Reserves. A necessary condition for bank credit expansion is the access of banks to additional reserves. With the present large volume of short-term Federal debt owned by the banks, it is extremely difficult, if not impossible, for credit authorities to use

much price fluctuation in marketable issues.

(5) The credit authorities should have freedom of action to deal with either inflationary or deflationary circumstances. The proper preparation of the credit authorities is to secure a strategic position that will permit tactical operations against whichever kind of condition emerges.

Proposed Changes in Public Debt Structure

The changes in the public debt structure proposed in this essay have been framed with the idea of establishing the minimum prerequisites for effective monetary control while meeting the other objectives of debt management as far as possible, i.e., permitting the changes in public debt ownership that are needed to facilitate business financing, avoiding wide fluctuations in Government security prices, and minimizing the cost of the public debt. The greatest change would concern bank ownership of Government securities.

The burden of proof must be on any proposal for change in the structure of the public debt. Change is itself unsettling. It may foster irrational doubts and create unsettled markets. Change must not only offer real advantages but the advantages must be clearly evident. The fact that nonmarketable issues sold so far are redeemable practically on demand and the fact that prices of nonmarketable issues have been stabilized have vested holders with rights that are hard to withdraw or negate. Without compulsion the only way to do this is to offer holders even more attractive rights in other forms.

In the proposals that follow, the only economic interests that might appear to suffer any loss of rights are the commercial banks. But if the case is considered broadly they also will gain by the change. Banks stand to lose from monetary instability as much as any group. Moreover, settlement of the vexing problem of public debt financing opens up the prospect for a flexible interest rate policy with respect to private bank loans and investments. To the extent this meant higher interest rates, banks might profit greatly from the change. Without some modification of the present financing arrangements, interest rates would possibly not be allowed to rise, and hence the whole awkward paraphernalia of restricted issues and similar devices would be retained and even extended in the effort to keep banks from profiting unreasonably from holding Government securities.

Public Debt in the Banking System. Stabilization of interest rates on Government securities reduces the effectiveness of credit control. Ownership of a large volume of short-term Government securities by banks, even without interest rate stabilization, has almost the same effect since banks can secure additional reserve funds and with them take an active, even an aggressive, role in expanding deposits. Any plan to put bank reserves under control must in some way subject bank ownership of Government securities to direct control. The banking system must earn its living and justify its existence by supplying credit for business and consumption, not by relying upon its ability to monetize the public debt.

The exact means for accomplishing this end cannot be specified without a great deal of further study. To be fair to the banks the device adopted should allow for substantial differences among banks in present holdings of Government securities and should permit legitimate private demand for credit to be met. Some of the possible devices that have been suggested are as follows:

(1) Require banks to invest an amount equal to some proportion of demand deposits in a special

nonmarketable Government security redeemable only to meet deposit losses.

(2) Require banks to hold an amount of a special nonmarketable Government security equal to increases in demand deposits after some base date such as December 31, 1939. A variant of this device would be to "freeze" holdings as of some recent base date but to permit each bank to vary its holdings as it lost or gained deposits.

(3) Raise reserve requirements on demand deposits (and extend requirements to all commercial banks) but pay interest on reserve balances. Banks would meet these requirements by selling marketable Government securities to the Federal Reserve Banks. This would be akin to the 100% reserve proposal.

This proposal is not made for the purpose of limiting bank earnings. The question is rather one of equity and it should be resolved by deciding which social group should bear the costs of operating the money system. For credit control purposes, the earnings permitted on bank holdings of Government securities might well be generous, though probably below the levels paid other holders of Government securities.

This much interference with the "rights" of private commercial banks cannot very well be avoided. In modern economic systems, the supply of money must be subject to Government regulation; if monetary instability is to be avoided. Because money has come to consist predominantly of the demand deposit obligations of commercial banks, these institutions—though privately owned—are unavoidably in the public sector; they must be subject to public regulation to a degree that is true of no other part of the business community.

One special reservation must be made for the commercial banks. The savings institutions should be permitted to carry Government obligations with an interest return at least as high as the present one. Since commercial banks also transact a large volume of savings business, they should have equal rights to participate in such types of investment to the extent that they hold savings deposits. Thus far, commercial banks with time deposits have not had access to as liberal supplies of long-term Government securities as pure savings banks have had.

Other Holders of Government Securities. If bank holdings of Government securities are to be restricted to special issues, it is equally important that adequate provision should be made for marketing the remainder of the debt. The ideal circumstance to be sought is one in which there would be such a steady and active demand that the new money and refunding needs of the Treasury could be fully met by the market outside the banking system at all times. It means that the securities offered should be made attractive and convenient for the class of holders for which ownership can be expected and should be encouraged.

It would probably be unwise to apply measures of compulsion to the holding of Government securities except in the case of commercial banks. The measures proposed, therefore, are more by way of added inducements, intended to increase the stability of ownership. So far as possible, these inducements should not increase the service cost of the public debt.

While the primary objective in the treatment of nonbanking investors is to secure stability of ownership, other worthwhile ends can be served. To the extent that business concerns own Government securities; they are a source of funds for financing capital outlays that should not be closed off. For institutional investors such as insurance companies and savings banks, these securities offer rela-

tively liquid reserves that permit the companies more freedom in the management of other assets. For individuals the securities offer a savings vehicle and a supplement to social and personal security that should help to encourage more adequate consumption from current income. Planning of debt ownership for individuals should offer incentives for steady and well-maintained consumption while at the same time penalizing excessive concentration of consumption expenditures at irregular intervals of time.

Because the circumstances of ownership vary for the important holder groups—corporations, insurance companies and savings banks, and individuals—the plan of offering for each group is set forth separately.

In the long run, it is doubtful whether corporations should be expected to continue to be substantial holders of Government securities. Business corporations are normally net demanders of capital, not suppliers. Reduction of the great tax liabilities incurred during the war period together with postwar capital expenditures should tend to reduce corporate ownership. No doubt a small residual amount will continue indefinitely. Government issues intended for purchase by corporations are now dominated by certificates of indebtedness and tax savings notes and might very well be left pretty much in their present form.

Ownership of Government securities by insurance companies and savings banks tends to be stable and there might be relatively little advantage in refunding the sort of obligation they now hold. For ordinary purposes, a stable market could probably be assured for outstanding issues by adjustment of the Government's trust accounts whose holdings are now largely in the form of special issues. Except in periods of depression these trust accounts will continue to be absorbers of Government securities. Buying and selling for these trust accounts, perhaps through the agency of the Federal Reserve open market account, could be used to stabilize the market for securities now held by insurance companies and savings banks.

It may be reasonably expected after the aggregate debt has stopped growing that some important groups of holders of Government securities, such as non-financial corporations and State and local governments, will tend to draw on their cash and Government security holdings. It is doubtful if budget surpluses sufficient to absorb this net selling can reasonably be expected for some time after the war. For this reason plans should be made so that individuals will continue to absorb more of the public debt, in order to keep this part of the debt from gravitating into the banking system and creating more deposits and currency. Of course, some individuals will be sellers but for the group as a whole continued absorption must be planned. Although to prevent inflation it would be desirable to assure adequate savings by individuals, in order to prevent deflation the savings incentives should not be set too high. The following proposals, therefore, attempt to provide assurance of normally stable holding by individuals together with some incentives for further acquisition, but they also have various features providing long-run encouragement to stable consumption. The proposals look toward conversion of present holdings and shaping of new offerings in three general forms:

(1) The Treasury could offer to sell unemployment insurance which would be in addition to (and in no case restrictive of) unemployment compensation provided under the social security provisions of the Federal Government and the States. This insurance could be administered

through existing channels. Purchasers could be permitted to exchange present holdings of savings bonds for the insurance or to pay for it out of future savings. The exchange offer could be held open for a fixed period only and the sales offering of insurance for new savings could be made only when there was need for encouraging savings.

Government receipts and expenditures under this plan would have a stabilizing effect on the economy. If reasonably full employment prevailed, public debt would be retired; if unemployment increased, the payment of insurance benefits would encourage consumption. Both actions would come at the right time to smooth fluctuations in economic activity.

(2) The Treasury could offer life and beneficiary annuities in exchange for present holdings of savings bonds and, in periods when additional savings are needed, through special offerings for cash. Cash offerings could be made through the insurance companies if Government competition in the insurance field were feared. This sort of arrangement serves the purpose of promoting stability in ownership while ultimately tending to encourage stable consumption.

(3) The Treasury could offer stable purchasing power bonds in exchange for any Government security held by an individual. New offerings could also be made in this form. Since stability of real values is unavoidably jeopardized by the after effects of war finance, this sort of offering is equitable.

Stable purchasing power bonds could and probably should be nonmarketable in form and if so should be redeemable only with some penalty. A sliding scale of interest rates such as now applies to savings bonds might be utilized. This plan would be aimed mainly at investors for whom maintenance of purchasing power is important. It is possible, of course, that the stable purchasing power provision might also be made on each of the other two types of offerings outlined above.

Even with the considerable attractiveness of these offers, all of the outstanding issues held by individuals would not be converted. Those not converted but not redeemed or marketed need cause no concern. The money raised by the new plans might be sufficient to absorb issues redeemed for cash before maturity. Market operations for the Treasury trust funds might be used to take up any remaining slack.

Credit Policy With Proposed Debt Structure

If the public debt should be refunded largely into nonmarketable obligations as these proposals contemplate, the Reserve System would no longer effect its credit policy mainly through open-market operations. Credit policy would then be a direct function of debt management (which it is indirectly, in any event). When expansion was desired, an additional supply of the special bank securities could be made available to the banking system. When monetary contraction was in order, the special issues held by banks could be retired and replaced by issues sold to nonbanking holders. Under some circumstances these direct adjustments of money supply would no doubt have to be coordinated with or used to offset open-market transactions by the Federal Reserve System for other purposes. The result would be firmer control than now exists. When open-market operations are used to influence the price of Government securities as well as to adjust the volume of reserve funds, it is not always possible to reconcile precisely these two objectives. If prices on Government securities were no longer at stake, credit operations could either tighten or relax the money market much more precisely. By

removing Government securities from the market, it would make possible the revival of credit policies which would vary the cost and availability of funds to private borrowers.

With credit policy effected mainly through direct adjustment of the Government securities held by the banking system, it would be possible to coordinate credit and monetary policy, on the one hand, and general requirements of fiscal policy on the other. When inflationary factors predominated, appropriate fiscal policy would presumably result in budget surpluses. These surpluses could be used to reduce bank holdings of Government securities, which would reduce the money supply or at least curb its growth. Conversely, in periods in which depression elements predominated and in which fiscal policies resulted in deficits, the added debt could be channeled mainly into monetary expansion, if such were thought to be useful.

But What About Deflation?

The proposals made so far have been intended mainly to meet the possibilities of inflation. Would they weaken the power of the monetary authorities to cope with deflation? If deflationary circumstances arose, the system of nonmarketable Government issues would still permit the easing of bank reserves even if the aggregate of public debt were not increasing. But if public deficits should accompany these developments, as they probably would, the direct control of bank holdings of Government securities would furnish a vehicle for monetary expansion. New reserves and new earning assets resulting from the increased debt could be channeled into the banking system. The effectiveness of monetary expansion in such circumstances is not the issue; the point is that the credit authorities would have as effective powers to combat deflation as they have with the present public debt structure.

Netherlands Indies Devalues Guilder

Devaluation of the Netherlands Indies guilder has been reported officially said wireless advices March 3 from Amsterdam to the New York "Times," which reported that the ratio of that coin to the guilder there was being reduced from 1.40 to 1 to 99.75 to 100.75. The message to the "Times" further stated:

"This step does not involve immediate adjustment to the pound and dollar rates as the sterling rate is fixed by monetary agreements of May and July, 1940, to hold good until six months after the conclusion of peace, which has not yet occurred. It is a foregone conclusion, however, that such an adjustment will be effected soon."

Hyde Park Dedication Set

On the first anniversary of the death of President Franklin D. Roosevelt, April 12, his former home at Hyde Park will be dedicated as a national historic site, Acting Secretary of the Interior Oscar L. Chapman announced on March 6. President Truman is expected to be present at the ceremonies to deliver the principal address. The late President's widow, Mrs. Eleanor Roosevelt, will also speak. In reporting the announcement of the forthcoming ceremonies, the Associated Press in a dispatch from Washington described the site as comprising 33.23 acres, including the rose garden in which President Roosevelt was buried on April 15, 1945. Mr. Roosevelt reserved for Mrs. Roosevelt and their children a life interest in the estate, but all waived their rights, giving the Government immediate possession.

Secretary of the Interior J. A. Krug is expected to accept the gift for the Government.

The Anglo-American Loan and U. S. International Policy

(Continued from page 1687)

to free it from the restrictions that isolate countries and from the discriminations that divide nations into conflicting economic blocs. We have not been content with securing agreement on abstract principles. International economic problems must be dealt with in the concrete terms in which they arise. The responsibility for dealing with these problems does not rest in any one country. They are international in scope and they can be dealt with only when and if the several nations get together. We have proposed, therefore, that the United Nations provide the means for continuing cooperation through the International Bank, the International Fund and an International Trade Organization.

This policy of international economic cooperation is a frank recognition that the breakdown in world economic relations in the 1930's was an important factor in prolonging and intensifying the great depression. It is a frank recognition that the economic warfare of the 1930's was part of the master plan for aggression by Germany and Japan. Admitting that we should learn from experience, we have urged the United Nations to adopt a comprehensive policy of international cooperation to restore world trade.

The success of this policy depends upon securing prompt economic reconstruction, orderly currency arrangements, and the reduction of trade barriers. World trade cannot be restored until the war-devastated countries in Europe and the Far East are again able to produce, and to buy and sell. World trade cannot be restored until the currency restrictions that have plagued the world for more than a decade have been eliminated. World trade cannot be restored until the present barriers that block trade have been abolished. When the countries of the world are again producing, when they have put into effect fair currency and trade practices, world trade will expand and grow. Then the business men of all countries can secure access to world markets on fair and equal terms.

This international economic program is a big and vital part of what we are doing to give the American people peace and prosperity. You cannot maintain American production and employment in the midst of worldwide depression. You cannot expect sick and hungry men to build a peaceful world. You cannot raise a new generation dedicated to peace in the ruins of bombed-out cities. The chances for maintaining peace will be immeasurably better in a world that is working and trading—in a world in which economic warfare has been eliminated.

Importance to the United States

Our own program of maintaining high levels of production, employment and national income is dependent on our success in expanding world trade. Foreign trade is an important factor in our economy. We need markets abroad. Before the war, 8% of our physical production of agricultural and industrial goods was sold abroad. In many of our more important industries more than 10% of the entire output was exported.

In 1937 and 1938, 31% of our raw cotton, 30% of our leaf tobacco, and 12% of our wheat and flour, were sold abroad. Looking at industrial products, 54% of our refined copper, 15% of our farm equipment and machinery, 14% of our automobiles and trucks, 14% of our industrial machinery, and 11% of our refined mineral oil were sold

abroad. The fact of the matter is that for large segments of agriculture and industry, exports mean the difference between prosperity and depression.

Our need for foreign markets will soon be greater than ever before. American production is at the highest level ever reached in peacetime. As a nation we must learn to use an industrial plant with a capacity nearly twice as great as before the war. For every steel ingot produced before the war we can now produce two. For every machine made before the war we can now make four. There are new fabrics, new plastics, new processes. And in agriculture, too, we have reached new records of production for nearly all our major crops.

Much the largest part of our output will, of course, be sold at home; but we must have foreign markets for many of our products. The world needs and wants American goods. We must make sure the world can buy them. The one way to keep the markets of other countries open to American products is to bring about an expansion of world trade. We want to trade. We want to export and we want to import. We ask no special advantages in world trade. And we want no discriminations aimed against us.

A program that stimulates a full flow of trade among nations is necessary for world recovery. That is good business for America. But it is because of no sordid motive that we urge this program on the United Nations. It is also good business for the entire world. We want a prosperous America. We want a prosperous world. We gain more than material benefits, important though they are. In a prosperous world we gain a genuine chance for lasting peace.

That in brief is the program of international economic cooperation this Government has proposed to the United Nations. We have made much progress. The World Fund and the World Bank have been ratified by 35 countries. The inaugural meeting of the Fund and Bank will start in Savannah within the week. We have reached the stage where much of this program can be put into practical operation.

The one danger is delay. The longer we wait the longer there will be reliance on the currency and trade restrictions, which reached new heights during the war. If postwar trade becomes adjusted to the protection that these devices provide, there will be strong opposition to their removal. That is why the success of our program depends largely on the prompt application of fair currency and trade practices. But England will not be able to put these positive principles into effect until she is sure she can secure her essential imports of food and raw materials.

The British Problem

The people of England are confronted with a difficult and urgent problem, vital to their whole economy. England must increase her export trade in order to buy the imports she needs. She must expand her export trade to the level necessary to maintain the living standard of her people, and the functioning of her industries. In addition, England will require help from abroad to secure, during the next few years, the imports she must have. England must assure her people the means of living and working in the five critical years ahead.

The war has seriously disrupted England's international economic position. In the three years before the war England imported annually \$4,200,000,000 of goods. She paid for 55% of her imports by her merchandise exports.

About 24% of her imports was paid for with the net income from British investments in all parts of the world. Another 17% of her imports was paid for out of the net receipts from shipping, insurance, banking and other services. England's foreign exchange receipts from all these sources have been sharply reduced.

In order to devote as much of her industrial output as possible to war purposes Britain converted her export industries to war production. Lend-Lease aid from the United States, Mutual Aid from Canada, and foreign loans in sterling made it possible for England to secure her war-time imports without maintaining the prewar volume of exports. In fact, British exports were deliberately reduced until in 1944 they amounted to 30% of the prewar volume. The producing power thus freed was diverted to Britain's armed forces and to her munitions industries.

England's exports have been rising since the end of the war and they will continue to rise. In view of the loss of foreign exchange from other sources, England's exports will have to be increased far above their prewar volume. But even with favorable conditions of world trade and with help from friendly countries England will need several years to expand her export trade. During these years she must find some way to feed her people and her factories with imported food and raw materials.

In financing her overseas war expenditure and her wartime imports England sold many of her foreign investments. These investments before the war yielded net foreign exchange income of nearly \$1,000,000,000 a year. With the sale of some investments, the destruction of others in Europe and the Far East, and with the new foreign debt that England incurred, the net income from her foreign investments has fallen sharply. In 1945 it was less than \$400,000,000. With present prices, net income from foreign investments will pay for only one-third the quantity of imports it bought before the war.

Shipping and other services have always been an important part of England's international business. During the war the losses from enemy action were enormous, and in spite of the fact that shipbuilding was given high priority, England's merchant fleet was greatly reduced. The insurance, banking, and commercial services that England formerly supplied to all parts of the world have also fallen off along with her trade. With greatly expanded world trade, British income from shipping and other services will again pay for a large part of England's imports. But this, too, will take time.

Not all the ravages of war are seen in rubble heaps. Compare the cost to Britain of her lost foreign assets and her new foreign debt, amounting to more than \$17,000,000,000, with the \$6,000,000,000 of damage done by German bombs, robots, and rockets and the \$3,000,000,000 of damage done by German submarines. To a country like England, unique in her dependence on overseas supplies, the deterioration in her international economic position is even more serious than the destruction from bombing.

Which Policy for England?

The restoring of her international economic position is primarily a problem for England to solve. She must revitalize her export industries. She must increase the efficiency of her workers and her businessmen. That is the only way in which England can increase her exports far above the prewar level. That is the only way in which she can continue to pay

for her imports of essential raw materials. There can be no doubt that British industries are capable of developing technical efficiency of a character which would permit them to compete for their share of the world's markets. To survive, England must restore and expand her export trade.

England can deal with this problem in one of two ways. One way is to join in the economic program of the United Nations. She would accept and effectuate the fair trade and currency principles which we have proposed. Under this program, England would remove her wartime currency and trade controls without waiting until her exports have been restored. Then as world trade grows England would share in the growth, and her increased exports would in time pay for her imports.

The alternative is to continue and even to extend these currency and trade controls. England would form a British economic bloc. Countries that want to sell to her would have to take payment in British exports. The countries to whom Britain owes \$13,000,000,000 in blocked sterling would be compelled to take British goods in payment of the debts. In brief, England would form an exclusive British economic bloc in which trade inside the bloc is encouraged through preferences and pressures, and trade outside the bloc is discouraged through discriminations and controls. We would be one of the countries outside the bloc.

The people of England prefer to solve their international economic problem through cooperation with the United States and the United Nations. Britain's economic and political traditions and interests strongly favor such a solution. There are few people who want a British economic bloc for its own sake. England, too, needs an expansion of world trade. That is the only way in which she can achieve her objectives of raising British production and maintaining the British standard of living.

England is willing to assume the risk of selling her exports in fair competition with the exporters of other countries. She is willing to commit herself to our program of fair currency and trade practices in order to encourage an expansion in world trade. Britain cannot undertake the commitment to put this program into effect, however, unless she gets help in financing her imports during the next few years.

This help can come only from us and to a lesser extent from Canada and some other countries. If England cannot secure help from the countries committed to a policy of international economic cooperation, she will have to continue and to extend the wartime impediments to world trade. In this way she would simply force additional aid out of the British trading bloc. This is not a matter of preference. It is sheer necessity.

During the war England took measures to mobilize and conserve foreign exchange for essential war purposes. These wartime currency and trade restrictions are still in effect. They were necessary in the war emergency; but they are harmful to world trade and prosperity in time of peace. The continuation of these restrictions would affect us more than any other country. The fact of the matter is that American exports would be excluded from their major markets abroad. We can see from the wartime controls what such a policy would involve.

You have heard a good deal about these wartime restrictions, particularly the sterling area, blocked sterling area, blocked sterling, the dollar pool, trade

controls, and payments arrangements. You may want to know how these restrictions operate and how they hurt American business.

The Sterling Area

The sterling area now includes the countries of the British Empire except Canada, and a number of other countries mainly in the Middle East. These countries do much of their business with England and they keep most of their monetary reserves in the form of sterling in England.

Before the war sterling could be used by these countries to buy goods all over the world—in the United States, Canada, Latin America, anywhere. For example, if Australia wanted to buy American cotton before the war it sold the sterling for dollars, and used the dollars to pay for American cotton. That is to say, sterling was freely convertible into dollars.

That was before the war. During the war the sterling area took on some new features. Because England didn't have enough gold and dollars, she no longer permitted sterling to be sold freely. She made sterling inconvertible. In practice, this means that the countries of the sterling area cannot use the sterling they receive for their exports to buy American goods, unless they obtain permission from England.

As it is now, Australia cannot use her sterling receipts to buy American cotton; but she can use the sterling to buy cotton in India or Egypt. In short, while trade among the sterling area countries continues unaffected by these currency restrictions, the trade of all sterling area countries with the United States is subject to the will of Britain.

We do not want England saying to Australia and other countries from which she imports: "You cannot use the sterling you acquire from us to buy goods in the United States." That would mean that American exporters would be discriminated against in all trade with the sterling area.

Blocked Sterling

That brings us to blocked sterling. England had to go on buying goods in the sterling area, and meeting the costs of her armies in India, Egypt and other countries. She bought the goods and she met her war expenses in these countries by paying in sterling. England did not have the means to convert the sterling into dollars, she could not export enough to let these countries use all of their sterling to buy goods. In effect, the accumulated sterling balances were blocked from use.

The amount of sterling accumulated by various countries during the war was very large. Although England sold \$4,500,000,000 worth of her foreign investments, her wartime overseas expenditures were so enormous that sterling balances accumulated in rapid fashion. These balances now amount to \$13,000,000,000. They are held by foreign countries in the form of sterling deposits in London banks and sterling securities of the British Treasury. This is a tremendous sum for a foreign debt.

What is done about these blocked sterling balances will mean much to American trade. We do not want England saying to India and the other countries held blocked sterling: "These balances will be freed only to buy goods in England." That would mean the exclusion of many American products from the whole sterling area.

Sterling Area Dollar Pool

England also needed and bought goods outside the sterling area. Many commodities we shipped to England had to be paid for in dollars. And that was also true of some of England's

imports from other countries. England had to mobilize all her dollar resources. She sold some of her American investments to obtain dollars. Other dollars were borrowed by pledging some of her investments. In addition, England arranged to have the dollar receipts of the sterling area countries pooled in, and allocated by, London.

Under this system, when an Indian exporter sells goods in the United States he turns the dollars over to the Reserve Bank of India and receives rupees. These dollars are then sold to England for sterling. This happens in all of the sterling area countries that have net dollar receipts. In short, all the dollar holdings of the sterling area are pooled in London.

Then when a country in the sterling area needs dollars, it applies to London. To conserve dollars, no funds are allocated to buy goods in the United States if they can be secured in any sterling area country. That point needs emphasis. Under the sterling area dollar pool goods are not bought in the United States if they can be found in any sterling area country. American producers lose markets under this system. We want American exporters to have a fair chance to sell their products in every country that has dollars to pay for them.

Other Trade and Payment Restrictions

Along with these financial controls there are direct trade controls on imports in England and all the sterling area countries. These controls are exercised through import licenses, shipping priorities, and in other ways. They are used to exclude goods that are bought with dollars. This has meant, throughout the war and even now, keeping to a minimum the imports of all goods from countries outside the sterling area and particularly American products.

Some countries, including England, do not have the means to pay for as much imports as their people want to buy. Total imports in such countries may have to be limited. But we want the limitations on imports to be applied across-the-board. We do not want discrimination against American exporters.

There is another kind of currency restriction that England is now using. During the war, and particularly since the war, England entered into bilateral agreements with a large number of countries to whom Britain is an important export market. Under these bilateral agreements England pays for her imports from these countries in sterling. The sterling can then be used to buy goods in England and in the sterling area.

Any sterling not used to buy imports from the sterling area must be kept idle. This means that some countries whose export trade is adequate to pay for the imports they want are compelled to restrict their purchases in the United States. We want such limitations removed so that countries can use the proceeds of their exports to every country to buy goods from any country.

Effect on World Trade

The continuation and the extension of these currency and trade controls in England would necessitate their retention in many other countries. Throughout the sterling area and the countries with which England has bilateral payments agreements, supplementary measures would be taken to restrict purchases from areas in which payment cannot be made in sterling. In other countries, particularly Canada, their exclusion from the sterling area market would limit seriously their exports, and they, in turn, would restrict purchases

from the United States. It is a vicious cycle.

We are going to have one system or the other. Either we will have prosperity producing world trade or we will have economic blocs. The currency and trade controls in England endanger the whole international economic program that the United Nations have developed over the past five years.

The countries that have close trade and currency relations with Britain are a major factor in world trade. Together they account for 55% of world imports and nearly 50% of world exports. Clearly, what such a group does on currency and trade policy must be a major factor in the world economy.

Our own trade relations with this group thus far have been very close. Nearly half of our total exports and imports in the years 1936-38 went to the countries of the sterling area and to the payments agreements countries. Omitting Germany and Japan, 56% of our trade was with these countries.

Our whole program for maintaining high levels of production, employment and national income would be seriously affected. In six commodity groups, constituting more than 80% of all United States exports in 1937, these countries were our indispensable buyers. Of our metal machinery and vehicle exports, they took 47%; of our leaf tobacco exports, they took 88%; of our meat, grain and other food exports, they took 59%; of our raw cotton exports, they took 49%; of our petroleum and related exports, they took 46%; and of our wood and paper exports, they took 47%. Gentlemen, the continuation of these wartime controls would be a body blow to our whole economy.

Conflicting Economic Blocs

We need and want our trade with India, Australia, New Zealand, South Africa and Egypt. These are some of the countries of the sterling area. We cannot risk the loss of our export markets in France, Belgium, Netherlands, Sweden, and Czechoslovakia, or in Brazil, Bolivia, and Peru. These are some of the countries with which England has payments agreements.

What we have here, potentially, is a British economic bloc. Such a powerful bloc excluding the United States, Canada, and the countries of the dollar area would be a challenge to our economy that we could not ignore. Our position in world trade would be threatened. We would have to defend ourselves. We would be compelled to form an economic bloc of our own.

Two rival blocs would mean economic warfare. Probably we would win, but it would be a pyrrhic victory. World trade would be destroyed and all countries would suffer. If England and the United States should drift into such a conflict it would be a tragedy for all. We would find our trade decreased and our people unemployed. England would find her standard of living deteriorated and her people impoverished. The hope for economic cooperation might be lost forever. The consequences to world prosperity and even to world peace would be disastrous.

This would be a sad augury for the postwar world. If we permit a renewal of economic warfare, we will not justify our heritage or our faith in the future. International economic problems can no more be solved by economic force than political problems can be solved by war. Our people know this. The British people know this. They know the dangers to themselves and to the entire world that would arise from a conflict in economic policy. They want this problem settled by dis-

cussion and agreement not by economic warfare.

Provisions of the Financial Agreement

That is why the representatives of the United States and of England discussed this problem for three months. The American representatives wanted England to remove promptly the various wartime restrictions and discriminations. They wanted England to put into effect the fair currency and trade practices for which the United Nations stand. They wanted England to assure American exporters an opportunity to sell their goods in competition with the exporters of other countries on fair and equal terms. That is precisely what the Financial Agreement provides.

In brief, here is what we gain by the Financial Agreement:

1. Exports of goods and services from the United States to England will be paid for in dollars or if they are paid in pounds, the sterling can be converted into dollars. This is particularly important to the American companies which in the past have experienced considerable difficulty in getting their earnings out of England. They will now be able to get dollars. That means for all practical purposes American business men can be just as sure of payment for their current claims in England as they were before the war.
2. Within a year, unless in exceptional cases the United States agrees to a later date, England will make all sterling arising from current trade convertible. England will thus return to the free use of sterling in international trade that she permitted before the war. For example, if Mexico and Egypt exports goods to England they will be able to use the money they get to buy goods in any country. That means they could convert the sterling into dollars and buy goods in the United States.
3. Within a year, unless in exceptional cases the United States agrees to a later date, England will dissolve the sterling area dollar pool. Each country in the sterling area will again have complete freedom to use its dollars as it wishes. For example, the money India gets for its exports to the United States and Latin America could be spent here without getting an allocation of dollars from England. That means India could use the dollars she gets to buy American machinery instead of being forced to buy English machinery.
4. The blocked sterling balances will be settled by England and the countries concerned. All payments on these balances now or later will be free for making purchases in any country, including the United States. This large debt will not be used to exclude American products from the sterling area, or to put our exporters at a disadvantage in competition with British exporters. England will not force the countries holding \$13,000,000,000 in blocked sterling to buy British instead of American goods.
5. England's import controls will be administered in a manner which does not discriminate against American products. If England finds it necessary to impose a quantitative limitation on her imports this will be applied on an equal basis toward all countries. That means England will not keep out American cotton and tobacco, grains and meats, fruits and nuts, or any of our industrial products, in order to buy these same goods in other countries.
6. Within a year, unless in exceptional cases the United States agrees to a later date, England will impose no restrictions on payments and transfers for ordinary current transactions. In effect, all of the countries that have payments agreements with England will be permitted to use the proceeds of their sales to Eng-

land, if they wish to buy goods in other countries. They will be allowed to use the sterling they acquire in this way to buy American products on the same basis as they are able to buy British products.

In addition, England has agreed that she will support the American proposal for an International Trade Organization to reduce trade barriers and eliminate trade discriminations. Thus, England gives wholehearted support to our policy of expanded trade, with all countries having access to world markets on fair and equal terms. The adoption of the proposed fair trade practices will complete our program for international economic cooperation. England's support of our proposal assures the success of the United Nations trade conference to be held later this year.

The Credit to England

If the Congress approves, the aid that Britain needs in carrying out her commitments under the Financial Agreement will come largely from the United States. This Government will open a line of credit of \$3,750,000,000 on which England can draw until 1951 to pay for her current imports. Beginning in 1951, England is to repay the credit with interest at 2%. She will do this in 50 annual payments of \$119,000,000. Including the payments under the Lend-Lease settlement, England will pay the United States \$140,000,000 a year.

The greater part of the credit will be used to pay for exports from the United States. Directly or indirectly nearly all of the money will ultimately be spent in the United States. The credit to England will enable her to maintain her essential imports. May I emphasize that Britain will still have to enforce an austere level of consumption little different from that of the war years. For some time to come British imports will have to be far below the import demand of the English people, perhaps as little as 60% of the prewar amount.

I want to make it perfectly clear: that the credit is not a gift; that it is a loan which England is to repay; that it is to be repaid with interest; that it is not an unconditional credit. It is a credit which must be used only to meet Britain's current payments and to enable her to remove her wartime currency and trade restrictions. None of the credit can be used to pay the blocked sterling balances or any of England's present obligations. Payments on such obligations must be met by England out of her own resources or out of funds secured in some other way.

The principal of the credit due each year must be repaid without qualification. Under conditions of severe depression in world trade, and under objective standards stated in the Agreement, the interest due in any year can be waived. If such an emergency situation develops, I believe that it is to our own benefit to collect the principal and not to force a default which might have serious consequences to the world economy. As soon as these temporary conditions pass, England would resume the payment of interest on the credit.

There are people in this country who say the terms are too easy. There are people in England who say the terms are too harsh. These people forget that the Financial Agreement is not just a loan. It is a contract with rights and obligations for both parties. When you think of the Financial Agreement in this way, I am confident that you will find that the terms are fair to both countries and they will prove beneficial to both countries. It is true that the interest rate on this loan is less than England would have to pay on a strictly commercial loan from bankers.

The interest is, nevertheless, substantial for an agreement of this character. The effective rate of interest, assuming the credit is used in five equal annual amounts and all payments are met, would be 1.83%. If the credit is used in three equal annual amounts, the effective rate of interest would be 1.76%. This is reasonably comparable to the cost of money to the Treasury.

There is no easy way of stating without qualification what is the cost of borrowing by this Government. The computed average rate of interest on all outstanding Government loans is 1.97%. This rate is more than the cost of new borrowing and more than the Treasury actually pays. If the Treasury were now borrowing \$3,750,000,000 through the same securities we now have outstanding, and in the same proportions, the cost on the basis of present yields would be 1.64%. I say, therefore, that the rate of interest on the credit it is quite comparable to the cost to the Treasury of borrowing this money.

The interest charged on the credit is only a part of the Agreement. The terms on which this Government can offer the credit, the terms which England can undertake to pay, are determined by those provisions of the Agreement which commit England to certain currency and trade practices. The benefits that this country will secure in the form of expanded trade and increased national income are far more important than the principal and interest that England will pay. Our people will see the effects in higher incomes for our farmers, our workers, and our business men. The Treasury will see the effects directly in the revenue it collects in taxes.

If you want to see the real meaning of the Financial Agreement, just consider the opposition to it in England. The opposition is directed very largely to the provisions regarding the convertibility of sterling received from current transactions and their free use to pay for exports from the United States. The opposition comes from a small but influential group which has urged that England retain the present restrictions, secure the necessary volume of exports through bilateral agreements, and form a British economic bloc. The great majority of the British people join with us in a desire to deal with international economic problems through international economic cooperation. They ask merely the aid to carry on until this program has had its effect in expanding trade.

Special Bond Issue

You have seen the proposal that the credit to England be given only from funds invested in special bonds issued for this purpose. The payment to bondholders of principal and interest would be made only from the sums received from England. Of course, no bond issue of this kind ever was or ever could be floated. This is not just a commercial loan, and it is not the kind of loan that private investors or private bankers should make. I have a feeling that this proposal is simply one form of saying "no" to the Agreement.

It is most important to appreciate fully that a loan on bankers' terms would not give us the basic objective and the broad benefits of the Financial Agreement. That objective is the removal of discriminatory currency and trade restrictions. These restrictions reduce world trade, force it into uneconomic channels, and discriminate against our exports. The interest on a loan in which you get commitments to remove these restrictions must obviously (Continued on page 1698)

The Anglo-American Loan and U. S. International Policy

(Continued on page 1698)

be more favorable than the market rate for foreign securities.

British Investments in the United States

Some of the opponents of this loan have said that the British ought to sell their assets or put them up as collateral. This is based on a misconception of the amount of British investments in the United States. In order to pay for her purchases of munitions prior to Lend-Lease, England sold \$820,000,000 of her American investments. In addition, she pledged a considerable amount of her American investments with the Reconstruction Finance Corporation in 1941 for a loan with which to meet obligations incurred prior to Lend-Lease.

At the end of 1945 British holdings of securities and direct investments in the United States, including pledged assets, amounted to about \$1,475,000,000. This was divided into \$575,000,000 of securities and \$900,000,000 of direct investments. The Reconstruction Finance Corporation estimates the value of the collateral pledged against the loan at about \$895,000,000. Of the \$580,000,000 of securities and direct investments which remain unpledged, many are small holdings and of the type that cannot readily be vested and sold by the British Government.

Apart from these assets, there are some British interests in estates and trusts set up under American law. British interests are intermingled with the American interests in these estates and trusts, and the assets cannot be taken by the British Government. They are under the jurisdiction of American courts. The only way to value these interests is by the arbitrary capitalization of the income. On such a basis, British interests in American estates and trusts would not exceed \$350,000,000. All other scattered and miscellaneous British holdings in the United States, equally difficult to vest or liquidate, are estimated at approximately \$100,000,000.

Effect on Inflation Problem

Opponents to the loan make the point that the credit will add to the inflationary pressures in this country. I have been concerned with the inflation problem in more than mild fashion for some time now. I know how important it is to this country to prevent inflation. It remains our most important domestic problem. The long-run sound way to fight inflation is to produce more goods in the United States and to produce more goods throughout the world. The lifting of trade restrictions as a result of the Financial Agreement will stimulate trade and production everywhere. In that way, it will do much to relieve the world shortage of goods and help the fight against inflation.

The \$3,750,000,000 credit will not be spent all at once, nor will the bulk of it be used to purchase goods that are in scarce supply. It will be used over a five-year period. The amount of the credit is about one-half of 1% of the total demand for goods in the United States during the next five years. Part of the credit will be used to buy goods of which we already have a surplus, like cotton. Certainly, the credit will increase infinitesimally the total spending in this country. That will be more than offset, in my judgment, by its favorable effects on production and trade which are the real factors in preventing inflation.

Not a Precedent

The credit to England is in no way a precedent for other loans. Its particular purpose from the American point of view is to free

a major segment of the world's trade from the currency and trade restrictions by which it is now shackled. The key to the removal of these restrictions is to make it possible for England to pay for its imports with funds that can be used to buy goods in any country. What England does about her currency and trade controls is of the utmost significance in determining whether the entire world will be one large and prosperous international trading group or whether it will be broken up into conflicting economic blocs.

The proposed credit to Britain is to enable her to participate in world trade, without currency and trade discriminations, while she reconverts her industries to peacetime production and resumes her usual place in world markets. No other country has the same problem. No other country has the same strategic position in world trade. That is why this loan cannot and will not be regarded as a precedent.

Other nations needs help. Some will need help for which they cannot pay. They will get such help through UNRRA. Some will need help in maintaining the stability of their currency. They will get that help through the International Fund. And many countries will need help in restoring their economy. For all worthwhile projects, help of this character will be available through the Export-Import Bank and soon through the International Bank for Reconstruction and Development.

The Bretton Woods Agreements Act established the National Advisory Council on International Monetary and Financial Problems. This Council is charged with coordinating the activities of all agencies of the Government on foreign loans and monetary transactions. The members of the Council have spent many hours during the last six months in carrying out their statutory responsibilities. They have met more than forty times to go over the foreign financial problems before this Government.

The first report of the Council, as required by law, has just been sent to the President and to Congress. When you examine this report, I believe that you will agree that the Council has been motivated by the desire to carry out in the financial field the major objectives of American foreign policy while securing the most efficient use of the funds of the American taxpayer.

An Investment in Peace and Prosperity

The loan to Britain is an essential and integral part of our program of international economic cooperation. A peaceful and prosperous world requires the full participation of England, and of the countries closely linked with England, in the world economy. The policy that Britain chooses in meeting her balance of payments problem will affect the economic well-being of the entire world. The United States has a vital interest in the solution of this problem.

The Financial Agreement is a sound investment in world peace and prosperity. Not only will the \$3,750,000,000 be fully repaid, but American business will reap rich dividends through its access to world markets on a fair and equal basis. Every section of this country, every sector of our economy, depends in part on world trade. The Financial Agreement will open the markets of England and many other countries to our exporters. This means more exports for our farmers and manufacturers, more jobs for our workers,

Enforcement of the Anti-Trust Laws

(Continued from page 1689)

over to labor; others argue that the past decade has revealed such weaknesses in labor leadership that it would be an unwise guardian of the nation's destinies.

Nevertheless, the pressures from these divergent groups have not shaken our faith in the essential soundness of democratic principles of government and the free competitive way of conducting business.

What each of us wants, of course, is for the machine to be operated by the driver of his own choice and to be driven along the road which each of us wants to travel. We all believe abstractly in a free economy but we are not all agreed on what it means. What most of us have in mind when we speak of a free economy is freedom from the drivers who will not steer the machine along the avenue of our own particular choice.

We do not all seem to be in agreement as to what we mean by a free economy. Probably we usually mean freedom from any top control. But many people identify control with supervision by the government. They do not think of control as regulation or regimentation of industry by private authority. But private control may be even more sinister in its effects upon freedom than government control, because it substitutes complete irresponsibility for the checks and balances of public opinion.

Private Cartels

A cartel, as well as an agency of state, may seek to impose control and direction of an industry. Yet no government agency has ever gone as far in regimenting business as have private cartels. A supreme authority subject to no judicial review or public responsibility issues licenses to a trade, keeps out persons it does not want, assigns particular operations to different companies, divides markets and territories among the elect, allocates quotas for production, sets up rigid schedules of prices, and, in fact, decrees a private code of laws. In its decisions only the seller is represented; the consumer is stripped of all the rights he possesses in the open market. If any

more profits for business, and a higher income for all our people.

We live in a world that is growing more interdependent economically and politically. The great hope of mankind is that we will proceed to build the kind of world that our heads and hearts desire. We are doing that in cooperation with the United Nations. There can be no turning back. It is impossible to revert to the international political or economic conditions of the 1930's without endangering the welfare of this country and the survival of the entire world. Our people are determined that political and economic differences should be settled by peaceful and cooperative means.

Man will not have fulfilled his divine destiny while there is war and want. Two world wars and a world depression have made this a generation of bitter memory. It is wonderful to have again the hope of peace and plenty. The cynics shut their eyes and close their ears and sit among the scorners. Ours is a higher duty—to find a way to give effect to the will of the people. Let us have faith equal to our great task. Let us put into effect the determination of our people for a world in which nations work and live together in peace and prosperity.

There are times that are turning points in the history of mankind. This is such a time. The decisions we make or do not make today will shape the destiny of the world for generations to come. I pray that we shall have the vision to act bravely and boldly.

government should attempt to do such things—exclude firms from the industry, carve their markets as proprietary domains, fix the conditions under which a firm could carry on, place floors beneath which prices could not fall—you can imagine the hue and cry which would arise.

Any national administration which persisted in such arbitrary action would be driven from office immediately. Yet far greater powers than any we are unwilling to entrust to government are assumed daily by combinations of large corporations. Not only is the range of regulation greater; it is exercised in secret, without a public record. The power is wielded away from public knowledge, not subject in any way to the public interest. This pattern of control extends to the essentials of life—foodstuffs, housing, railroad transportation, iron and steel, heavy metals, chemicals, and many other commodities and services.

And under the jurisdiction of these private governments, it happens that goods are often not sold separately but in combination. To get the things you want, you have to buy the things you do not want. Could any public government endure which openly avowed such a policy? These private governments withhold inventions from use and even arrest experimental work until all the profits can be sucked out of old processes and outmoded equipment. Again, would any public government which openly indulged in such practices be tolerated by the American people?

Under a truly free economy decision as to what shall be produced and where it shall be produced, where and how goods shall be marketed, what prices shall be charged, would be determined not by a government agency nor by a group of industrialists exercising monopoly power. Such decisions should be made by the competitive activities of businessmen themselves, and in no case should the choice of a single producer or distributor be controlling. If some enterprising and courageous businessman is willing to gamble his money or his judgment attempting to produce a better and cheaper article than any made by existing concerns, he is typifying the very essence of the competitive system. If the industrialists already in a business cannot compete successfully with newcomers under a system of a "fair field and no favors," they are condemned to failure by their own arguments. It is more than inconsistent to demand a free economy on the one hand, and yet advocate measures of private restrictive control on the other. Such self-contradiction betrays unmistakably a willingness, if not indeed a desire, to abandon the historic foundations of free enterprise.

The Anti-Trust Laws

The anti-trust laws are more than 50 years old. Their strict enforcement has been pledged by both major political parties in every party platform since 1900, in which year the Republican platform practically restated the Sherman Anti-Trust Act and claimed credit for its enactment. In the next three platforms, the Republican Party went even further in its pledges of enforcement, and in 1916 it declared that "all who violate the laws in regulation of business should be individually punished." As late as 1936, the Republican platform, framed in a convention which met here in Cleveland, carried a pronouncement that "private monopoly is indefensible and intolerable." During all those years the Democratic Party was no less vigorous in its pledges of support.

Not so long ago a distinguished

committee composed of the editors of "Time," "Life" and "Fortune" undertook a comprehensive study of "America and the Future" with particular reference to the postwar era. This committee, after two years of work, came to grips with these basic questions: "How a policy of freedom can be vigorously applied at home (1) to encourage millions of enterprising men and women; (2) to stimulate productive investment; (3) to attack monopolies; (4) to make free markets freer; and (5) by these means, plus intelligent use of government fiscal power, to maintain employment."

The committee reached the following conclusion:

"Monopolies must be prosecuted. The Sherman Act has been on the books for 53 years. The U. S. is the only big country that has such a law (intelligent Englishmen wish they had one) and it is deeply imbedded in American beliefs. But it was sadly neglected in enforcement until Thurman Arnold came along. And a truly liberal postwar government should enforce it not only with all of Arnold's zeal, but with more consistency and system.

"A thorough campaign against monopolies will require great skill and courage, for vested interests of every kind stand in the way. Moreover, its victims will point out (what is perfectly true) that a 100% free market is an illusory ideal that never existed. . . . But if the Government's anti-trust policy is realistic as well as aggressive, it can revive competition in many markets where it has needlessly declined. It can also bring a downward pressure on those 'administered' prices which are too high for maximum volume."

Moreover, it is interesting to observe that some kind of monopoly declaration is contained in nearly every postwar plan submitted to the public. Thus it appears from a continuous body of testimony developed throughout the past half century that in principle there is no division of political or economic opinion on the essential wisdom of the anti-trust laws. Upon this level the only difference is in judgment as to the method and manner of enforcement.

Trend Toward Industrial Concentration

Despite this agreement on principle, the trend toward concentration of control over business and industry and the elimination of small business has grown alarmingly during the last several decades. It was estimated in 1929 that 200 non-financial corporations controlled 49% of the assets of all such corporations. By 1933 the percentage had increased to 56%. The 200 largest corporations were directed nominally by about 2,000 individuals, but actually the control resided in the hands of a much smaller number of men.

Taking another group of comparative statistics, in 1909 there were 268,000 manufacturing establishments in the United States. Their total products were valued at \$20,000,000,000. In 1939 there were only 184,000 such enterprises, with a total production valued at \$56,000,000,000. On balance, this amounts to a reduction of 84,000 establishments in the face of an increase of \$36,000,000,000 in value of production. And add also the fact that during this period the population of this country increased by some 39,000,000.

Consider several particular industries: Fifty years ago there were 15,000 tobacco manufacturers; now there are less than 800, with four major companies dominating the industry. Fifty years ago there were 28,000 manufacturers of lumber and timber products; now there are less than 12,000. Fifty years ago there were

nearly 700 iron and steel manufacturers; now there are less than 350. And so it goes on through agricultural implements, shoes, chemicals, cotton goods, glass, and other wares. In another generation, unless the trend is reversed, there will be no opportunity for a businessman, no matter how ingenious or well financed or daring he may be, to enter any of the hundred or so basic industries in this country, except by the tolerance and patronage of the three or four companies controlling the entire industry. In other words, competition will have ceased to exist in this country.

Unfortunately the men who are in control of these huge concentrations of economic power use their private power in a way which would be unthinkable of public power within the framework of democratic government. If the nation wanted to impose a sales tax of one-half of 1% and thereby decrease the people's purchasing power, the question would be publicly debated for months. There would be long discussion and hearings and those who took the action would be held accountable for it. On the other hand, if the great industries subject to monopoly and cartel control wish to raise their prices 10%, there is no public debate, there is no hearing for those who may pay the exaction, and those who lay the burden need acknowledge no public responsibility.

International Cartels

The American public has become acutely aware in recent years of the power exercised by international cartels. These cartels were used by Germany in particular, as a means of waging economic warfare during the years preceding the outbreak of military hostilities. The record is replete with illustrations of how German industrialists exacted agreements from American industrialists which had the purpose and effect of restricting production in this country, preventing new industries from developing here, restricting our exports, restricting our development of new technologies and otherwise hampering our war potential and weakening our national security. To American businessmen these transactions from the vantage point of the 1920's and 1930's were merely business deals to secure them from undue foreign competition, to preserve domestic markets against the intrusion of outside competition, and to obtain domestic monopolies on the distribution of foreign products or on the development in this country of products and processes developed abroad, and otherwise to obtain monopolistic advantages. American businessmen did not think of these transactions in terms of their operation against our country's interest. These businessmen were not acting from any unpatriotic motives, but, to say the least, the policy behind these cartel arrangements was shortsighted.

The facts about cartel operations have now been spread upon the public records. We know that among other things international cartel arrangements between American firms and foreign firms provided for worldwide division of markets and fields of operation in order to eliminate competition; for restriction on the development of new processes and products; for production quotas, having the effect of limiting domestic production and production capacity; and for non-competitive pricing. We know that, apart from the effect of these agreements on our war potential, they lowered the standard of living and reduced employment in this country.

Must Reverse Trend Toward Concentration

We can read the lesson of recent history and learn that if we

are to have an expanding economy with a rising standard of living in the years immediately ahead, we must break up existing cartel arrangements and prevent the growth of new ones and the resumption of those prewar cartels which of necessity were suspended during the war. We have learned also that if we are to preserve the essential characteristics of what has been called the American way of life, we must reverse the trend toward concentration of the private control of industry and open again the paths of opportunity to independent entrepreneurs, to the veterans; in short, to the many men and women throughout the country who only want a fair chance to make their individual contribution to our national well-being.

The anti-trust laws are an important factor in the accomplishment of these objectives. Enforcement of the anti-trust laws is not an attack on business. Indeed, it is quite the opposite. An anti-trust suit is not a contest between government and business. Rather, it presents an issue between those businessmen who want a free market and those who want a privately controlled market so long as they can sit at the seats of control. The anti-trust laws do not involve any plan of government regulation or direction of business. Indeed, their purpose is quite the opposite. They contemplate a minimum of government regulation, with businessmen themselves free to make the important decisions regarding production, distribution and price. In this aspect the anti-trust laws simply seek to protect the freedom of the market against the aggressions of those whose operations would interfere with the free functioning of the market. I know of no seriously advanced theory that in the modern world a competitive market can long survive without some governmental protection for free competition. And in this country the anti-trust laws are the principal instrument by which the Federal Government seeks to give that protection.

We are told, however, that the anti-trust laws are uncertain and that businessmen do not know how to make decisions necessary to comply with the laws. It is true that the Sherman Act is not like an administrative regulation which fixes every detail of conducting a business. It has some of the characteristics of our Constitution. The general public policy which the Sherman Act embodies must be applied in each case. But I submit that the application of the anti-trust laws to most industrial practices today can be pretty well determined by the lawyers and economists who have studied the court decisions, and the economic problems involved in keeping a market competitive. Close questions will arise from time to time as will happen in the interpretation of any law. But there is no longer any dearth of court decisions or precedents, and the Department of Justice is always willing to try to advise interested parties on difficult problems of interpretation of the law.

No Desire to Break Up Mass Production System

No one wants to break up efficient mass producing business concerns; but no one, except maybe a monopolist, tries to justify combinations formed to gain monopolistic advantage. The line between efficient mass production and arbitrary monopolistic control over industry cannot be drawn in the abstract. It depends on the facts in each case. And businessmen know now, if they did not know before, that price fixing arrangements among competitors, division of markets and deliberate suppression of competition is illegal.

Active enforcement aids the law-abiding businessman. Most American businessmen are law

abiding. Only a few want to use economic brass knuckles. If businessmen can depend on active anti-trust enforcement, they will not have to resort to monopolistic devices in self defense. They will not be compelled to compete in a controlled market.

Present Enforcement Plans

Most of our cases originate in complaints. But we always have more complaints than we have people who can handle them. Our job is to select cases so that we can do the most to help establish a free peacetime economy. The purpose behind the cases we are going to push in the immediate future are:

- (1) To break up international cartel arrangements which weaken our national economy.
- (2) To help small businessmen. Returning veterans particularly want and deserve a chance to set themselves up in business. We'll do our best for them.
- (3) To protect the consumer; for example, housing is one of the most important problems today. If we can eliminate restraints on the manufacture and distribution of materials, on new methods of building, such as prefabrication, it will help relieve the housing problem. Clothing and food cases are equally important.
- (4) To eliminate restraints that lower production and hence reduce employment.
- (5) To protect the farmers' markets.

We will judge our cases by practical results. The most important cases will come first, and we expect to push those which will do the most good for the country as a whole.

There are many instances that could be cited of practical results that have been obtained from anti-trust litigation—results that are definitely in the public interest. Let me take just one example—aluminum.

You will recall that back in 1937 the Government instituted a dissolution suit against the Aluminum Company of America, on the ground that it exercised a virtual monopoly control of the entire aluminum production and distribution in this country. The suit was tried over a period of several years, and the record of evidence was closed in 1940. The District Court held against the Government, but ultimately on appeal to the Circuit Court of Appeals for the Second Circuit (which had special statutory power to render a final decision), the judgment of the lower court was reversed. The Circuit Court of Appeals held that the Aluminum Company of America had monopolistic control of the production of aluminum ingots. This monopolistic control was at least supported by the company's large resources of bauxite, power sites, control of the production of alumina and of fabricating facilities.

The Court of Appeals' decision was rendered only last year, and the Court took note of the fact that the Government had created a vast aluminum producing capacity during the war. In view of this new capacity and other developments in the aluminum field since the closing of the record in 1940, the Court in effect postponed final decision on the necessity of dissolving the Aluminum Company of America, pending the outcome of the Government's plant disposition program. The effect of this decision seemed to be that the necessity for, or the extent of, dissolution of Alcoa would depend upon the effectiveness of the plant disposal program in creating independent competition. In view of the Court's holding, the disposal agencies of the Government have thus far not sold or leased any of the Government production capacity to Alcoa; instead, there has been a determined effort to dispose of Government plants so as

to create independent competitive operations in the aluminum field.

Last fall it appeared to be a serious question whether the immediate postwar demands for aluminum would be such as to make it possible to continue the operation of many of the Government plants. It was forecast that there might be a huge supply of aluminum hanging over the market for several years, after the aviation and other war programs were curtailed. The prospect for independent operations in the immediate postwar period did not seem very bright. But all of this has now changed. Unexpected demands for the use of aluminum in the production of automobiles, housing and other peacetime industries have created a vast market, and the surplus disposal agencies have already leased the principal war plants to companies that will be competitors of Alcoa. The prospect for a vigorously competitive industry in aluminum is now very bright. It is impossible to foretell the number of companies that will ultimately be active in this field. But it is quite certain that a competitive situation is being created in aluminum. It would never have been possible without the anti-trust suit. This fact is generally conceded by all parties having knowledge of the situation.

The result will mean a more adequate supply and cheaper aluminum. You will recall that when the war broke out we were critically short of aluminum and we were called upon to turn in our pots and pans and other aluminum equipment. You may also know that the price of aluminum was raised substantially during the first World War, and that as a result the amount of aluminum used in automobile production was drastically curtailed. Indeed, I am told that just before the present war an average of only about five pounds of aluminum per car was going into automobile production. Competitive prices will make it possible in the years ahead to utilize aluminum to a much greater extent, both in automobile production and in many other major industries. This means more jobs and a better standard of living for all.

Curb Monopolies or Have Government Regulation

If we fail to curb monopolies, the alternative will be some kind of Government regulation. Effective regulation of monopolies would require a bureaucracy so great that it would amount virtually to a reversal of our conception of the function of government. Effective regulation would require a governmental organization with power to gather all of the pertinent facts about production, distribution and prices. Government agencies would have to make all the important decisions affecting production, distribution and prices, and then have power to enforce their decisions.

To do this in peacetime, during a period of ample production, would be quite a different matter from doing it in wartime during a period of shortages. The circumstances requiring wartime controls are quite different from those which obtain normally during peacetime in this country. When there are shortages, someone must decide who will get what there is, and someone must hold the lid on prices. That someone obviously must be the Government. And wartime controls, of course, must continue as long as shortages exist. But the purpose of wartime controls is to direct the supply of commodities into those channels where they are most needed and to prevent runaway inflation.

When ample production replaces scarcity, the necessity for the wartime type of control no longer exists. My point, however, is that if we are to have regulated monopolies as a permanent part of our economy, effective regula-

tion will require detailed governmental supervision of all the major aspects of industry, which will make wartime controls seem minor by comparison. During war, the essential decisions are guided by a single overall criterion. What course is most necessary for the effective prosecution of the war? But in peacetime, there is no such overall criterion to guide governmental agencies in determining how much shall be produced, where it shall be produced, who shall produce it, and all of the intricate problems of distribution and price. We would simply be substituting a regulated economy for a free economy, and it is obvious that such a substitution would work a permanent change in the very structure of Government itself.

In England, where they have no anti-trust laws, they have found it necessary to take drastic action to deal with monopoly. When the Prime Minister of Great Britain was here in November, he said to the Congress:

"There is and always will be scope for enterprise (in England), but when big business gets too powerful so that it becomes monopolistic we hold it not safe to leave it in private hands."

Other countries have followed a similar policy. But our approach has been different. We are trying to leave business in private hands, and we want the principal role of government to be the prevention of private monopolistic interference with the operation of a competitive market.

I am not saying that enforcement of the anti-trust laws will bring a utopia. It is obvious that a lot of other things are needed to create and preserve a free competitive economy. But if we follow a consistent policy of vigorous enforcement, we will help preserve the opportunity to engage in private business. The result will be to help small business and promote economic democracy. In that way we will strengthen our heritage of political democracy.

China Signs Agreement With Export-Import Bank

The Export-Import Bank and the Bank of China have signed an agreement guaranteed by the Government of China establishing a credit of \$33 million to make cotton available to the textile industry of China, including both Government and privately operated mills, it was announced on March 19 by Wm. McC. Martin, Jr., Chairman of the Export-Import Bank. Announcement of the original authorization for this credit by the Board of Directors of the Bank was previously made on Jan. 17, 1946. In its advice March 19 the Export-Import Bank stated:

"The terms of the credit are in general similar to those established by the Bank for cotton credits to European countries. The rate of interest is 2½%. The maturity of drafts under the credit will be 24 months after arrival of the cotton abroad. This is nine months longer than the European credits because of the longer inland transportation and processing time required by China.

"If the entire amount of the credit is used it is sufficient to provide for the shipment of 275 thousand to 300 thousand bales of cotton. The additional supply of cloth which could be made therefrom would approximate 500 million yards or about one-seventh of China's estimated prewar annual rate of total production.

"This line of credit for China, as has also been the case in other reconstruction credits approved by the Bank, is designed to assist in speeding reconversion to a peacetime basis and hastening the resumption of a sound future trade between China and the United States and other countries."

Cornerstone of Our Domestic Policy

(Continued from page 1689)

ever occupied office in Washington about whom there have been more misconceptions. I do not like strife or bickering or dissension. So devoted am I to peace that I am willing to fight for it.

Labor Management Relations

I do not enjoy clashes between management and labor. They are not in the public interest; therefore, they are not in my interest, and I am selfish enough to be concerned about my own interest, as you ought to regard yours.

I do not believe that all of the turmoil through which we are going and shall go here at home is either necessary or justifiable. I do not believe that either labor or management should take an extreme or irreconcilable position.

I do not know as much about labor disputes as some others and I am aware that I am not an expert in labor relations. However, among my varied experiences during the past 13 years have been dealings in coal, with the coal operators occupying one side of a long table and Mr. John L. Lewis with his supporting mine-workers' officials sitting on the other. It became one of my toughest jobs when President Roosevelt signed an order making me Hard Fuels Administrator. As I presided over that long table, hoping that neither John L. Lewis nor former Senator Burke of Nebraska would charge physically in my direction, I learned that in a labor dispute the ultimate truth generally does not lie with either side. We went through several crises and after the exercise of patience on my part that no one would have believed possible, least of all myself, we always emerged with some kind of an agreement as a result of which we managed to get enough coal out of the ground to fight the war.

I have had greater enjoyments in life than dealing with a hard-boiled bunch of coal operators and an equally tough group of coal miners under the leadership of Mr. Lewis. Come next month when, if the portents may be judged right, the suave and urbane Mr. Lewis will utter the word or give the sign that will close the mines, I shall be glad, and I do not mind saying so, that it will be someone other than I who will be offered up to be ground between the upper and the nether millstones. This is not the least of the favors that, wittingly or not, has been vouchsafed to me.

John L. Lewis and "Free Enterprise"

And while we are on the subject of John L. Lewis, I would like to chide gently those economic illiterates among some of the businessmen of this country, who have been praising Mr. Lewis for his defense of "free enterprise" at the President's labor-management conference or who have been cheering for Mr. Lewis as a selfless patriot for his attacks on price and wage control. Mr. Lewis' approval of "free enterprise" should be considered in the light of the fact that his union has, for all practical purposes, a monopoly on the labor of all of those who mine coal in America. And you, here in New York which just recently suffered from a tugboat strike, have a special reason to know how important coal is, not only to this city, but to the country. Mr. Lewis, in case you do not know it, is regarded by some as the most powerful man in America, and, with the help of those who ought to know better, he is on the way to greater and more uncontrolled power. He assumes that no matter what happens to others in the economic jungle he and his men can get theirs with perhaps something extra for good measure.

But the coal strike, if and when it comes, will only be one more in

a series of industrial disturbances that have shaken the country and have endangered the stability of our economy. Of themselves they are bad enough but they are more than indications of social unrest; they are, to my mind, warnings that we, all of us—labor, management, and the public—would do well to heed.

Warning Signals

Once before in this decade, we failed, much to our regret, to heed warning signals. When war came in 1941, we were resolutely unprepared. Many refused to admit its possibility even when it became apparent that, if it could be avoided, it would be only by a miracle. Some thought that we could lay the dread apparition by raising a terrific clamor that confused only ourselves. We agitated our rattles and thumped our drums and shouted our incantations with all of the fervor of medicine men intent upon warding off an evil spirit. In short, we were not reasonable human beings regarding the portents in the sky with sober and cool appraisal and upon the basis of experience that had been all too frequent in the past.

It must be said that when we did realize the inevitable we performed prodigiously while brave England paid extravagantly for costly time for us and Russia laid about her with a ferocity and a purpose that surprised no one so much as our military experts and our armchair strategists who knew that Germany would march through Russia as a circus performer jumps through a paper hoop.

For my part, I do not mind admitting that I was apprehensive before the event that a war to the death would break out in Europe and that if we escaped it, it would only be by the grace of God. I felt that we ought to prepare for the desperate contingency of war. President Roosevelt believed this, too, but no political leader can move much faster than the people whom he is supposed to lead and after the famous "quarantine" speech in Chicago even he was quiet under the outbursts of derision and hate that came from all directions. It was clear, according to such temperate and veracious publications as the New York-Chicago-Washington axis newspapers—the New York "News," the Chicago "Tribune," and the Washington "Times-Herald"—that there could be no war involving us.

Unprepared for Peace

War caught us unprepared and now we have peace, thanks not to a single factor but to many which I will leave to the historians to discuss. And if, during peace, we did not prepare for war, neither during war, did we prepare for peace. Even while the war was raging, there were those who ventured to suggest that, in time of war, we should prepare for peace but if anyone listened there was never any indication of it. The bloodthirsty terrorists of the Rhine collapsed and in due course Hirohito decided that he was not a descendant of the Sun Goddess after all and flung up the white flag. So we have peace, peace at least in the sense that our armed forces are no longer engaged either on land or on the sea or in the air, thus proving that America might love her ease and even be soft and slothful but nevertheless, when put to it, can fight as well as anyone and better than most.

We are at peace in this sense but in none other. We do not have a Navy patrolling our shores or airplanes spying out the land, but we do have strikes breaking out in a rash in all parts of the country. We do have capitalists, or industrialists, or management, or whatever one wishes to call them, regarding with set faces and hard

eyes workmen who insist that since the cost of living has gone up and since real wages have decreased, there should be wage adjustment upwards. Further, they demand an increase in take-home pay without an increase in prices because they fear, and rightly, that if we should start an upward spiral of prices, inflation would inevitably follow and all of us would suffer economically more greatly than if we should have another war.

Another school of thought is to the effect that we should take off all controls and permit nature to take its course. It is argued that such a procedure would result only in a brief inflationary period, followed by a return to normal. It might be all right to be governed by the law of supply and demand if that law had not been warped and twisted and manipulated out of all semblance to its original pattern, not only by the exigencies, imposed by wartime necessity, but by the pressures of those who regard profits, however obtained, as the chief end of life. We might, at this late date, as reasonably demand a return to the status of Adam as to that of Adam Smith.

Management—I wonder what happened to the wan-looking little orphans and the distressful widows that were the customary stage-props in conflicts between labor and capital of an earlier day—insists that there can be no increase in wages unless prices are raised. Holding tightly to their ledgers, the leaders of industry declare that their profits and their cuts-back from the Treasury are not sufficient themselves to pay more wages; besides which, these profits are no one's business, although I wonder whether, if there were figures in red ink indicating losses, management would not parade them as a beggar his shoes. And so, instead of a clash of arms we are subjected to the daily clamor of contending economic forces, those on one side defiantly saying "you can" and those on the other as strenuously declaiming "we can't." Full page advertisements in the daily press representing opposing views add to the confusion and the noise, as well as to the profits of the publishers.

Foreign Affairs

So far as I am concerned I do not like the appearance of things either here at home or in our relationship with foreign countries. In other words, I am apprehensive both about the present and the future. We showed that we could fight when we had to, but to date we are showing with equal conclusiveness that we don't know what to do with the peace that we have won. And if we cannot get together at home to solve our problems we certainly are not going to be able to do much about the job that we have undertaken to do and that it is our obligation to do in Europe or in the Far East. It is about time that each one of us pointed at himself an interrogatory finger and demanded of himself what he is going to do about establishing a durable and lasting peace both at home and abroad.

We call ourselves a Christian nation and perhaps we are. But it would not do us any harm to reaffirm our Christianity as a living thing and make it more of a guiding star in the future than it is tonight as we sit here in complacent content and wonder why someone else does not undertake the task that it is ours to perform. I have said more than once that all would be well with us and with the world if we lived by that eloquent creed enunciated in the Sermon on the Mount, "Whatsoever ye would that men should do to you, do ye even so to them." We still believe in this in theory, but the plain truth is that we don't put our theory into prac-

tice. I am not so sure that many of us are not today living by another creed—a cruel, brutal, cynical creed—"Do others before others can do you."

We could solve our own troubles and contribute to the solution of others that beset the world if we only went about it in the right spirit. The same ethical principles that we invoke for labor should be self-applied by management. The strong, whether management or labor, should scorn to take advantage of the weak.

If men like John L. Lewis, who prefer troubled industrial waters because they can fish expertly in them, conceive the notion that industry and citizens generally should submit to be bludgeoned for the enhancement of personal power, they should be firmly and quickly made to realize that the common welfare is more important than any individual and that we will demand from all a strict compliance with codes of common decency. If the banker or the industrialist should sneer at democracy, and ignore the rights of all people to fair and equitable consideration in the eyes of the law they too should be quickly brought to heel. The same applies to any dictatorial minded Senator who exclaims "To Hades with majority rule."

We are either all citizens of a common country having equal rights, immunities, and protections under the law or we are selfish little pressure groups seeking special rights and privileges at the expense of our fellows. It is high time that we took a good look at ourselves and decided just what sort of citizens we are and just what kind of a country we propose to make of the United States of America.

We Need Leadership

We need leadership—not industrial leadership, or financial leadership, or labor leadership, but moral leadership. This is an idea that is seldom expressed except with conspicuous self-consciousness, and yet it is as true now as it ever has been that an ideal, a moral conception, has greater driving power than anything on earth.

This speech was in final draft form except only for possible last minute corrections when President Truman appealed a week ago tonight at Columbus, Ohio, "for an Isaiah or a St. Paul to reawaken a sick world to its moral responsibilities."

It was gratifying to learn that the President was thinking along the same lines as myself. I am emboldened to support his plea for a "moral and spiritual awakening in the life of the individual and in the councils of the world." I am sure that President Truman realizes that, especially in a democracy, nothing can be accomplished without leadership. If he will give the nation such leadership as it needs for a "moral and spiritual awakening" the country will follow him with an enthusiasm and a unanimity that will be as gratifying as it will be surprising. More than anyone else, the President has it in his power to furnish moral leadership, not only with respect to legislation and social standards, but in the exercise of his vast appointive powers. He must realize, on the basis of his great experience, that even the best laws will not execute themselves, nor will the highest social standards be self-sustaining. They must be given effect by men of experience, probity and character.

In making his speech before the Federal Council of Churches of Christ in America, President Truman undoubtedly realized that all of history proves that people will endure beyond endurance for an ideal. Hitler knew this. We may not have agreed with the moral ideal that he set before his people and history has proved that it was the wrong moral ideal. But if it had been the right one and ours had been wrong, Hitler

would have prevailed and our cities would be lying in ruins today instead of Berlin and Frankfurt and Cologne.

There is more to life than in squeezing the last drop of red ink out of an employer or the last ounce of strength out of a workman. There is more to life than making profits or building great industries or seeking to evade the law by combinations in restraint of trade. There is more to life than using the power of trade unions for personal profit and aggrandizement rather than for the interests of the workers themselves and of the people.

Our Democratic Way of Life

Let us take a searching look at what we call our "democratic way of life."

Are we really living as free men and women or merely maneuvering cunningly for some advantage at the expense of others? In what regard do we really hold our democratic rights? Do ethical principles mean anything to us? What priority do we give to the public morality and spiritual force? What is the principal consideration of those who are strong and rich—that justice be done to the weaker and those less able to protect themselves—or that they themselves become stronger and richer? Consider the political chicanery that the politicians regard as smart because so many other people also think that it is smart. Is the violation of the moral code or that of the criminal statutes themselves to be condoned because the infraction is in the interest of "the party"? What are political rights worth that are merely recorded on vellum? The vellum may be imperishable but what of the political rights? How about the right that every citizen has to be employed and to live in peace, security, and contentment, subject only to the same rights in others?

Just what is right to vote worth? Our ancestors thought that it was beyond price. It was to achieve political and religious freedom that they came to this continent in disregard of hardships and privations before which men and women of this generation might well quail. How about the rights of those of a different color of skin, who by the device of the poll tax or other questionable method to limit the opportunity to vote are denied a privilege that is more precious to them and more necessary to their happiness and welfare than it is to us? We can get terribly excited in this country about the far removed colonies of European empires and the rights of minorities in lands beyond our control while being indifferent to those of people within our own borders.

America Sorely Ill

I was asked to speak tonight on "Our Domestic Policy" with the option, however, of departing from that subject if I chose. Perhaps some of you may think that I have wandered far afield, but that is not my own view. I am talking about our fundamental "domestic policy." Our body politic is like a man with a disease that is likely to prove fatal unless the doctors do something about it. The patient at the same time may have symptoms that denote various ailments that are annoying and even troublesome, but none of which of itself is likely to prove fatal. America today is sorely ill of various disorders to which the body politic is heir. Eruptions on the skin and internal troubles may be both distressing and debilitating. They must be cured and they can be. But, even so, our political system will not be a healthy, well functioning and sturdy organism unless we recognize and undertake promptly to do something to correct the fundamental, and, unless checked, fatal illness that is gnawing away at our vital organs. So it seems to me that our primary, indeed our imperative, domestic policy is to

proceed on the theory that we all accept that a sound mind can be found only in a sound body.

I have been trying to enumerate some of our troubles because I have confidence enough in America to believe that once we know the truth we will proceed to set ourselves free. Certainly you who are here need to have no emphasis placed upon the hurt to our economy and the harm to our establishments that is caused by the labor unrest through which we have been passing. Some of you may feel that labor is largely, if not entirely, to blame. My own view is that, as usual, there is fault on both sides. I shall not attempt to apportion the blame. Each of us should clean his own house before calling attention to the litter of his neighbor.

Our national difficulties could easily be overcome, in fact they would not exist if all of us had a more highly developed moral sense and a greater feeling of responsibility for applying in our own life and in our own industrial relations that axiom laid down in the Sermon on the Mount to which I have already referred and without a more strict adherence to which we are not entitled to claim that we are either a Christian nation or a civilized one.

Need More "Uncommon" Men

We have heard much during the past few years about the "common man." Like all facile phrases, in no time at all, this has come to be little else than a phrase. As a matter of fact, what we need in this country is not more "common men" but more uncommon men—men of faith and integrity of character, who, seeking no special advantages for themselves, but only an equal opportunity under the law, are neither afraid to speak the truth nor hesitate to live by moral principles.

It is not the common men of history who have inched mankind forward on the path toward civilization. It is the uncommon men who have done that—men like Christ and Confucius and Buddha and Mohammed; men like Cromwell, Garibaldi and Bolivar and Washington and Lincoln; men like Milton and Shakespeare and Voltaire and Paine and Jefferson. I insist that while it is both our duty and our privilege to raise ourselves, if necessary by our own boot straps, and make it possible for the common man to become uncommon, nevertheless it is to the latter that we have looked for leadership and must look if we are either to improve the social and intellectual status of the common man or to make secure and advance our civilization.

I am not addressing you tonight as a group of "common men" but as one of uncommon men, either by force of circumstances or by your own efforts who have an especial obligation to see to it that the promises of our Declaration of Independence and the guarantees of our Constitution are more than empty phrases to be taken out of cotton batting in which they are so carefully wrapped to be proudly exhibited annually on the 4th of July.

Equal Opportunity for All

If we are to improve our social standards and our economic status and advance our civilization, we must see to it that every man, woman and child in America is given that equal opportunity under the law that is his, not only legally, but as a matter of natural right. I am not talking about social service or gracious charity. I am talking hard common sense. The economy of our time must contribute to the welfare of increasing numbers of people if it is to survive. Certainly the war years have demonstrated, if any demonstration were necessary, the virtually boundless productivity that is physically and technically possible. I predict that, if we cannot succeed in producing for peaceful purposes as we have

shown that we can produce for war, we shall have to contend with revolutionary forces that may be impossible to control. If we want to lead the world as a producing nation, we must find customers for our goods and what better or more acceptable customers could there be than fellow Americans? Give them the education of which they are capable and improve their health standards; make it possible for every man able and willing to work to find a job and the consumptive capacity of the United States would be enormous. The market right here at home for our own goods would surpass all expectations. This is the kind of an economy for which we should strive. This is what I mean when I talk about working together for the common good.

We cannot do this merely by wishful thinking. We can do it only by working at it. Most of all we can do it only by raising a moral standard to which all who aspire to a more satisfactory life may repair.

If we had higher moral standards in our national life, we would need fewer pressure groups, our consuming but unproductive lobbyists could be put to some useful work, and labor and management would not find it so difficult to find a common ground upon which to compose their differences. One trouble with America is that one group does not trust another group and perhaps this is to be expected on the basis of past performance. Some wish to do others so that they may not themselves be undone. They conceive of this as a proper rule of life. But the turgid milling about in Washington of pressure groups and of highly paid lobbyists is not only sickening to contemplate, it is evidence of a degree of moral unhealth that threatens our present and is a danger to our future.

Violation of Law Condoned

This is as good a time as any, in my judgment, to remark that we cannot too sharply criticize individuals and business and labor groups for any lack that they may have of moral standards if they are also lacking in our Administration to the degree that violation of the law is condoned although it may threaten the foundations of our Government. Why, perjury is no longer considered in some quarters, including apparently many newspapers, as even a venial sin. The Attorney General, who ought to be diligent to invoke the penalty of the law for perjury, which is one of the most insidious of crimes, has in effect taken the position that when it sticks up its ugly head in a hearing into the qualifications of a man nominated for high Federal office it relates only to "a political controversy," and apparently, therefore, is to be jovially ignored. All that I can say is that we can call for an Isaiah or a St. Paul and insist upon a moral standard without anything coming of our efforts unless we rigidly apply to our own affairs such strict rules of truthfulness that perjury would never dare to show itself.

Atomic Energy

In general, then, I repeat that, supremely, the "Domestic Policy" that ought to give us the greatest concern today is that of doing unto others as we would that others should do unto us. If you want me to be somewhat specific I will say that the Golden Rule ought particularly to be invoked in considering our national policy with respect to atomic energy. So far, with few exceptions, our attitude has been that of befuddled children. In our benighted insistence upon preserving to ourselves alone this agency of cosmic destruction, we are in the way of self-destruction. The armed forces ought to be told in no uncertain terms that since they did not conceive atomic energy nor have anything to do with the fructify-

ing of it, except to perform certain policing functions, they will not be allowed to dictate our foreign and domestic policy with respect to it. No one appreciates more genuinely than do I the great performance of the Army and the Navy in defeating both Germany and Japan, but the United States is a civilian government and should be maintained as such, leaving it to the armed forces, when called upon to do so by the civilian administration to perform the duties for which they were created and are being maintained.

Frankly, I have little patience with a government that permits its men in uniform to determine, not only questions of domestic, but of high and possibly tragic international policy. This is supposed to be a civilian government. Let us keep it so. I do not like the military penetration into civil affairs that seems to be going on.

The Golden Rule in Domestic Development

If our domestic development and welfare depend upon the policy of give and take, upon not only our willingness but our insistence upon doing "unto others as we would that others should do unto us," certainly it cannot be gainsaid that these principles are controlling in the international field. There is only one sure solvent that will cure our industrial troubles and give to all of our citizens the political, social and educational rights to which they are entitled. And there is only one sure solvent upon which we can rely to resolve our difficulties in the international field. It happens that these solvents are identical. Our nation was founded upon them. We were all taught them at our mother's knee. We will either find the road to peace and well-being by the way of mutual forbearance and understanding, with all of us willing both to give and to take, or we will occupy a common grave where we won't even have whatever satisfaction may come from nurturing and giving voice to our dislikes.

I cannot better express the thoughts that are in my mind than to quote from a letter that reached me only recently. It was written by a man whom I do not know and of whom I had never heard, yet what he said seems to me to be as profound and as real as anything that I have heard from the statesmen of today. He wrote:

"As the affairs of our nation, as well as those of all others the world over, continue to race blindly toward a more greedy, more selfish and more destructive future, every expression of clear vision, of a desire to further the common welfare over individual benefits seems to me a light in the darkness. I have only recently returned from more than three years in the Army, with high hopes for realizing all the fine phrases which have been used as a build-up of our national morale at home, and our national prestige abroad I have learned quickly what it is all worth. That is why I am convinced that our present path—nationally as well as internationally, economically as well as morally—must surely lead to a destruction far more complete than mere killing. . . ."

I do not believe that this American soldier is alone in his thinking. I doubt whether his moral disturbance caused by regarding what he has returned to has any connection with the minor issues over which we have no difficulty in working ourselves into a white heat. He is looking—so far in vain—for the assurance and content that comes from the contemplation of a nation marching forward confidently and with determination toward the goal of the greatest good for the greatest number. We dare not, at our peril, dash the hopes that this former American soldier so well expresses.

In the past we have always had time in some fashion to work out

United Kingdom Bankers Call for More Production

Preoccupation with matters of reconstruction together with an undercurrent of moderate optimism is indicated in recent reviews at annual meetings by leading United Kingdom bankers. These views are recorded briefly by the Bank of Montreal in a supplement to the February issue of the bank's monthly business summary.

The bank in calling attention on Feb. 23 to the views of the United Kingdom bankers states that the consensus would seem to be that, while the reconstruction problem of the United Kingdom is a difficult one, it is not insuperable and can be met by an all-out effort to ensure full production. As Rupert E. Beckett, Chairman of the Westminster Bank Limited, put it, "These small islands have felt the strain and pressure (of six years of war) perhaps more than any. . . . Our financial and trade problems have grown to such magnitude that the ordinary methods of stinting and saving would make but little impression on the burdens we carry, however long these methods might be pursued. Such a course, too, would be bound to produce unemployment and keep us in an economic slough of despond for many generations. A new approach—a policy of expansion rather than contraction—is essential. Expansion demands new capital, with which to set our house in order, and in our present position only one method—that of borrowing—is open to us. . . ."

The Bank of Montreal also observes that Frederic Alan Bates, Chairman of Martins Bank Limited, also called for stimulation of the country's productivity and a revival of international commerce; and expressed the same warning that a program of austerity could be carried to the point where it might defeat its own ends. Likewise, the bank said, the Marquess of Linlithgow, Chairman of the Midland Bank Limited, noted a growing part being played by the state in the economic life of the nation, but said that "private enterprise has still a wide field of operation." He expressed satisfaction at a continuing exchange of ideas and information between Government departments and representatives of private business, and added that "in consultation and collaboration, on terms of mutual confidence and trust, it is to be found the way to more effective use of the nation's assets for the general good." Edwin Fisher, Chairman of Barclays Bank Limited, also displayed a feeling that an austerity program could be carried too far, and called for greater production.

Mr. Fisher saw the maintenance of saving at high levels as a powerful means of holding inflation at bay; while Colin F. Campbell, Chairman of the National Provincial Bank Ltd., described an adequate supply of all goods in the home market as the surest protection against inflation as well as protection against black markets and other exploitation. Mr. Fisher called for taxation relief as a prerequisite to progress.

To quote further from the extracts given in the Bank of Montreal Supplement:

On the subject of international financial arrangements, Lord Balfour of Burleigh, Chairman of Lloyds Bank Ltd., felt that in the agreement with the United States "the financial burden we have been asked to assume is dispro-

our domestic and international problems. If the worst came to the worst, we could have another war with better than an even chance that we would come out on top. There is no such comfortable assurance today. Time is already running on us—fast, too fast. And there will never be another war of the sort that we have known in the past. This time, the sole alternative to getting our affairs, both domestic and international, in order is annihilation. We have entered a new and enlightening age.

portionately onerous and the period within which current sterling receipts are to become freely convertible is dangerously short." He believed, however, that the Bretton Woods Agreement should be cordially welcomed as "the first international attempt in history to secure stable exchange in the interest of international trade other than by the old rigid gold standard." He welcomed also the American proposals for consideration at the conference on trade and unemployment; and said that—despite some disappointment in the U. S. A. agreement—together, the financial agreement with the U. S., the Bretton Woods agreement and the American Proposals on trade and unemployment held out hope and promise for the future.

Mr. Beckett, Chairman of the Westminster Bank Limited, said he had become prepared to accept the view that there was no alternative to the loan from the U. S. A. "Our pressing need—apart from other considerations—dictates our turning to America in the present bare state of our factory and larder," he concluded, after discussing the possibilities and limitations of arrangements within the Commonwealth.

Mr. Campbell discussed the change of government in Britain, and said that he did not anticipate that the proposed nationalization of the Bank of England would affect the normal day-to-day working of the Joint Stock Banks. Mr. Beckett, however, noted that the bill to nationalize the Bank of England includes a provision to direct the policy of the commercial banks; and said he could foresee difficulties between banker and customer in the future "unless great care and restraint are used in the exercise of these powers." He felt that the government should first have concerned itself with the progress and development of industry, "with such a radical change as nationalization of some of our basic industries inaugurated only gradually and as circumstances proved themselves propitious." Lord Balfour said he did not expect "any particularly good results" from the Bank of England bill, adding that "whether the introduction of a certain rigidity where formerly there was flexibility will do harm, the future alone can show."

The Marquess of Linlithgow and Mr. Fisher both made mention of the fact that a reduction of interest rates allowed on customers' balances had been made necessary by a reduction in the rate on Treasury deposit receipts.

Of special interest to Canadians, with their own flexible banking system, were the remarks of the Marquess of Linlithgow about the adaptability of the present financial system in the United Kingdom. After reviewing the changes in the system to meet changing conditions, the Marquess said:

"In all this kind of thing the banker is looking beyond balance sheets, technical borrowing arrangements and the figures on a customer's account to the reality of economic effort and achievement that lies behind them—the mill, the factory, the farm and the shop, all operated by human beings with their individual capacities, ambitions, joys and tribulations.

Economic Reconstruction Abroad

(Continued from page 1690)

anticipated. The Committee for Economic Development last week stated that reconversion of American industry to peacetime production is so far ahead of schedule, only five months after V-J Day, that 52,000,000 workers are now employed in civilian jobs, only 2,000,000 are unemployed, while hundreds of thousands of jobs are still unfilled. It was reported that production and employment are now at the highest peacetime level in history and reconversion is 90% complete in many parts of the country.

Credit for this achievement is due, to a large extent, to advance planning by business, Congress, and other groups. Two years before the end of the war businessmen and others were stating that among the essentials for a speedy reconversion were (1) legislation to facilitate both termination of war contracts and removal of Government-owned property so that manufacturers could reconvert without delay; (2) legislation for disposal of surplus property; (3) repeal of the Excess Profits Tax so that business would have an incentive to expand. Congress passed contract termination legislation almost a year in advance of the end of the war and an outstanding record has been achieved in the prompt settlement of contracts. The Excess Profits Tax was repealed four months after V-J Day, legislation for the disposal of surplus property was passed a year in advance but this has not been entirely satisfactory. Legislation was also passed a year in advance establishing the Office of War Mobilization and Reconversion to coordinate the various governmental agencies concerned with reconversion.

Much credit, therefore, must be given to Congress for enacting this legislation well in advance. At the same time, credit must be given also to the many business organizations which stimulated employers to plan for reconversion and postwar expansion.

The Colmer Committee has been active in advising Congress and sponsoring legislation on those and other reconversion problems. It has issued a number of reports, among which was one issued last May on the Postwar Foreign Economic Policy of the United States. It recommended a number of basic principles to underlie our postwar foreign trade. Many favorable comments were received on the report and the recommendations were widely endorsed by editorials and by men both in government and in business.

Importance of Foreign Trade

This report pointed out that while foreign trade represents only about 7% of our national income, it provides us with many essential products and affords an important market for many agricultural and manufactured products. It stressed that a high level of employment and output at home is an essential requirement for expanded world trade. To quote from the report:

"It is the committee's view that foreign trade can contribute most to the peace and prosperity of both the United States and the rest of the world if it is based upon the principle of balanced expansion. This means that the enormous capacity of our country to produce, to consume, and to save must result, in the postwar period, in extensive exports, extensive imports, and extensive foreign investments. . . .

"After the war, extensive foreign investments by the United States will have important benefits both to the United States and to the rest of the world. The scarcity of capital in undeveloped regions and in countries devastated by the war will provide a large opportunity for American invest-

ments. If loans are made on a productive basis, both the lending nation and the borrowing nations will benefit from the resulting industrial expansion. The United States will benefit from the stimulus which foreign loans and investments provide for exports, and from the returns which we will later receive on our foreign investments. Other countries will benefit from an increase in their productivity made possible by more rapid industrial development. At the same time, the resulting diversification of their economies will make them less sensitive to changes in the world demand for particular commodities. . . .

"Past experience provides no support for the view that industrialization of the rest of the world will destroy our export markets. We may expect, rather, that as the incomes of other countries are increased by development programs, our exports to these countries will likewise increase.

"As a means of relaxing restrictions upon trade throughout the world, the committee believes that an international conference should be called as soon as practicable, to establish a general policy of reducing barriers. The immediate establishment of such a policy would be of enormous assistance to businessmen both at home and abroad in making postwar plans. The conference should consider not only reduction of tariffs, but also such trade controls as import quotas, export subsidies, exchange controls, and other forms of State interference with the movement of goods between countries. . . ."

In order to determine to what extent these principles could be applied at this time, seven members of the Committee visited Europe this fall. The Committee, accompanied by the staff director, Dr. W. Y. Elliott, of Harvard, former Vice-Chairman of the War Production Board; and Mr. Farris, of the State Department, spent eight weeks in Europe and the Middle East. The principal countries were visited and conferences were held with our ambassadors and the staffs of the embassies, with the finance and production ministers of each country, and with businessmen. In some cases conferences were held with the heads of the governments, including Prime Minister Attlee and Generalissimo Stalin. The Committee held long discussions on the German economic situation with General Eisenhower, General Clay and members of their staffs. The Committee upon its return submitted a report on its findings to Congress. Copies of this report are available upon request.

I will attempt to summarize the conditions which we found and some of the conclusions at which the Committee arrived, with particular reference to the part which this country should play in the rehabilitation of Europe.

Immediate Problems in Europe

Due to the exhaustion and destruction resulting from the war, conditions are far from normal and there are many obstacles to the resumption of full economic life. There is a great lack of consumer goods in practically all countries in Europe. Millions of people in the liberated and occupied countries are inadequately housed, inadequately clothed and without sufficient fuel to face the winter. The financial structures are strained and there are inflationary trends in several countries. Black markets and barter are looked upon as normal conditions of trade, and so are barter between countries, bilateral trade, quotas, import restrictions, etc.

Transportation—The disruption of the whole transportation system in the liberated and the occupied countries is probably the most serious factor delaying re-

covery. The transportation system was functioning considerably below 50% of normal in the summer but the situation is improving. Even where there are adequate supplies of food in the farming areas of a country, lack of transportation prevents this food from being carried to the cities, with the result that the people in the large cities have inadequate rations. Coal production, while considerably below normal, is ahead of the possibility of transportation during the immediate future. This disruption applies not only to railroads but to waterways and coastal shipping. The highways are in better shape but there is a great shortage of motor transport.

Progress is being made in most countries in restoring damage to the railroads but there is a shortage of rolling stock.

Fuel and Raw Materials—Next to transportation, the shortage of coal and raw materials is the greatest obstacle to the resumption of industrial production. France, Belgium, Luxemburg and Holland are all dependent upon the Ruhr and the Saar areas for coal. German Silesia, which is now in Poland, and Czechoslovakia also furnish coal to other parts of Europe. The coal production in all these sections is far below normal, due to lack of manpower and to transportation difficulties. The coal production in England is also way short of the needs. Efforts are being made to increase the production in these countries but production is rising at a slow rate. It will probably be necessary to continue to send coal from this country this year to assist industry until their coal production can be increased further.

Until industry can be started, unemployment and the lack of production will impose many burdens on the financial structure of each country and increase the need for relief. Production of consumer goods, so badly needed to avoid inflation and to reduce the need for relief, depends upon the rapid availability of coal and basic raw materials, such as cotton, wool, minerals, and lumber.

Individual Countries—While this represents the situation in general in Europe, the conditions vary considerably, of course, in the different countries. In Greece, for instance, need for relief is great. UNRRA is doing a good job there and without it many thousands would die this winter. Inflation has already gone the whole way in Greece and a new currency established. It will be some time before conditions will be normal in that country.

In Italy relief is also necessary and there is an inflationary trend at present. Its industry, however, is about 80% intact and the indications are that, if the country could be assisted in obtaining raw materials, Italy could within a reasonable time resume production on a scale which would prevent the necessity for further relief. The procurement of a relatively limited amount of raw materials, such as coal and cotton, for example, would go far toward supplying the Italian population not only with the necessary imports but with means of payment by the laborers in Italy for the goods they need.

France is relatively better off than most of the other liberated countries. The food situation for the total of France is only about 15% below normal but, as in the other countries, there is insufficient food in the cities. There is great shortage of consumer goods in France; there is an active black market and prices are very high. Lack of fuel and raw materials are holding back the industrial recovery. With efforts now being made to increase production and with the assistance of loans which

have already been granted, it is expected that in a comparatively short time France will be well on the way to industrial recovery. Good progress has been made since we were there last fall; the devaluation of the franc last month being an important step. France has always been more nearly self-contained than most of the countries in Europe. It still has large holdings abroad of gold and investments.

Belgium has probably made greater progress toward recovery than any other country in Europe. Its industry was not badly damaged; the financial situation is sound and the Government officials are capable. Coal and transportation are the factors which are now holding back recovery. As soon as more coal can be obtained, its industry and foreign trade should be able to return rapidly to normal. Loans have been very helpful in bringing about this recovery.

Business has been very active in Sweden during the war. Its standard of living is the highest in Europe. The country has always been an important factor in foreign trade and its businessmen are now keenly interested in developing the postwar trade. The financial structure is sound and the governmental officials and businessmen very able.

The three countries which present the principal problems in the economic recovery of Europe are England, Russia, and Germany.

United Kingdom—The Committee met the principal ministers, including the Prime Minister, and were quite favorably impressed with the ability of these men and with their moderate views. The Labor Party includes not only workers but many other groups such as the salaried groups, college professors, and even businessmen. The Government leaders are very much concerned with the difficult problems which England faces in the postwar world. They probably will use different methods than we would use in this country, but we should realize that their economic conditions are quite different. Their standard of living is lower than ours and industry on the whole is not as efficient as it is in this country.

New machinery was not provided for industry during the war to the extent that it was in this country and large sums will be needed for new machinery and to modernize their industry. The housing situation is very critical. Over 3,000,000 houses were damaged during the war, 300,000 beyond repair; there has been no building whatever in six years.

It is well known that England before the war had an unfavorable balance of trade but this was met by income received from overseas investments, income for shipping, insurance, and other services. During the war she was forced to sell a substantial portion of her investments and she also incurred debts in the form of blocked Sterling to the extent of fourteen billion dollars. Her income from shipping and the other services also has been greatly reduced. Thus, even if her export-import trade showed no change from prewar, she would face a much greater deficit. In addition, she must purchase machinery and capital goods to rehabilitate and modernize her industry. They are, therefore, making a great effort to increase their exports by 50%-75% over prewar levels, to cut down on all imports except essentials and to hold down the consumption of goods at home.

This country is vitally interested in the Britain situation because in the past our trade with Great Britain has been greater than with any other nation. Anything which this country can do to facilitate recovery in England will lead to more trade between the

two countries and will promote world stability and recovery. This country could contribute toward the recovery of England and of world trade in general by advancing long-term loans to Great Britain, but as the Colmer Committee points out in its report there should be assurances given that steps would be taken by Britain to remove restrictions on trade within the Sterling areas, and to remove tariff preferences, quotas and exchange controls, and other restrictions against the flow of trade. This probably will involve a scaling down and refunding of long-term obligations of large Sterling debts which England now owes to many of the countries in the Sterling bloc.

Under the agreement recently negotiated in connection with the proposed loan, Great Britain agrees to most of these conditions.

Russia—As the Colmer Committee has stated in its report, there would seem to be real economic opportunity for extensive trade between the United States and Russia. The Committee was informed that Russia needs immediately and during the next few years a wide variety of goods produced in this country, such as locomotives, rolling stock, transportation equipment of all kinds, machine tools, construction equipment and many other types of capital goods. On the other hand, Russia can supply this country with minerals such as magnesium, chromium, asbestos, platinum, and timber and various wood products, furs and caviar.

There has been tremendous destruction in Russia and at least 40% of industrial capacity in Russia was at one time under German domination. The coal mines in the Don Basin were largely wrecked and the industrial area around Stalingrad was reduced to ruins. This destruction, together with the loss of millions of men and the effects of the scorched earth policy on their farm lands, have reduced the standard of living of the people considerably below the level, which was never high, of prewar Russia.

Rapid progress has been made in reconversion in Russia. The most authoritative estimates are contained in a recent article in the "Saturday Evening Post," by Edgar Snow. He states that 1945-46 agricultural production is estimated at 80% of the 1940 level, that coal production in the Don Basin has recovered to 50% of the prewar figure, and that of the country as a whole is about equal to 1940; steel production this year is estimated at 80% of the prewar level.

The Committee points out in its report that whether the possibility of expansion of trade with Russia can be realized for the benefit of both countries depends not only on the possibility of Russia obtaining productive loans from the United States but upon the full cooperation of the two countries in working out the conditions for repayment of loans and working together on equal terms. The Committee thought that the granting of loans should be dependent upon the clarification of the several points: (1) the full and frank disclosure of Russian production statistics and an opportunity to scrutinize the facts upon which they are based, and of the proportion of Russian production will continue to be devoted to armament; (2) the disclosure of terms of the trade treaties made with eastern European countries under their control; (3) opportunity for businessmen and journalists to travel more freely within Russia and right of entry of planes into Russia; (4) the protection of American property rights and the right to distribute papers, books, etc., in the countries in Eastern Europe under its control. Another factor which must be considered is how much gold this country

would be willing to take in payment of loans.

Reconstruction in Germany—To quote from the Colmer Committee report:

"The reconstruction of Germany is basic to the recovery of other European countries and through it, world recovery. . . . The Committee was in full agreement that the destruction of Germany as a war-making country had been achieved from what it saw of the unbelievable ruin created in the German cities and centers of production."

The committee was informed that all the major cities in Germany had been largely destroyed and there are only two cities which escaped with less than 50% destruction of housing. The conditions in most of the cities are very bad, especially in respect to food and housing. Production is only about 15% of normal and progress toward improvement is very slow.

While a considerable part of the machinery in Germany was not completely destroyed, steps are being taken to remove the war-making industries. As long as the control of Germany continues and the destruction of the war-making industries is thoroughly carried out, as is now being done, there is no possibility of Germany's becoming a danger to the peace of the world. Everyone is agreed that this control should be continued. The Committee pointed out that the only foreseeable danger that Germany presents is that she might become a source of infection for the health and economic and social life of all Europe if the cities in Germany are not maintained on a minimum basis of health for the population.

I would like to quote from the Committee's report its conclusion regarding Germany:

"In the judgment of the Committee, a complete stopping of Germany's productive capacity in any zone will impose a severe burden upon the rest of Germany to maintain sufficient production of a peacetime character to prevent widespread disease and unrest in Germany and, as a consequence, in the rest of Europe. The Allied Nations have undertaken the responsibility to prevent serious unrest in their occupied zones. Failure in any respect to meet this responsibility increases and prolongs the necessity for large numbers of American occupying forces beyond normal needs.

"The Committee is convinced that to strip Germany of the factories necessary for the ordinary industries of Germany would be to impose a burden of relief on the western powers principally the United States, if widespread starvation and dangerous conditions to the public health are to be avoided in all Europe.

"Germany before the war was the most important industrial country of Europe and the largest importer as well as exporter on the Continent. The industries of countries surrounding Germany depended in large measure on Germany for parts, machine tools, and components, as well as on her coal, potash and other fertilizers. To destroy these basic German industries would be to immobilize many other industries dependent upon them.

"The simplest analysis shows the dependence of the industries of all the other countries surrounding Germany upon German raw materials and German manufactures. To go beyond the limits of destroying the war-making power of Germany is to depress the whole standard of living of Europe and, through it, of world recovery. It follows, of course, that our own foreign trade with Europe would suffer in proportion."

The Committee quoted General Eisenhower as saying: "We want a lean Germany but not a hungry Germany. A hungry people is a dangerous people."

Thus the picture in Europe is

not a very bright one. Progress, however, is being made toward recovery in most countries. Assistance in the form of relief and productive loans are needed from the United States. There is no question about the need for relief in the liberated areas and other countries, such as Italy and Austria for which UNRRA is responsible for relief, until industry can be revived and food and clothing becomes available. Much of the surplus property which we now have in Europe is being used for relief purposes, as part of this country's contribution to UNRRA.

Loans—While recognizing the need for immediate relief, the Colmer Committee points out further that the need can be better met by productive loans to enable the countries to begin to manufacture and to exchange the goods needed to support their own populations. As long as the resumption of industry is held back, the need for relief continues because there is no purchasing power placed in the hands of individuals and no means for satisfying the needs of those individuals with consumer goods. The spiral of inflation which this scarcity economy sets in leads to the need for continued relief. The problem of setting up sound banking institutions under these conditions presents grave difficulties. The essential, however, is to resume production of consumer goods and goods for export. Under these conditions the Committee feels that productive loans could be justified to break bottlenecks through the financing of raw-material purchases, transportation equipment, and fuel.

Such loans have already been granted by the Export-Import Bank and others are being considered. These should be of considerable assistance.

Private loans by banks or two or three year credits by business concerns would be justified in some cases. Perhaps some of the Export-Import Bank loans could be made on a participating basis with commercial banks.

There will also be need for longer-term loans to assist the general reconstruction and recovery. As far as governmental loans are concerned—and these will be the predominant type for the first few years—the Committee feels that they should be conditioned upon the willingness of the countries to reduce trade barriers and restrictions. Later many of these loans will be made by the International Bank to be set up under the Bretton Woods agreement. As soon as international affairs become more stable, private lending should again become an important factor.

Many people raise the question as to how these loans are to be repaid. In the long run they must be paid by increased imports into this country, by increased services performed by other countries, or by gold. The principal item, of course, must be imports. It should be realized, however that if we obtain the higher level of production and employment at which we are aiming in this country or maintain the level already achieved, there automatically will be a considerable increase in imports. It must be realized also that if this country is to maintain its position as the leading creditor nation, the total amount of our investments abroad will probably increase, as it did in England during the century before the war. While individual loans will be repaid, the total outstanding probably will increase. Thus we will be concerned only with the payment of carrying charges on the loans. As this will be a gradual increase, the difficulty of accepting imports is not as great as many people assume.

Conclusion

Productive loans (and I want to stress *productive*) made on a sound, cooperative basis will

Scrap the Present Crazy-Quilt Stabilization

(Continued from page 1688)
regain the road to postwar recovery with the least possible delay.

Danger of Regimented Economy

The big danger we face is the establishment of a permanent economy in our country regulated and regimented from beginning to end by the Federal Government. That is a step toward totalitarianism. When freedom of enterprise for labor and for business is wiped out by Government, every other freedom enjoyed by the people stands in jeopardy.

Let us concede that the growth of Government encroachment upon the economic freedom of our people began with the war. That was inevitable. But it did not end with the war. That could have been avoided—and it must be stopped!

I am convinced that President Truman approached the nation's postwar problems in the right spirit and with every determination to restore a normal economy as promptly as the necessary changes could be safely effected. He told me so I believed him and I still believe in his sincerity. But the tragic truth is that he received and listened to the wrong advice.

Consider what happened in the field of labor-management relations. When the trade union movement sought to cushion the shock of reconversion after V-J Day by negotiating increases in wage rates for the nation's workers to make up for the loss in take-home pay due to reduction of working hours and elimination of overtime, the President summoned a Labor-Management Conference in Washington to recommend methods by which such programs could be settled peacefully and without undue delay.

The conference deliberated several weeks and arrived at certain constructive conclusions. Its two major recommendations were:

1. That collective bargaining should be universally adopted as the only practical method of settling labor-management disputes in a satisfactory way.

2. That when collective bargaining failed to bring about agreement, labor and management should be willing to submit issues left in dispute to voluntary arbitration.

This expression of the Management-Labor Conference reflects the economic philosophy originated, advocated and practiced by the American Federation of Labor. It emphasizes freedom of action on the part of free working men and women who have organized themselves into free, democratic unions. Its chief objective is the elimination of compulsory arbitration and of Government intervention or domination in collective bargaining and wage standards. These findings fail to satisfy certain elements who not only favor, but rely upon, Government intervention in the fixing of wage standards. They seem to fail to grasp the fact that if Government can give, it can also take away.

Labor has fought from the beginning for the enjoyment of the right to organize into free, democratic unions and to bargain collectively on equal terms with employers. It cannot afford to com-

greatly facilitate the resumption of production and trade in Europe so that further relief will not be necessary. At the same time, these loans can go far toward removing the barriers which now exist against trade, and thus assist in the expansion of foreign trade. Not only would this country benefit economically from an expansion of foreign trade, but the removal of trade barriers and the expansion of trade between countries will contribute greatly toward a stable and enduring peace.

promise upon these fundamental principles. Through its steadfast devotion to this line of procedure, organized labor has established itself as a vital force in the economic and industrial life of the nation. It has mobilized its economic strength and through the exercise of its power, strength and influence has served to promote the economic and social welfare of the working men and women of our country.

We cannot accept a regimented economic philosophy formulated and imposed upon the workers by the Government. Instead, we insist and demand that labor shall be accorded the right to form its own unions, to consolidate and utilize its resources and its economic strength in conformity with democratic principles and procedure. Freedom and liberty are just as essential to the welfare of the workers as the Four Freedoms are to all the people of our own country and all others throughout the world.

President Listened to Incompetent Advisers

It is universally recognized that President Truman has been under severe pressure. However, he could have insisted that all labor disputes be settled by collective bargaining and voluntary arbitration without Government intervention. Instead, he listened to incompetent advisers who concocted a magic formula for him—another "easy" way out. This formula called for the settlement of labor-management disputes by Government fact-finding boards and for the imposition of compulsory cooling-off periods. The American Federation of Labor promptly announced its opposition to any such invasion of labor's fundamental right to strike and the inauguration of compulsory arbitration by Government—which is what the fact-finding procedure amounted to. Industry rebelled against inspection of its books and investigation of its profits by fact-finding boards. Without waiting for specific Congressional authorization, the President appointed a few experimental fact-finding boards and their utter failure in practice persuaded Congress to reject the President's recommendation for the enactment of Fact-Finding Board legislation.

Because of these upsetting developments, the President and his advisers erroneously decided to re-establish war emergency control over wages and collective bargaining. This, in my opinion, was a grave mistake. Following the lifting of war emergency restrictions upon collective bargaining after V-J Day, the representatives of millions of workers made definite progress in the settlement of wage scales and wage standards through genuine unrestricted collective bargaining. This progress was abruptly terminated as a result of the announcement of a new stabilization policy on the part of the Government.

The New Stabilization Policy

Under the new stabilization policy, a formula for wages has been set up similar in principle to the "Little Steel" formula and Government agencies must pass upon wage agreements before they can be applied and accepted. Workers still remember how they resented the restrictions placed upon collective bargaining and those who participated in collective bargaining through the establishment, maintenance and application of the "Little Steel" formula. They protest against the application of the principle of a wage formula particularly now when the war emergency period has passed. The new stabilization policy places labor in an inescapable Government straitjacket by requiring prior approval from the Wage Stabilization Board of any wage increase which will be used by an employer as a basis

for application for higher price ceilings.

It was indeed unfortunate that certain influences caused the Administration to barter and bargain at the expense of the consuming public, including the wage earners, at a critical period in the economic life of the nation. The net result of it all is to subject millions of wage earners to the danger of inflation. Increases in wages mean nothing to wage earners if prices are to soar and the cost of living constantly mount. History records that prices increase more rapidly than wages. Such a policy is economically unsound. It is inflationary in principle and wage earners pay more heavily than any other class of people when uncontrolled inflation prevails.

Upholds a Free Economy

I am confident that time and experience will prove the soundness and validity of a free economy as compared with a controlled, regimented economy. The stabilization policy originated by the Administration and inaugurated by Government decree does not square with the American way of life. It is in contradiction to the basic principles upon which our democratic form of government rests. We must unite in defense of the principles of freedom, liberty and democracy and in the preservation of a free economy, free democratic unions, freedom to bargain collectively without Government interference or domination, and freedom to exercise those inherent rights conferred upon us by the Constitution of the United States. We realize that all these rights will be impaired if not destroyed if the nation becomes permanently subjected to a regimented economy.

At the moment neither labor nor industry know where they stand nor where they are heading in the future. Employers are afraid to make commitments for fear of disaster. Production is stalled. Reactionary elements in Congress are taking advantage of the opportunity to attempt to wreck the entire system of price control. Powerful inflation lobbies are aiding and abetting this move. In addition, they are backing Congressional attempts to enact the worst anti-labor legislation ever proposed in Washington.

How can these dangerous trends be halted? How can we restore sane and sensible conditions which will be clear to all and encouraging to all?

I propose, first, that the present crazy-quilt stabilization program be scrapped and that the President invite representatives of labor, industry and agriculture to confer with him on the drafting of an entirely new one which will be fair and just to the entire nation.

Secondly, I recommend that this new policy be adopted for the duration of not more than one year, with the unequivocal commitment that at the expiration of that time all Government controls on wages and prices be dropped.

Finally, I urge with all the emphasis at my command that the Government eliminate itself from the sphere of labor-management relations except for offering a strengthened Conciliation Service to both parties and allow labor and industry to work out their problems through the proper methods of collective bargaining and voluntary arbitration.

In my opinion, even our great country cannot indefinitely sustain the strain of living from one emergency to the next without relief. We must set ourselves a reasonable deadline to get back to a normal basis and meet that deadline. The American Federation of Labor will do its utmost to help achieve that goal in the interests of preserving the American way of life for the American people.

Trade Conditions in Great Britain

(Continued from page 1687)

problems those encountered in the United States, but with a difference of degree, most of which may be attributed to the fact that British industry converted more completely to war-time operations than was the case in the United States. The American war production, it must be remembered, was in effect super-imposed on the economy, and to a large extent it represented new facilities organized for the purpose, while production of consumer goods was maintained at practically normal levels. In Britain the war effort was maintained at the cost of reducing consumption, to the extent of about one-third, production facilities for consumer goods were robbed of factory space, of machines, or manpower. To get them back into production is thus a more serious task than that which we are facing in this country today.

Manpower is a field in which British industry encounters particularly serious difficulties in reorganizing for peace. The British nation was mobilized for war to a maximum, to a greater extent than any other belligerent, with nearly 12% of its population mustered in the Armed Forces, with every able-bodied man and woman directed to some essential occupation. With the youth of the nation in uniform for the most part, recruiting of young workers for industry practically ceased, and output was maintained by compelling workers to remain on the job and by recruiting temporary war-time labor. With the end of the war the temporary and the superannuated workers have left the factories, and there is a five-year gap in the recruiting of replacements which leaves the factories shorthanded even by war-time standards. Demobilization is under way, of course, although at a slower pace than in the United States, but the release of men from military service does not immediately solve the problem of manpower in industry. Some go back to their old jobs, but that five-year gap in recruitment prevents the younger age-groups from sorting themselves out automatically into occupations for which they are trained. In general, also, the British population is clearly tired by the strain of a long war, many workers want a rest before anything else, and to some extent and for considerable periods they won't work at all. That is a phase, of course, and it won't persist for long, but it is nevertheless an immediate factor.

The net result of all these factors is that in some key industries the recruitment of labor through demobilization has barely kept pace with losses from superannuation or other causes, especially in industries where wage and working conditions are not particularly attractive. Productivity has thus been limited by shortage of manpower, more than anything else, and in many industries it is even now below war-time levels rather than showing signs of recovery. At a time when there is a vast pent-up demand among the people of Britain for the bare essentials of a decent standard of living this limitation of productivity, this tardy rate of reconversion to full peace-time output, is a serious matter.

Another reconversion problem confronting British industry is the rehabilitation of the country's capital equipment—the restoration to full efficiency of the constructions and the machines worn out by years of maximum production with maintenance reduced to a minimum by the pressures of urgent war production. Obsolescence is a part of this, also, since there was no time during the war years to keep equipment full-

ly modernized, and there is a gap of five years or so to fill in this respect. This means that heavy investment in new and better equipment will be required of many British industries if they are to produce efficiently in the future. More important from the British view is the time which will be required to produce, to install and to organize such equipment, in a period when speedy recovery of industrial production is vital.

Taking into account these and other factors in the situation, most observers agree that reconversion in British industry is proceeding at a slower pace and is relatively handicapped as compared with that of the United States. Nevertheless the problem is being attacked with vigor by Government and by industry, and as yet it has not been hampered by any serious outbreak of labor strife.

Foreign Trade

Reconversion is of vital importance to Great Britain, not only to relieve the immediate distress of the population, but also to restore a foreign trade position essential to British economic health. So much has been written and said on this subject that I hesitate to repeat it, but it is essential to a comprehension of the British problem to realize that Britain must export to live. The country has no natural resources of importance other than coal and salt, which are basic to her steel and chemical industries, the great bulk of raw materials required for British factories must be imported, and a large fraction of the food required to support existence also comes from abroad. In the past these imports have been paid for in part by the returns from investments, in part by the sale of such British services as banking, insurance, shipping, in part by the export of the products of British labor applied to imported raw materials.

At the present time all of these resources are deficient. Disinvestment abroad during the war was heavy, returns from British services await a revival of world trade, and British exports currently represent a figure barely half that of 1938. It is generally agreed, taking into account war-time losses of foreign investments and other factors, that the minimum target for the development of British exports in the post-war period, if Britain is to pay for her necessary imports, must be an increase of 75% in value over their 1938 level. There is no immediate prospect of attaining this, of course, with reconversion proceeding slowly, with domestic consumption requirements demanding a share in production.

British manufacturers have no lack of orders abroad for their products, and in many cases the order books assure maximum operations for two or three years ahead, just as they do in this country. Pent-up world demand for industrial production has now reached unprecedented heights; it is no problem to sell goods, the problem is to produce them.

Against this background it is current British commercial policy to give the export trade the green light in every situation where there is a choice. The export industries are favored in the allocation of raw materials, in the assignment of factory space, in the direction of labor. For many industries the Board of Trade even specifies the percentage of output which must be exported, enforcing that requirement by the control over raw materials. Goods are also forced into export by the maintenance of high purchase taxes to discourage domestic consumption. This policy means that the British public will have to go without many things for a long period to come, and is still con-

demned to relative austerity until the balance of payments problem is relieved materially.

Balance of Payments

The aftermath of war leaves Britain with one serious balance of payments problem in the form of some \$12 billion in blocked sterling obligations to other countries, arising from the most part from British expenditures in India, Egypt and other countries where military operations were conducted or war-time supplies purchased. To some extent these are balances which normally need never be redeemed, to some extent they may be funded, and I would hate to guess what proportion will eventually have to be cleared. The fact remains, however, that it is a very large sum, which Britain literally cannot repay except by exports of goods and services to debtor countries. Some American observers view this situation with alarm, suggesting that it gives Britain an overwhelming commercial advantage in countries anxious to clear their blocked balances, as a result of which they may force their nationals to buy British. From the British viewpoint, however, these balances are more of an embarrassment than anything else, since exports to liquidate them will yield Britain nothing in the way of free exchange with which to purchase her own requirements on the world market. To whatever extent she can do so, therefore, Britain will surely endeavor to relieve herself of a good part of this burden by other means than exports.

Another serious balance of payments problem is the perennial one of dollar shortages abroad, about which much has been written in recent years. In order to maintain her economy Britain must acquire dollars by one means or another, since she must purchase in the United States and Canada such indispensable as cotton, tobacco, steel, lumber products, the machinery with which to rehabilitate her industry, the food to support her population. It is not the normal pattern for Britain to acquire dollars simply and directly by exports to the United States and Canada, since such trade is necessarily adverse, there being no sufficient volume of British goods able to compete on the American market. The only means by which Britain can acquire sufficient dollars for her needs, therefore, is through the mechanisms of multilateral trade, whereby free exchange will flow to her from countries which sell to the United States. It is to the British interest, therefore, to work toward the freest possible multilateral trade, toward reduction of trade barriers, and toward full employment throughout the world. In this matter British interests and American commercial policy see eye to eye.

Pending realization of this, however, and it seems to be some distance away, Britain must do everything possible to conserve her scanty dollar resources. There is practically no reserve of such exchange available to the Bank of England, since British dollar resources are calculated at barely \$2 billion, which can be regarded as only a working balance with which to maintain sterling-dollar convertibility—it is only about half the figure once regarded as prudent. Until more dollars flow in through a rising volume of world trade, therefore, we must expect Britain to continue her war-time policies of restricting imports which have to be paid for in dollars, limiting them to items which are essential to the maintenance of the British economy. At present that definition of what is essential barely extends beyond basic foodstuffs, necessary

raw materials, and important items of capital equipment. There is no place in the British economy at present for imports of consumer goods, no matter how much the population of the British Isles would welcome a large volume of such goods.

The recently negotiated credit to Britain of \$3.75 billion, now under consideration by Congress, was calculated carefully to represent the probable deficit of the British balance of payments in dollars over the next few years of transition, taking into account British requirements for essential imports and probable rate of improvement in British exports and dollar earnings. This does not mean that \$3.75 billion will immediately become available for British expenditures in the United States. Those expenditures will be spread over a period of years, they will be carefully husbanded in any case. No immediate change in the prospects for imports of American goods into the United Kingdom can be anticipated, therefore. The import restrictions will necessarily continue, and they will continue to limit imports to essentials. As time goes on, however, and as British exports recover, we can expect the definition of essential to broaden somewhat, so that expansion of American exports to Britain will develop with and be conditioned by the expansion of British exports to the world at large.

At the same time the financial agreement is tied with a commercial agreement which promises some relaxation in the war-time restrictions on American trade with Great Britain and other sterling countries. It is one feature of the agreement that as soon as it becomes effective the British Treasury will guarantee payment in dollars for any American goods or services imported into the United Kingdom. One year thereafter, the British Government undertakes, all discriminatory features of the import restriction system will be eliminated. At that time, also the Treasury undertakes to make sterling fully convertible into dollars in connection with any current transactions with third countries. The "current" aspect of this must be emphasized, since it is provided in the agreement that none of the funds advanced to Britain shall be utilized in clearing up sterling blocked balances.

All of which means that immediately, almost, American exports to Great Britain will be freed of all exchange restrictions, although of course still subject to import licensing. It means that in a year from now American exports to third countries—to India, for example—will be paid for freely in dollars. It also means that a year from now American exports, within the framework of any important restrictions in force, will have equal opportunities with those of other countries—in the fruit trade, for example, now restricted entirely to purchases from sterling countries. Total imports of fruits may still be limited, but in whatever imports are permitted the United States will share.

The picture I have drawn so far is in general a grim one, although it contains germs of hope for the future. One can have confidence, also, that the British people will soon buckle down seriously to their task of rebuilding a country devastated by war, given a brief period in which to recover from the first shock of peace. Basically they are a hard-working people, British labor is capable and industrious, and I for one am confident that they will in time work themselves out of their present difficulties.

Anglo-American Trade

For the moment, however, there are definite limitations to

the possibilities for doing American business in Great Britain, just as there have been such limitations throughout most of the war period. These limitations vary according to the type of business, however.

In the field of consumer goods, particularly goods in such categories as luxury products, gadgets, minor labor-saving devices, fancy foodstuffs and the like I should expect the British definition of essentiality to exclude them from the market almost entirely for a fairly long period, running into years. This has one qualification, however, in that there may be earlier relaxation than otherwise in the absolute prohibition against imports of established branded goods and of goods which have enjoyed a traditional market in the United Kingdom. Limitations on volume will very likely be maintained, but it is quite possible that token imports, in a quantity sufficient to preserve an established interest in the British market, will be permitted under some appropriate system of control.

More liberal treatment under the import restrictions may be expected for any types of consumer goods regarded by the British authorities as essential to their economy. These might include items in short supply in the United Kingdom, or not produced in that country, which are defined as essential to the well-being or even perhaps to the morale of the population. For a time the British Government might feel justified in continuing public purchase of some basic foodstuffs, thus keeping them out of the area of free trade, but for most of the raw materials of which Britain is such a heavy buyer Government purchasing has already been discontinued, or soon will be. In a very short time, therefore, it can be anticipated with confidence that trade in most of the consumer goods of an essential nature will be permitted with a reasonable degree of freedom.

Another relatively free trade area should soon develop in the field of goods for production, such as tools, machinery, or any type of equipment which may contribute to British productivity. In some of these Britain is practically self-sufficient, but in others the United States definitely has something to contribute. Particularly in the field of machinery for industry an important volume of trade should develop in the near future, as soon as our financial arrangements are straightened out. Some types of American machinery command a share of the British market already, simply because no equipment anywhere can compete with it—winding machines for rayon yarns, for example, knitting machines for fine hosiery, automatic looms of certain types, some specialized machine tools, specialized steelmaking equipment, and so on down a long list. Some American machinery will be bought in the years to come, even though theoretically it could be built in the United Kingdom itself, because of the time element in reconversion. British factories in urgent need of rehabilitation and modernization cannot wait, in order to get into full production, until British machine builders can supply their needs.

Some American manufacturers, impatient to secure a share in the British market and fearful lest restrictions prevent them indefinitely from doing business in the sterling area, have been investigating the possibility of manufacturing in Great Britain. In general such projects are not feasible if they involve the construction of new factory space, since building, labor and materials are at a premium in Great Britain, even more than they are here, and licenses for new construction are rarely granted.

Anglo-American Friction and Cooperation

(Continued from page 1690)
warned me so solemnly about you, that they have got you wrong; and that, if they do not believe me, they had better come here and see for themselves. I am sure that, if they come once they will want to come again.

The more your people and ours can exchange visits, the better. For the thing that will stand out most clear in my mind as I leave Washington is the necessity for our two countries to get to know each other better and to work together. During these years we have had a good deal of practice in collaboration. There was the period before Pearl Harbor; the period after the United States came into the war; and the period we are in now, when victory has been won, and we are trying to deal with every kind of problem of peace. And although in each of those periods our relationship has been on a rather different footing, we have felt the necessity for it all the time, and every day makes the necessity more clear. If we can set an example of real cooperation, it is going to mean much for the future of the world.

Anglo-American Cooperation Still Urgent

During the war this was obvious and our cooperation was conspicuous. Today, the need is perhaps less obvious but is just as urgent. So complete a victory as we have won brings its reactions, and so great an upheaval is bound to leave a great deal of confusion, which it is not going to be at all easy to get straight. And it follows from this that, when things go wrong and return to normal life is delayed, we get impatient and may be sometimes become critical of one another. Now that in my view is dangerous and is a luxury that in these times we can't afford. Of course people who don't wish to see our peoples working together in peace as in war, won't agree with that; but if, as I hope, you who are here today do wish to see that possible, you can do a great deal to help. I do not mean that you and we are always going to agree on every

However, the Board of Trade controls a considerable volume of existing factory space, now released from war production, and it is available for approved enterprises. Approval in that connection depends on a number of factors, but in general it may be said that the Board of Trade will release space to any enterprise which promises to contribute to general employment in the country, to supply products needed by the population, and especially products which may be exported. It will not release space to enterprises which simply propose to build increased competition for existing facilities if they are adequate to meet the country's needs. The Treasury does not discourage American investment in new enterprises, and it will undertake to transfer freely the profits of such organizations, but it will not commit itself to re-transfer the capital on demand.

A variant of the American interest in manufacturing in Great Britain has also developed recently with a number of arrangements between American and British firms for sharing in the development of production. The American firms in such instances are interested in developing broader markets for their products, and it is of value to them to work with firms which own factory space and have organized labor forces. British firms are interested in importing American "know how," and particularly the techniques of mass production, for which the world has acquired a healthy respect based on the war production record of the United States.

question that comes up. It would be a very dull world if we did. During my time in the United States I have not always seen eye to eye with representatives of your Government on all matters. If I had there would have been something wrong with them or something wrong with me. But when we have differed, it has always, I think, been with a mutual respect for the other's position; and we have usually found that by frank discussion we could arrive at something acceptable to both our countries.

Something very like that applies right through our relationship, to the Administrators, the Legislators, the press, the radio, right down to the ordinary man who is living in Chicago or Milwaukee or Detroit; and to their opposite numbers on the other side of the Atlantic. They can all help or they can all hinder; and the help can be as valuable to us both as the hindrance can be mischievous. The man with the muckrake either here or in Great Britain may serve a useful purpose in his own sphere, but neither you nor we can afford to have him plying his implement on the field of Anglo-American relations.

So I would like today to talk to you quite freely about a few of the questions which have been coming up between us and could, if not handled in a spirit of understanding and co-operation, put sand in the wheels of our common action.

The British Empire

Let me start with the British Commonwealth and Empire. A lot of people in this country do not like it. They don't like the idea; they don't like the name; they don't like anything about it. But it has often seemed to me that what they really dislike is not the British Empire as it is today, but as it was a hundred and fifty years ago. Well, George III died a long time ago and since then a lot of changes have taken place. Your predecessors taught us a very valuable lesson, which we have never forgotten, and which prevents us today from being at all ashamed of the Empire, or of its record in peace and war. Take the Dominions. They are completely independent and sovereign countries, as independent as you are. Each was free, by vote of its own Parliament, to enter the war or stay out of it. One of them, Eire, did stay out. And each can, if it wishes, by the same process, leave the British Commonwealth tomorrow. We can no more dictate to them on any subject under the sun than we can dictate to you.

Then there are the Colonies. As we all know, there are peoples whose political development has not yet brought them to full self-government. This fact is formally recognized in Article 73 of the Charter of the United Nations, which provides for the trusteeship of such peoples, and we took considerable part at San Francisco in working for the inclusion of that Article in the Charter. But it was not a new idea to us. It reflected the relationship that exists, and has long existed, between Britain and the Colonies. We regard ourselves as trustees; or, if you like, senior partners in the firm: our Treasury does not draw a cent of revenue from them; and our continuing purpose is to build up their political and economic strength, so that they can come to full stature as member of the Commonwealth. Hardly a year passes without the adoption of a new constitution for some colony or other. One year it is Ceylon; last year it was Jamaica; at the moment it is Burma whose constitution has come up for revision; and so the forward march goes on.

India

Then there is India, where I had the privilege to serve as Viceroy, and in which a great many people here are profoundly interested. I have sometimes heard it suggested that the great obstacle to Indian self-government is that the British will not get out of the country and leave the Indians to settle their own affairs. But that is not the real trouble. The whole direction of British policy during the last forty years has been the other way; and the offer which Sir Stafford Cripps took with him to India in 1942 was simply the top rung of a long ladder, each step in which was an advance towards self-government. That offer gave Indians the right, after the war, to choose their own form of Government; and when they were agreed about that, to stay in or go out of the British Commonwealth as they pleased. At the time the offer was turned down; not, I think, because of anything the British did or did not do, but because the great Indian parties, and particularly the Hindus, who form the majority of the population, and the Moslems, who number about 90,000,000 people, were unable to agree. I know it is said that we encourage their differences, but that is simply not true. And rather over a year ago, when Mr. Gandhi, as spokesman for the Hindus, had a series of meetings with Mr. Jinnah, the leader of the Moslems, without any interference from us they entirely failed to come to an agreement. The Cripps offer still stands; and it might be said that the position in India today is not unlike the position here during the period between the end of the Revolution and the coming of Federal Union. The Indian provinces, in which popular elections are now being held, have roughly the same powers as your states. All the matters that would here be handled by the States, are by the present Indian Constitution within the power of Indian Ministers, elected by Indians, and responsible to an Indian Legislature. What is still lacking in India now is what was lacking here after the Revolutionary War—a popularly elected Federal authority. A lot of people said that you would never get it in this country, but they were wrong and you got it in 1788. India's difficulties are formidable, just as yours were, perhaps more formidable than yours were; but there are no grounds for assuming that she must fail, where you so happily succeeded. For this, patience and good will are needed—and above all a clear sense that in the last resort the fate of India lies in the hands of Indians themselves and in their capacity to compose their differences. [Editor's Note: Full independence to India, either in or outside of the British Empire, was offered by British Prime Minister Attlee under date of March 15.]

British Mandates

Finally, there are what are known as mandated territories, which are not part of the Empire at all, but are held under mandate from the old League of Nations. One such mandate, you remember, was for Iraq, that we established several years ago as an independent State. The others, with two exceptions, we have already made clear that we are ready to hand over to the United Nations Organization. Of these two exceptions one was Trans-Jordan; which is now in our opinion ripe for full self-government, and will shortly become completely independent; the other is Palestine, at present the subject of an enquiry by an Anglo-American Commission.

So much has been said about our handling of this mandate that I would like to recall to you certain points about it. It began, of course, with what is known as

the Balfour Declaration of 1917 and I am going to read to you the actual words:

"His Majesty's Government views with favour the establishment in Palestine of a national home for the Jewish people and will use their best endeavours to facilitate the achievement of this object; it being clearly understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine."

That was the pledge we gave, a promise to the Jews, but also a promise to the Arabs, who form the majority of the population. And unless we are to deny everything that we have all proclaimed about people having a say in their own future, and unless we are to take the risk of a bloody civil war, which would help neither Jew nor Arab, we simply cannot ignore the feelings of the Arabs of Palestine or of the millions of the same race and sympathy right through the Middle and further Middle East. The problem will never be solved by force. It can only be solved through the readiness of Jews and Arabs to live peaceably side by side in the same country. Now we await the findings of the Commission appointed by your President and our Prime Minister; and you will no doubt have observed Mr. Bevin's statement in his speech of Nov. 13th in the House of Commons that when the Commission has reported, the future of Palestine shall be decided by the United Nations Organization.

Indonesia

Let me take another example—Indonesia. A lot of people, both here and in Britain, have been greatly disturbed by the fighting in Java, and have been asking what British troops are doing in a Dutch colony. That can be very simply answered; the troops are there on the instructions of the Combined Chiefs of Staff, an Anglo-American body. They assigned this job to us, but they might quite well have assigned it to you; and if they had, you and not we would be having the headache. The troops are there for three purposes, and three purposes only—to disarm the Japanese, to take over their equipment, and to liberate the Allied prisoners of war and civilian internees who are scattered in camps about the island. Of these there were, I believe, nearly a quarter of a million; many of them women and children; some of them have already been murdered; and the rescue of the remainder is a big job for the small force which is all we were able to send to Java. We are only concerned with political questions between the Dutch and Indonesians so far as they affect law and order and so make it difficult for our troops to carry out the purposes assigned to them.

Indonesia has been the subject of a recent debate in the Security Council of the United Nations Organization. So has Greece, the suggestion being made that for purposes of our own we have been interfering in Greek politics. Mr. Bevin dealt pretty plainly and conclusively with this charge in his speech before the Council the other day; but it is worth noting that during the past few months criticism has come from two quarters—from the Right that we have been favoring the Left, and from the Left that we have been favoring the Right. When that happens it is a reasonable inference that the scales have been held pretty evenly between the two extremes. We went to Greece by agreement with all the Greek parties, including the Communists, to liberate the country from the Nazis. We are there now because the political and economic life of the country was so utterly ruined and disorganized that someone has had

to hold the ring until the Greeks are fairly on their feet. We have no desire to dictate the future of Greece. Our only object has been to ensure free and fair elections at the earliest possible date, so as to enable the Greeks to settle their future for themselves. For this reason you and we are sending observers to supervise the elections, and I was glad to see that among the Americans is your friend and mine, Bill Waymack of Des Moines, as trustworthy and impartial a witness as anyone could wish to find. [Editor's Note: Greek elections are scheduled to be held on March 31.]

The Loan to Britain

Then there is the question of the loan to Britain. I know there is a considerable difference between the American and British attitudes about it, and that this difference is reflected in the kind of criticisms we are hearing on both sides of the Atlantic. Our feeling in Britain was that with us the war had lasted for nearly six years—two years and three months longer than it lasted for you—and that part of the time we were carrying its full burdens alone. In order to get the equipment and food we needed we cut down our exports to bare essentials and liquidated most of our overseas assets. We mobilized our population on a greater scale than any other Ally and, as the price of keeping the sea lines open, we ended the war with 6,000,000 tons of shipping less than we had when we began. Now this is not just a hard luck story. Before the war the United Kingdom was the greatest importing country and trading center in the world; it took about one-fifth of all the goods exported by all countries; you sent us more than you sent to anyone else; and if economic victory over the difficulties left by the war is as necessary to the peace and prosperity of all peoples as was military victory in the war, the quicker the United Kingdom recovers, the sooner that economic victory is likely to be won.

Most of the talk has been about the Loan and its conditions and rate of interest; and some people seem to miss the point that what you would really be lending is not dollars, but a credit to buy American goods. Every cent of the credit would directly or indirectly be used in that way and could not be used in any other way.

But really the Loan, though essential, is only a minor part of the proposed arrangement. What in fact we are trying to settle is the whole economic pattern of the future. Before the war the dollar and the pound between them covered more than half of the world's trade. After the war their share may be even higher; and for this reason the prosperity of the world will depend very largely upon the free interchange at a stable rate of these two great currencies. If we do not get that, if these two currencies, instead of marching forward together, retire into separate camps, it is not difficult to see what is likely to happen. The camps will become concentration camps; no one will be able to get into them or out of them without difficulty. There will be high barbed wire fences, and callers will not be encouraged. A man, or a nation for that matter, will be able to do business in one camp or in the other; but he will find it far from easy to do business in both. Now that sort of thing is not going to be much good to anyone; not to us, for whom a large export trade is more than ever the staff of life; not to you, who, when you have satisfied the immediate consumption needs of your own people, will be looking for markets overseas; not to the countries who want to trade with us both; and above all, not to the cause of world peace, which is so closely wrapped up with the economic

(Continued on page 1706)

Anglo-Amer. Friction and Cooperation

(Continued from page 1705)
well-being of us all. Therefore we have turned to the other policy, believing that the freer and easier we can make the exchange of goods, the more trade is likely to expand and the greater will be the prospect of a mounting demand to match the mounting supply, that modern industrial methods make it possible to provide.

It is of course for you to judge how important all this is to you. In the last resort it is the interest of America that matters to Americans. No one in Britain has any wish to see you act contrary to those interests, or any right to ask you to do so. But taking a long view, and putting altogether on one side any question of whether you want to help the British or not, I am convinced the Secretary of State was right when he pointed out a few days ago that, as a matter of pure business, the agreements, which your representatives made with ours last December hold the best prospect for the future, not only for Britain or the world, but also for yourselves.

The Anglo-American Agreements

Well, I have tried to talk to you frankly about some of the "rubs" between us. Each one of them by itself may not amount to much, but taken all together, they might cause quite a lot of friction. They are so much grit dropped into the works. They may slow down the machine of Anglo-American cooperation; if neglected and allowed to accumulate, they might even bring it to a stand-still. Yet I do not believe—and after more than five years in Washington I can perhaps speak with some experience—that any trouble is ever likely to arise between your country and the British Commonwealth which, with patience and good will on both sides, we shall not be able to iron out. And if we take the general picture, that is what we find has in fact been happening. What could have been closer than our comradeship in research over the Atomic Bomb and in the policy we have worked out for its future? We have had our differences over oil, that Mr. Harold Ickes handled in London a few months ago, and over telecommunications, but these too have now been cleared. A lot of people thought we should find a sharp division of opinion over civil aviation, but on this too we have just come to a mutually satisfactory agreement at Bermuda. And finally there were the financial talks in Washington last Fall, in which your representatives and ours reached agreement on what was perhaps the most perplexing problem of all. That is not a bad record of collaboration. All these achievements are so many signs along the road we are to travel and they all point in the same direction.

It is therefore my hope and prayer that we may continue to travel that road together as comrades, conscious that our association will never be used to the world's loss, but will always be the faithful servant of peace, of justice, of opportunity and of freedom. Those are the things for which millions of humble people the world over are hungry today, and I have no doubt that by joint call upon the strength and vision of our two nations we can do much to meet their needs.

The Anglo-American Loan And World Peace

(Continued from page 1687)
and those they sell abroad. Only by selling goods and services abroad can they get the dollars necessary in the long run to buy what they need abroad. We, in America, who live so largely from the resources within our Nation, sometimes forget how different is the situation of countries which cannot survive without a large measure of foreign trade.

Britain's export trade, the main source of her international earning power, was down to one-third of normal by the end of the war. Why? Because in her wartime partnership with us, it was agreed that she should concentrate her efforts on war production while we provided her essential imports under Lend-Lease. Lend-Lease abruptly ended on V-J Day. Britain's struggle to rebuild her export trade did not begin until that day. It will take years for her to rebuild her exports, especially since they must now rise far above the prewar level to make up for her wartime loss of income from her overseas investments.

Before the war Britain was one of the greatest creditor countries in the world, receiving each year close to \$1 billion of net income from her foreign investments. The necessities of war compelled her to liquidate a large part of her foreign investments and to incur, in the form of frozen sterling balances, foreign obligations amounting to approximately \$12 billion. As a result, her net income from foreign investments has been reduced to about \$400 million. Not only has she lost this income, but she has lost liquid assets which might otherwise have been available to tide her over this postwar situation.

This, in brief, is why the British seek our help. There is nowhere else they can turn to get the help which they need in addition to what they can get from within the Empire.

Second: What Would It Cost Us To Give This Help?

We are asked to provide a line of credit of \$3,750,000,000 to be drawn over a period of from three to five years. The British wanted, and made a strong case for much more. The American negotiators, however, were not willing to ask the Congress to provide more than we concluded was the irreducible minimum needed to do the job, having in mind (1) Britain's urgent requirements for foreign goods, based on continuation of an austere standard of living for her people, (2) her capacity to pay out of her own resources, and (3) the amount of help she might obtain from countries other than the United States.

What does a loan of \$3,750,000,000 cost the United States? The interest rate which our Government has to pay on borrowed money is not the important matter that some have tried to make it seem. The real question is the strain on our financial and economic resources. That involves a real cost. I scarcely need remind you that we, too, have inherited troubles from the war. We have a national debt of nearly \$280 billion. We still face dangerous inflationary pressures because of the excessive purchasing power created as a result of the way in which we financed the war and because of our great shortages of goods relative to this purchasing power. The expenditure in our markets of dollars provided under this loan would admittedly add further inflationary pressures to our economy at this time.

Fortunately the added pressures would not be as heavy as they might seem at first sight. Expenditure of the dollars provided in this proposed loan would be spread out over several years.

Some of the dollars would be spent initially in other countries and might take some time to find their way back to our markets. Some would be spent on commodities which are not in short supply. And unless we bog down in the management of our own affairs at home, our vast capacity to produce goods will progressively overcome the shortages during the life of this extension of credit.

It was neither practical nor desirable to attempt to specify as a condition of the loan how, or when, or for what the dollars should be spent in our markets. We already have and should retain the over-all control of exports, through export licenses, whereby we can exert a real measure of control over the timing and nature of all foreign demands, whether they arise under this loan or otherwise, that may be made on our economy during the period of inflationary pressures. However, we shall have to share with the world some of our scarce resources. This fact has been recognized in our food program. We shall need to recognize it as it affects other necessities if we are to help bring about economic and political stability in the world. This takes me to my third point.

Third: What Would We Get in Return?

Out of this proposed loan, which is an integral part of a far larger fabric of international arrangements, we expect far more than a mere financial return. The contract provides for repayment of the principal and for a moderate rate of interest. But at this juncture in our affairs we are not looking for loans just for the sake of playing the role of world banker. Only the most real and urgent reasons, based on our own national advantage, would justify our incurring the costs of any foreign loan at this time. If the granting of this British loan does not reasonably promise lasting benefits and compensations to the United States which far outweigh the financial considerations involved, the loan should not be made. If I did not feel that this loan is in the deepest sense in the interest of this country, I would not be here today recommending that you approve it.

We live today in a sick world. We have yet to attain the objectives of the Atlantic Charter, freedom from want and freedom from fear. These objectives will never be attained, and our ideals of peace and democracy cannot long survive if we merely indulge in pious hopes and do nothing to prevent the world from degenerating into further economic chaos in the aftermath of the most devastating of all wars.

What are we doing about it? As you know, the American Government has taken the lead in drawing up treaties of economic peace as the basis for a stable world order. We have laid down "rules of the game" for a peaceful and productive system of world trade and finance, first in the Bretton Woods Agreements and then in the proposals for an International Trade Organization. The basic justification for the British loan is that it would enable Britain to join with us in making a living reality out of these blueprints for world recovery and reconstruction.

British interests in this field correspond with our own. No country has a greater stake in a sound and healthy world trade than Britain. With the loan, the British will be given the help they need to work out of their postwar predicament in a peaceful and orderly way. They would open their markets to the world on a basis of non-discrimination and receive access to foreign

markets on the same basis. They would be able to make pounds sterling earned by foreign suppliers of the British market freely convertible into other currencies so that trade would no longer be arbitrarily channeled along bilateral lines. They would become part of a world trading system, which is essential to the maintenance of employment and economic stability in a democratic world.

On the other hand, if we refuse the loan, the British would be forced to make a desperate bid for economic domination in large areas of the world. They would have to intensify their trade and exchange restrictions, and to resort to every economic device to gain advantage in world markets and obtain necessary supplies. This would force a large part of the rest of the world into retaliation along the same lines. As a matter of self-preservation countries would turn increasingly toward state trading and barter. The British people would suffer privations ever greater than in wartime, and no one could say whether freedom and democracy could survive such conditions there. Along this road lies further totalitarian development.

Such a prospect would be profoundly disturbing. If our relations with the British Empire degenerate into a state of bitter rivalry between trading blocs, can we retain any hope of salvaging a decent peace from the wreckage of war? Faced with this situation, we are asked to provide a sum equal to 15 days' cost of fighting the war. I believe that if we could afford to give \$21 billion dollars of Lend-Lease aid to a partner in winning the war, we should be able to lend a small fraction of this sum to secure a partner in winning the peace. If the war had lasted longer, as many expected, we would not have hesitated to furnish further Lend-Lease aid to Britain even though the amount might have far exceeded this loan.

But what about the risk of default? Of course it exists. We cannot foresee the conditions which will prevail over the rest of this century and neither this loan agreement nor any of the other economic arrangements into which we now enter can survive a state of world-wide economic collapse such as we suffered during the Great Depression. But if the world economy is restored to a healthy basis, the payments on this loan, amounting to no more than 2% of Britain's annual expenditures abroad, cannot be judged burdensome. Let me impress this thought upon you: that our very purpose in making the loan is to create the conditions in which it can be repaid.

You will have noted that I advocate this loan on its own merits and primarily as a contribution to world stability. I do not believe in foreign lending for the sake of creating employment here and exporting unemployment to foreign shores. We get employment, yes, while the money is being spent, but the fruits of that employment are lost to us permanently if we persist in refusing to take goods and services from foreign countries to enable them to service and repay their debts. If we desire to maintain a thriving export business and receive service on our investments abroad, we must make the exchange of goods and services a two-way street. In the end, responsibility for making it possible for our debtors to pay is ours, and ours alone.

The decision is in your hands. It is a fateful one. Without effective British participation, which is possible only if we lend our aid, the Bretton Woods institutions cannot fulfill the hopes which we have placed in them.

Without the fulfillment of these hopes for a stable economic order in the world, there is little prospect of success for the United Nations Organization in its search for political stability and security. Without economic or political stability, we can expect only a continued drift of world affairs toward the catastrophe of a third World War.

Is there not finally another compensation if we make this loan? It arises from the American sense of fair play. Are we the sort of people that would fail to help in an hour of great need a stout-hearted ally dedicated to the institutions of freedom and democracy—an ally which once stood alone through the long dark night as the only barrier between this country and Axis aggression. As we review the past, let's not forget that while the British owe us much, we also owe them something.

Gen. Marshall Returns From China Mission

General George C. Marshall returned to Washington on Mar. 15 from his three-months mission as special envoy to China. Shortly after his arrival he conferred with President Truman and Secretary of State Byrnes, but no statement of his report was issued until the following day. General Marshall left for China in mid-December after Major-General Patrick J. Hurley had resigned as Ambassador to that country, and subsequently much of the credit for the amicable settlement of relations between the Chinese Nationalists and Communists was accorded the wartime Chief of Staff, as the Associated Press stated in its dispatch from Washington.

At a news conference on March 16 Gen. Marshall revealed that Chinese Government divisions, to a large extent American trained and equipped, were en route to Manchuria, where, he said, the situation was "extremely critical"; however, he indicated that there were indications that Russian occupation forces would be withdrawn and affairs stabilized in this Chinese province. The difficulty appears to lie in the reluctance of Chinese Communist factions to relinquish control to Government forces as the Russians pull out.

President Truman has already announced, according to the Associated Press, that Gen. Marshall is to return to China as his special envoy upon completion of conferences here.

In his statement of the work accomplished toward mediating the opposing Chinese forces, General Marshall said, according to the Associated Press:

"We were able to resolve almost every difficulty once we got the people together. It was very remarkable how quickly we could straighten out what seemingly were impossible conditions and which had their tragic effect on the Chinese people. A single conference of a few hours in an afternoon would raise the encirclement of what amounted to 10 or 12 besieged cities where people were starving. It only took that long to straighten out, but until we arrived nothing could be done."

Generalissimo Chiang Kai-shek spoke warm words of praise for General Marshall at the closing session of the Kuomintang (Nationalist party) Congress, describing him as a mediator who has helped begin the task of national reconstruction "so China might contribute to the peace in the Pacific and to the world." "Ever since his arrival in China three months ago," Chiang declared, according to an Associated Press dispatch from Chungking on March 17, "he has worked indefatigably and sincerely as a friend to help us attain peaceful national unification."

What America Needs

(Continued from page 1690)

that we can control the social forces of the modern world, in which the release of atomic energy has required such rigorous planning in laboratories and factories, without any plan at all. We cry over planning as a menace to liberty without understanding how freedom is denied by the hunger, unemployment and industrial strife inherent in our profit system. We believe that any man can become President of the United States—a fact which on occasion has been proved—and certainly that any man can vote for President, but that no worker is good enough to vote for the director of the corporation in which he invests his energies. That is a function vested in absentee stockholders, who usually exercise it by proxy.

Instead of talking in terms of abstractions like collectivism and individualism, planning and freedom, we should be talking about what ought to be socially owned and how it ought to be managed in order that there may be both abundance and freedom. Instead of denouncing all planning as if it meant totalitarianism, we should discuss the kind of planning consistent with freedom. I agree with Barbara Wootton that the essential feature of planning is the right of a public authority to determine economic priorities. The right sort of planning requires far less bureaucracy and red tape than we accepted in war.

No Plan For Peace

Even worse than in domestic policy is our leaderless confusion in winning lasting peace. The wellnigh complete failure of our government, from Pearl Harbor on, to have any plan for peace except in terms of negative; its lack of any great and inspiring purpose; its dependence on secret diplomacy and the politics of appeasement of one or both of the Russian and British imperialisms, have already cost us and the world a stupendous price. But our very blunders have made clearer the real basis of peace.

One necessity is the establishment of something more worthy to be called world government than the United Nations Organization. Meanwhile that organization has useful functions and it may, by amendment, be developed into something better. But a more adequate piece of governmental machinery than is now available will not of itself alone establish lasting peace. The extreme advocates of the sufficiency of world government who are forever appealing to the analogy of the American Federal Union usually overlook the fact that Federal union superimposed on the unsolved moral and economic problem of chattel slavery did not avert the horrors of a civil war. World organization superimposed on racial discriminations, fantastic economic inequality, preventable poverty, rival imperialisms and competing militarisms cannot guarantee peace.

War Means End of Civilization

Uneasily the American people are becoming aware that war, fought with atomic explosives, will mean the end of our civilization if not of the human race. Yet if polls of public opinion are correct the percentage who expect a third world war is greater than before the atomic bomb fell on Hiroshima.

Peace has its price. It is, first of all, an intelligent and effective compassion for the desperately hungry and homeless peoples of Europe and Asia. Then it is the complete liquidation of all imperialism, whether it is American dollar diplomacy, the Soviet manipulation of puppet states, or the white colonial imperialism of European powers. It is possible with the aid of an international

organization to work out a better pattern of human relations than imperialism, a pattern which combines the right of self government for every people with the necessity for regional and world wide federation.

The price of peace is progressive, universal, national disarmament—not merely the renunciation of atomic weapons, which renunciation cannot be effective if we keep war. There must be universal abolition of peacetime military conscription. It is a cause for despair that instead of working for that, President Truman, who on Christmas Eve bade us to fulfill the prophecy that men should "learn war no more," urges on us an archaic teaching of war to all our able bodied sons by an army which General Holdridge, representing the Veterans' League of America, has denounced as "an excellent breeding ground for totalitarianism."

Political Realignment Required

It is not yet too late for America to save herself and the world. The process will require a political realignment. Our present two-party system is largely responsible for the confusion of the American people and the ineffectiveness of democracy. In the campaigns of 1940 and '44 Messrs Willkie and Dewey vehemently attacked the Democratic Administration without proposing one single amendment of importance to its foreign or domestic policy. Sidney Hillman and other labor leaders hailed the results of the last election as a triumph for labor and its political tool, the P. A. C. Ladies and gentlemen, behold the result! The Democratic Party rules and it includes men whose policies range all the way from the racism and undemocratic reaction which inspired the filibuster against the Fair Employment Practice Bill to blind acceptance of the leadership of Stalin in all things. There are leading Democrats who claim to believe in civil liberty in America and yet justify its complete denial in Russia, including the abomination of slave labor like Hitler's own. No wonder the people are confused. The President tries to appease his left wing by words and his right wing by appointments. The Republican Party is little more united. If the Labor Progressive should unite with it, it will be a marriage without love, honor, or obedience.

The Anti-Saloon League proved once and for all that manipulation of the sort now tried by the P. A. C. may achieve an astonishing result in the passage of one law. But the Anti-Saloon League could not enforce or keep prohibition. Much less can P. A. C. by similar tactics enact or carry through a comprehensive program for plenty, peace and freedom.

Advocates a Mass Party

With no urgency, I proclaim the long standing Socialist belief in the necessity of the formation of a national scale of a mass party, along lines the Canadians successfully used in the formation of the party they call the Cooperative Commonwealth Federation. Once we get together we can scarcely fail to agree on the direction along which planning for plenty, peace and freedom must lie. Unions, farm associations, and consumers' cooperatives are essential. They cannot do the work of a political party or manipulate either of the old parties out of the hands of those who now own them. Already informal conferences are exploring the possibilities of the building of a party of the people and for the people. If you are interested, write to me for this speech and further information at 303 Fourth Avenue, New York City.

Resources of New York State Banks Increased in '45 to \$24,168,737,000—Supt. Bell's Report

Total resources of banks and trust companies chartered by the State of New York increased during 1945 by \$2,115,904,000 to a new high of \$24,168,737,000, according to a report made public on Feb. 21 by Elliott V. Bell, Superintendent of Banks. He pointed out that the 9.6% increase during 1945 was much below the 17.8% rise during the preceding year.

Net profits after taxes rose by \$32,345,000 to a new high figure of \$164,601,000, or 25% above those of 1944. He reports that only one-third of the increase in net income before taxes, however, resulted from net operating earnings. These increased by but 13.4% in New York City banks and by 3.7% in all other State banks. The remainder of the increase in net income arose from profits or recoveries on securities or loans and from other sources not related to current operations. The advices regarding the report also said:

"Deposits also stood at a new high point on Dec. 31, 1945 of \$22,205,868,000 after increasing by \$1,890,103,000 during the year. This 9.3% increase was only about half as great as the 18.7% expansion which took place in 1944. During 1945, the rate of deposit expansion in New York City banks was 8.3%, while in those outside New York City the increase amounted to 16.4%.

"Most of the \$2,115,904,000 increase in resources, Mr. Bell said, came from increases of \$599,281,000 in loans on securities at New York City banks, \$340,746,000 in United States Government securities held by banks outside New York City and increases in cash and due from banks and commercial and indus-

trial loans in New York City banks amounting to \$857,430,000 and \$289,496,000, respectively. The amount of United States Government securities held by the State banks in New York City was slightly lower at the end of the year than at the beginning. A tendency to purchase Government securities with longer maturities developed among banks both in and out of New York City.

"The report indicated that net profits after taxes had risen steadily during the war years from \$39,287,000 in 1939 to \$164,601,000 in 1945. Before paying \$60,015,000 in taxes, net profits in 1945 were \$224,616,000. These included current operating earnings of \$161,673,000 and \$62,943,000 in net profits and recoveries on securities, loans and other assets. This latter figure has varied from a net loss of \$21,673,000 in 1939 to the large net profits reported in 1945. Prior to 1945 the greatest net non-recurring profit of this type in recent years was \$27,766,000 in 1943. Net income from operations, on the other hand, has increased steadily from \$65,391,000 in 1939 to \$161,673,000 in 1945. Condensed earnings statements for all State banks and trust companies for 1944 and 1945 were as follows:

Condensed Earnings Statements of All State Banks and Trust Companies

	1944	1945
Current operating earnings.....	\$310,309,000	\$344,059,000
Current operating expenses.....	166,246,000	182,386,000
Net current operating earnings.....	144,063,000	161,673,000
Net other income.....	26,246,000	62,943,000
Profit before income taxes.....	170,309,000	224,616,000
Taxes on net income.....	38,053,000	60,015,000
Net profits.....	132,256,000	164,601,000
Interest and dividends on debentures, preferred stock, etc.....	2,095,000	1,790,000
Dividends on common stock.....	45,237,000	49,666,000
Net profits after interest and dividends on capital.....	84,924,000	113,145,000

"Mr. Bell further pointed out that the capital funds of the banks increased by \$119,431,000 to a total of \$1,650,725,000, principally as a result of the retention of \$113,145,000 of net profits. Dividends on common and preferred stock and interest on capital debentures totaled \$51,456,000 in 1945, as compared with \$47,332,000 in 1944. Of the 272 banks in operation at the end of 1945, 223 paid or declared dividends on common stock. Only 80 of these raised the rate of dividend above that paid in 1944 and 23 resumed dividend payments.

"Reports to the State Banking Department showed interest income on United States Government securities separately for the first time. The ratio of interest received to the average amount of Government securities held during the year was 1.25% in the banks in New York City and 1.47% in all other State banks. Similar rates of return on other securities averaged 2.15% in New York City and 2.71% outside New York City. The average rate of return on all securities rose from 1.25% to 1.29% in New York City banks and fell from 1.61% to 1.54% in all others. The year-end reports showed a continuation of the decline in the average interest income on loans.

tion at 303 Fourth Avenue, New York City.

It is not yet too late to save our children from disaster. The price of our salvation is a comprehensive purpose, adequate planning, and political action which require a different sort of mass party than those which now receive our cynical sufferage.

Factory Workers Pay At Peak in Dec.

Gross hourly and weekly earnings of factory workers in December reached the highest level since V-J Day, and retained that position in January according to preliminary estimates, the Bureau of Labor Statistics of the U. S. Department of Labor reported on Feb. 21. Workers in the light industries averaged almost 93 cents per hour, the highest ever received by such employees as many groups reported increases due to recent upward wage adjustments. The Department under date of Feb. 21 further reported: "The average workweek for all manufacturing was 41.6 hours in December, almost 1/2 hour longer than in November, as most plants resumed normal operations after observance of November 11 holiday.

"Weekly earnings for all manufacturing averaged \$41.43 in December, about 60 cents more than in November, but \$4 less than in July, the month before the full effects of war contract cancellations were felt. While earnings in the durable goods group are considerably below the July level, those in the nondurable group are slightly above, so that the difference between the two is greatly narrowed, from \$12 in July to slightly more than \$5 per week.

"Weekly earnings advanced between November and December in 16 of the 20 major manufacturing groups. The largest gain, 6 1/2%, occurred in the transportation equipment group, and was entirely the result of longer working hours as striking shipyard workers returned to their jobs. The only sizable decreases in weekly pay were in the automobile and tobacco groups. The decline in earnings of tobacco workers was brought about, for the most part, by a reduction in production and in the working schedules of the cigarette industry.

"Hourly earnings for all manufacturing averaged 99.7 cents in December, slightly more than in the previous month, but 3 1/2 cents less than in July. However, workers in the nondurable goods group received 2 1/2 cents an hour more than in July. Practically all major groups reported increases in hourly pay between November and December as the result of wage rate adjustments. The largest gains, almost 3 percent, were in the lumber and leather groups—the former reflecting wage settlements for striking West Coast lumber workers.

"Increases in both hours and earnings were reported by the coal mining industries. The large percentage gain in weekly earnings and hours for anthracite miners reflects the resumption of normal operations after the long holiday in November. In metal mining, weekly hours and earnings were cut as the result of a seasonal slow-up in operations."

Russia-Switzerland Resume Diplomatic Tie

After a break of 22 years, diplomatic relations between Russia and Switzerland, have been resumed, on Swiss initiative, according to an announcement by the Swiss Political Department reported by the Associated Press from Berne on Mar. 19. Switzerland it is stated was among the first nations to recognize the Soviet Union, but diplomatic ties were severed in 1924 after a Russian official was assassinated on Swiss soil. Earlier attempts by Switzerland to reestablish relations met with rebuff, the report stated. The new tie is believed to be the forerunner of commercial relations between the two countries in the near future.

In the New York City banks the decline was from 1.82 to 1.55% and in the banks outside New York City from 3.99 to 3.74%."

Greece Rejects Allied Reparations Award

Greece announced on Dec. 27 her rejection of the reparations award proposed for her by the Allied Reparations Commission, calling it inadequate and unjust, according to Associated Press accounts from Athens, appearing in the New York "Times," which further said:

The figure was reported here to be \$10,500,000 from Germany alone, against \$14,000,000,000 that Greece has claimed from Germany, Italy and Bulgaria. Announcing a telegram of protest to the Allies, Foreign Minister John Sophianopoulos declared: "The quota allocated to the Greeks is out of proportion to the sacrifices and damage sustained by Greece through the war and enemy occupation."

The "Times" added: The Reparations Commission announced last Friday (Dec. 21) a division of German assets among 18 nations, subject to ratification by the individual governments, but it did not place a money value on them. Greece received 2.7% of category "A," including foreign assets, current production and stocks, and 4.35% of category "B," made up of shipping, industrial machinery and other goods taken from western Germany.

New Japanese Constitution Announced

The Japanese Government, acting in consultation with Allied Headquarters officials, has formulated a new constitution which vests sovereignty in the people and reduces the Emperor from "a sacred and inviolable" monarch to a symbol of state with merely formal functions, very limited in scope. The document, which is the result of intensive study, and represents the Japanese Government's action to conform with the requirements of the Potsdam declaration that the form of government be determined by the freely expressed will of the people, was drafted with the full approval of General Douglas MacArthur, it is stated. The General expressed this approval and his satisfaction with the proposed Constitution in a statement released on Mar. 6, the day the announcement of the document was issued from Tokyo, according to Associated Press dispatches.

Chief among the provisions of the new Constitution is that which states that never again shall Japan maintain an army, navy or air force or any other war potential, and that war is abolished as a sovereign right of the nation. Referring to this provision, General MacArthur in his official statement declared:

By this undertaking and commitment, Japan surrenders rights inherent in her own sovereignty and renders her future security and very survival subject to the good faith and justice of the peace-loving peoples of the world.

By it does a nation, recognizing the futility of war as an arbiter of international issues, chart a new course oriented to faith in the justice, tolerance and understanding of mankind.

The Japanese people thus turn their backs firmly upon the mysticism and unreality of the past, and face instead a future of realism with a new faith and a new hope.

Reminiscent in its opening words of the Preamble to the United States Constitution, the Preamble to the proposed Japanese Constitution reads, according to the Associated Press:

We the Japanese, acting through our duly elected representatives in the National Diet, determined that we shall secure for ourselves and our posterity the fruits of peaceful cooperation with all nations and the blessings of liberty throughout this land, and resolved that never again shall we be visited with the horrors of war through action of the Government, do proclaim the sovereignty of the people's will and do obtain and establish this Constitution, founded upon the universal principle that the Government is a sacred trust, the authority of which is derived from the people, the powers of which are exercised by representatives of the people, and the benefits of which are enjoyed by the people; and we reject and revoke all constitutions, laws, ordinances and rescripts in conflict herewith.

Desiring peace for all time and fully conscious of the high ideals controlling human relationship now stirring mankind we have determined to rely for our security and survival upon justice and the good faith of the peace-loving peoples of the world. We desire to occupy an honored place in an international society designed and dedicated to the preservation of peace and the banishment of tyranny and slavery, oppression and intolerance for all time from the earth. We recognize and acknowledge that all peoples have the right to live in peace, free from fear and want.

We hold that no people is responsible to itself alone but that laws of political morality are universal; and that obedience to such laws is incumbent upon all peoples who would sustain their own sovereignty and justify their sovereign relationship with other peoples.

To these high principles and purposes we the Japanese people pledge our national honor, determined will and full resources.

Besides the renunciation of war as instrument of progress, the new proposed Constitution has other

far-reaching implications for the Japanese people. It replaces the powerful House of Peers with a House of Councillors who must be elected by all of the people and who may be overridden by the House of Representatives on some major issues. It provides the dynastic continuance of the throne, but says it shall "be succeeded to in accordance with an Imperial House law (to be) passed by the Diet." Heretofore, the Imperial House law had been made by the court itself and the Diet had no authority over it. The Constitution, said the Associated Press, includes an unprecedented clause for establishment of a regency. It also specifies authorization of the Diet before property can be given to the Imperial House or disbursements can be made by it. It abolishes the right of peerage to any national or governmental power and provides for and end to the peerage upon the death of those now holding titles.

It enumerates a long list of revolutionary individual freedoms for the Japanese people, based upon American rights, of which some are, according to the Associated Press:

Equal rights for husband and wife and a specification that marriage "shall be based only on mutual consent of both sexes."

No person "shall be held in bondage of any kind." Involuntary servitude is prohibited except as punishment for crime.

"Freedom of thought and conscience shall be held inviolable in this country where thought police existed until the occupation.

"Infliction or torture by any public official and cruel punishments are absolutely forbidden."

Individual Japanese also are given other protections from heretofore despotic police, including specifications for search and arrest warrants, speedy trial, universal recourse to courts and a provision that the individual shall not be required to testify against himself. All of these and similar criminal rights were unknown in Japan, where most cases were based upon confessions, usually obtained under duress.

These other rights accompany the more commonly known freedoms. The Constitution also provides that the "State and its organs shall refrain from religious education or any other religious activity."

The Constitution will be submitted to the next Diet session, presumably shortly after the April 10 general election, for approval. Providing for selection of the Premier by the Diet, it also specifies that the present officers can remain. Nevertheless, the Associated Press pointed out, the present Cabinet may be forced to resign shortly when a new extension of the political purge ordered by General MacArthur is announced.

Nat'l Science Plan Passes Senate Group

Under a bill approved by the Senate Military Affairs Committee on Mar. 19, Federal funds would be made available to establish a national science foundation for research in the basic sciences, engineering and medical and social sciences. Certain provisions of the proposed bill are expected to meet with strong opposition on the Senate floor, but Senator Elbert D. Thomas (D-Utah), Chairman of the Committee, stated that no immediate effort would be made to bring the measure to a vote.

Statistics on Income From U. S. Firms' Invs. In Foreign Countries

The Department of Commerce is seeking to compile accurate statistics on the income from direct investments made by United States firms in foreign countries and has requested information from 400 firms holding an estimated 90% of all such investments. Announcement of this was made on Feb. 26 by Hal B. Lary, Chief, International Payments Unit, Office of Business Economics. Advances from the Department stated:

"The last detailed figures on the value of United States direct investments abroad published by the Department of Commerce were compiled before the war, Mr. Lary said. In 1940 Americans derived \$450,000,000 (M) in income from a total direct investment, mostly in foreign subsidiaries and foreign branches, of \$7,000,000,000 (B).

"Much of this foreign investment, particularly that held in Europe, Japan, British Malaya and the Netherlands Indies, was written off by American firms, Mr. Lary said, but the investment in Latin America—in mining properties for instance—paid handsome dividends during the war.

"Although few foreign bonds are being floated in this country now, the Unit is also asking banks to furnish information on such holdings left over, for the most part, from the boom days of the 1920's when Americans purchased about \$9,500,000,000 (B) in foreign dollar bonds. During the 1930's these dollar bond holdings were reduced drastically and at present it is estimated that only about \$2,500,000,000 (B) at par value are still outstanding in the United States, Mr. Lary said."

Cotton Week Scheduled

Cotton Week this year is scheduled for May 20-25, according to an announcement on Feb. 11 by the Cotton-Textile Institute and National Cotton Council. "Cotton Is Back" has been chosen as the slogan for the event which will be marked not only by merchandise presentations in retail stores across the nation but also by cotton carnivals and community programs in many of the cotton growing and textile centers in the Southern States.

The Institute notes that ever since Pearl Harbor, promotion events in connection with Cotton Week have been discouraged while stores emphasized the necessity for cautious, conservative buying. While no attempt, says the Institute, will be made this year to start a run on the supplies of cotton goods in retail hands, much emphasis will be put on the fact that mills in large measure have overcome most of the difficulties of reconversion and are concentrating all their effort on correcting the supply situation. Production, it will be pointed out, is running well above pre-war levels and American consumers this year will receive as much cottons as were supplied them in 1941.

Thousands of vivid posters picturing a service button against a cotton boll background will be distributed to retail stores and civic organizations. Also distributed will be considerable literature describing new cotton products and the part the industry is playing in the nation's reconversion effort.

Martin Advocates Curb on Draft at House Hearings on Peacetime Conscription

At the hearings before the House Military Affairs Committee on universal military training, proposals that attempts be made toward the abolishment of military training among all nations by agreement again came to the fore. Republican floor leader, Representative Joseph W. Martin, Jr., of Massachusetts, suggested to the Military Affairs Committee on Feb. 27 that the United States take

the lead, through the United Nations Organization, in seeking to outlaw peacetime conscription everywhere and in obtaining agreement among the countries for "the eventual reduction of armaments." "While we are now obliged to keep a six-shooter in one hand," Mr. Martin said, according to the Associated Press Washington dispatch of Feb. 27, "we extend the olive branch of peace with the other." He added that "the world will never be sure of peace until we have reduced armies and military establishments to a reasonable level."

The following day two educational groups, through their spokesmen, lent support to the proposal of Representative Martin, which already had strong Republican backing in the House. The Rev. Edward V. Stanford, rector of Augustinian College, Washington, and spokesman for the National Catholic Education Association, told the Committee he was "not impressed" by those who believe the United Nations would not seek to outlaw conscription. "The effort should be made," he said. "In no other way, I am convinced, can this nation in good conscience consider proposals for universal military training in peacetime."

The Associated Press also said: The views of the National Education Association were presented by William G. Carr, based on policy expressions made formally by NEA groups last December.

"We do not favor a system of compulsory peacetime military training because we do not think that at the present time that is the best way to get security," Mr. Carr said.

If other measures fail, he added, compulsory training and service "could be adopted as a last resort."

At the Committee hearing on Feb. 27 Representative Martin, in calling on the United States to take the lead in a world campaign to wipe out compulsory military service and to cut down on weapons of war, urged, said the Associated Press, that United Nations machinery be used to attain the objective. He has introduced a resolution urging efforts to seek an international ban on peacetime conscription before Congress votes on universal military training for this country.

The Press advises from which we quote also stated that Senator Capper contended that the lessons of history prove that compulsory military training, "while not perhaps a direct cause of war, certainly is a temptation to rulers to engage in war." The Press accounts added:

Mr. Capper said he was "just a little bit shocked this winter" at these two happenings he said occurred almost on the same day:

"First, I read in the newspapers that Gen. MacArthur, in Tokyo, had ordered military conscription ended in Japan. The reason given was that military conscription led to militarism and imperialism.

"And within a few hours after that, President Truman recommended to Congress that this nation adopt a program of compulsory military training, the first step toward military conscription in peacetime. I cannot understand why military conscription would lead to militarism and imperialism in Japan, and not have that effect upon our own people."

On Feb. 21 Representative Andrew J. May, Democrat, of Kentucky, Chairman of the House Military Affairs Committee, abruptly halted further hearings on compulsory peacetime military training, provoking a dispute from fellow members of the Commit-

tee who want to hear more witnesses.

On the same day President Truman called impractical the House Military Affairs Committee move to sidetrack universal military training legislation in favor of a campaign to outlaw peacetime conscription throughout the world, it is learned from the Associated Press, which further said: He expressed his views at a news conference when asked for his opinion about the proposal, which is gaining strength in the Committee.

He already has urged Congress to enact legislation requiring every able-bodied male youth to take one year of military training, and the Committee has been holding hearings on the proposed legislation since November.

The President gave no reasons for his belief it would not be practical to try to outlaw universal training everywhere, and in the absence of an explanation Representative Martin of Massachusetts said he would continue his fight for an international ban.

At the opening session on Feb. 18 of the Committee hearings on military training, Dr. Robert M. Hutchins, Chancellor of the University of Chicago, according to the Associated Press, urged an end to "un-American saber rattling."

Series B Savs. Bonds To Be Paid at Maturity

Secretary Vinson announced on Jan. 11 that United States Savings Bonds of Series B, which will be due for payment during 1946, will be paid at their face or denominational value as they mature ten years from their issue date, on presentation in accordance with the applicable regulations to any Federal Reserve Bank or Branch, the Treasurer of the United States, Washington 25, D. C., or to any qualified paying agent The Treasury Department advises add:

"The bonds do not increase in value after maturity and individuals who wish to continue their investment in similar bonds without interruption, such as United States Savings Bonds of Series E, F or G, should present their matured bonds for payment in the month of maturity and ask that the proceeds thereof be applied to the purchase of United States Savings Bonds of Series E, F or G.

"Bonds of Series E, F or G purchased with the proceeds of matured bonds of Series B will be issued in any form of registration authorized for bonds of the respective series, will be subject to the limitation on holdings applicable hereto, and will be dated as of the first day of the month in which the matured bonds are presented for payment. Any difference between the redemption value of the matured bonds and the purchase price of bonds of Series E, F or G will be paid to the owner of the bonds presented.

"Close relatives having possession of maturing bonds of Series B belonging to servicemen abroad are authorized to redeem such bonds for the purpose of purchasing bonds of Series E, F or G for the servicemen. Full instructions regarding procedure in any such case will be given on application to any Federal Reserve Bank or Branch.

"The original issues of Series B bonds during 1936 aggregated \$493,075,050, maturity value, for which cash amounting to \$369,806,287.50 was received into the Treasury. About 70% of the bonds originally issued remain outstanding at this time."

Postwar Taxation and Economic Progress

(Continued from page 1686)
issued or debt transferred to the Federal Reserve banks).

Others hold that debt is a major cause of "jitters." Not only should it not be extended but retirement should be a first order of postwar business. The middle ground takes the view that public credit is to be conserved and not squandered but that an unbalanced budget may be preferable to prolonged unemployment of men and resources. On this view, the budget should be balanced when production and income are good and more than balanced when production and income are excellent. Public expenditures should be carefully ordered on the theory that we cannot have all the good things of life as yet and must not use public credit to shake spoils from the government tree.

Taxation

I. Objectives

The following objectives or qualifications for postwar taxation are important:

1. Taxes should be fair; distinctions in tax burdens should be based on reasonable principles and not be arbitrary. This is important both for its own sake and the morale of the taxpayer. Progress in taxation is measured by the trend from irrational to rational sources of revenue.

2. Taxes should reduce inequalities in wealth, income and power. Wide inequalities are abhorrent to democracy. No postwar tax system is likely to be stable unless it satisfies the American conscience which is likely to be more, not less, sensitive to inequalities than heretofore.

3. Taxes should conserve the human resources that "man the works."

4. Taxes should preserve a wide market; they should not aggravate over-saving. Anyone viewing our wartime production achievements cannot doubt the enormous productive potential of our industrial system. Temporary "bottleneck" shortages should not obscure the important long-run fact.

5. Taxes should preserve incentives. They should leave enough margin between the return of the ambitious, on the one hand, and the slothful, on the other, to make ambition definitely worth while; they should allow enough return to the successful risk-taker over that to the "safe" investor so that risk-taking is definitely worth while. Particularly, those who innovate and take responsibilities should not be singled out for adverse treatment by the tax system.

6. Taxes should be as direct as feasible; in general, taxpayers react most sensibly to what they see and understand.

7. Direct taxes should be widely shared. Wide participation in government is desirable on both the voting and financial sides. Expenditures voted by the many and paid for exclusively by the few are demoralizing, certainly for those who pay and probably for those who do not.

8. Taxes should be adequate. We have had an unbalanced budget for fourteen years. That should not become a habit.

9. Tax reductions and tax increases serve as stimulants and narcotics to business, and these drugs should be administered so as to mitigate rather than aggravate business instability. Tax reductions should be reserved for depressions and tax increases should be applied, as far as possible, during prosperity.

Following World War I, taxes were repeatedly revised downward during the prosperous twenties. In the depths of depression we changed the trend and began "getting tough" with the tax system. On the theory that increased taxes are deflationary and de-

creased taxes inflationary, our historical procedure was the exact reverse of what it should have been.

If tax rates are not increased during a depression, taxation will automatically be reduced because of a shrinkage in the tax base. This in itself might exercise a beneficial counter-cycle influence. It is the sort of counter-cycle tax policy that is likely to prove most practical. It does involve the difficulty of the cyclical budget, about which more will be said presently.

It would be logical to go a step further and recommend that tax rates be reduced during a depression and increased during a boom. The change to stable tax rates would represent, however, a substantial step forward.

It is true that a cyclical budget-balancing program involves important political difficulties. The objective assumes a long-run conception and discipline on the part of Congress which might not be forthcoming. It would be "easy" for Congress to incur deficits during the years of low production, justifying this conduct on the ground that such deficits would have a wholesome economic effect. In years of large output, the corollary of this action might be ignored on the ground that still greater production would be possible and should be realized before any attempt were made to obtain a budgetary surplus.

Although the problems of balancing the budget over a series of years are undoubtedly impressive, they are not greater than those of attempting a budget balance "come hell or high water." Such an attempt would probably fail in its objectives and cause economic disruption besides. No program of budget-balancing which loses sight of the importance of the national income is well-advised, even from the standpoint of balancing the budget and that alone. It is necessary to take some risks (public as well as private) if the common objective of balancing the budget is to be realized. We may be able to stabilize the debt and pay some of it off, perhaps, but this happy consequence should be dependent upon the achievement of a satisfactory national income.

II. Selection of Federal Taxes

To obtain these objectives, which of the specific taxes should be given the leading role in the federal postwar tax system? Most critics have answered this question (and I think properly): "The personal income tax."

A. The Personal Income Tax

In many respects the personal income tax is "a natural" for the leading postwar role. All taxes come out of income sooner or later; it is the stuff of which taxes are made. The personal income tax is given to shifting less than most others—it stays put. Income is the medium in terms of which we reckon economic power. The income tax, with its exemptions and graduated rates, is well adapted to the objective of conserving purchasing power. It has certain limitations, particularly of administration, which will be discussed presently.

The answer to the question, which tax should be featured, is conditioned by time and place. In China where some 80% of the population is engaged in farming—largely subsistence farming—the answer would be a different one than in industrial and capitalistic present day United States. In socialistic Russia the sales tax is well suited to that country's economic needs. Fifty years ago when our country was more largely agricultural and when civic levels were lower the answer for the United States might have been different. But the income tax seems best adapted for

the leading role in this country now.

Characteristics of the Kind of Income Tax Required to Play a Leading Role in the Postwar Tax System

If the income tax is to play a leading role in the postwar tax system, it must be characterized by a broad base, adequate standard rate, substantial graduation, no loopholes, and vigorous administration.

As to the broad base: with income tax exemptions of \$500 for the taxpayer and his dependents and a national income of 140 billion dollars, fully 60% of the national income would be outside the tax base. Income escaping the tax base would consist of: (1) the personal exemptions allowed those who pay no taxes; (2) the personal exemptions allowed taxpayers; (3) the deductions (such as those for other taxes and contributions); (4) exempt income (such as interest on certain government bonds); and (5) under-reporting and administrative leakage.

The refinement of income for tax purposes might be compared with the process of extracting radium from ore; after the deductions and exemptions and other allowances are disposed of, a scarcely visible base remains to be taxed. The base is pure surplus, sure enough, but even if it were all confiscated it would not pay for the cost of "running the government."

Our state income taxes, with their high exemptions and nominal rates on low incomes, are an example of taxation that provides mostly talk and very little revenue. We praise the income tax but rely on the property tax and sales tax to pay the teachers' salaries.

Importance of Standard Rate

Because the income structure is like a pyramid, with the bulk concentrated in the base, an adequate "standard" or first-bracket rate is very important for the revenue. Moreover, the first bracket, to which the standard rate applies, is usually the most stable element in the income base. With national income of about 140 billions and 1944 exemption and brackets, about two-thirds of the income base would be in the first bracket of taxable income.

Substantial Graduation

Enough income lies in the apex of the income pyramid for the use of substantial graduation in the income tax to add materially to the revenue. More important is the fact that the graduated feature is a means of reducing inequalities regarded as undesirable in a democratic nation. Reduced inequalities are important for their own sake, but they may also be necessary to maintain a proper balance between saving and spending. As previously observed, the principal check on progression is the need for preserving incentives. It can also be said that rates should not be carried upward to the point where Congress is not willing to enforce them effectively or apply them consistently. Whatever may be the effect of high rates on other incentives, there can be no doubt that they provide a powerful incentive to avoid and evade.

Elimination of Loopholes

If the personal income tax is to serve as the mainstay of postwar revenues, it should cover all income above personal credits. This means closing many loopholes now available to income recipients, especially the big income recipients. The income from government bonds, now in many cases exempt, should be made taxable. (This is important not only from the standpoint of equity but also from that of investment; the

tax system should not favor the safest outlet for savings.) Municipal officials who see in this exemption only the gain in cheap money for public borrowing are taking too narrow a view of their self-interest.

Capital gains should be taxed like other income, with parity treatment for losses. The present system of permitting these gains to be wiped out by the death of taxpayer is unjustifiable. Transfers at death and by gift should be treated as realizations by decedents and donors at market values current at the time of transfer. (At present, the basis of assets received by an heir is their value as of the date of death and not their cost to the donor.) At the present time many capital gains are never realized. Stocks may remain in one family for generations and the values that accumulate as a result of corporate reinvestment never appear in the personal income tax base. The same is not equally true of losses, for in their case the taxpayer stands to gain by an early realization.

It is argued against the full taxation of capital gains that such procedure would impede enterprise. But this seems to be more a case of taxing wealth than of impeding business. Equal treatment of losses and a fair averaging system would go far toward the elimination of adverse effects in the taxation of capital gains. A high tax might discourage exchanges, but the elimination of the loophole which permits capital gains to be wiped out at death would tend to counteract this tendency. If gains must be realized sometime, the present is likely to appear as propitious a time as any.

Avoidance by dividing income among members of one's family should be checked by joint returns or some device producing equivalent results.

Stronger Administration

Stronger administration is a prime prerequisite of a postwar income tax scheduled for a major role. The income tax is criticized principally on the score of its complication and ease of avoidance. Objective evidence of income is available in the case of most recipients. In fact, since the war, payers of income not only provide information concerning income payments to the government but they also pay a large part of the tax (collection at the source). But a considerable portion of income, notably that received by farmers, individual businessmen, and professional men, is not covered by any checks. Information as to this income is mainly acquired by self-reporting and office and field audit. The auditing could be much more effective than it is. The policy of confining the policing of the income tax to points where large returns can be had for the effort must be replaced by one that seeks adequate policing to maintain the fairness of the system and the morale of the taxpayer.

A recent report of the Secretary of the Treasury submits evidence that federal taxes are now collected for 30 cents on \$100. This is a fine record of economical administration. But it may be the occasion for circumspection rather than for congratulation.

A friend of mine told me recently that he was able to employ a maid only on condition that he would not disclose the facts about her income. How widespread this sort of avoidance is, no one knows. We do know that leakage in administration is the major limitation in the personal income tax.

B. Death Taxes

Death and gift taxes are probably a lesser impediment to production than the income tax. They can and should be strengthened by plugging loopholes and broad-

ening the base of these levies. Estate and gift taxes should be combined into a single transfer tax with a single set of rates and exemptions. The use of life estates to skip a generation or more in transfer should be prevented, as it is in Great Britain. Some account must sooner or later be taken of the time factor in such transfers and the relative age of donor and donee. The death tax is the member of the federal tax system most ripe for a thorough overhauling.

C. Business Taxes

The two principal business taxes at the federal level at the close of the war were the excess profits tax and the corporate net income tax. The excess profits tax has now been repealed. Quite possibly it should have been retained until abnormal profits growing out of war conditions had ceased to exist. But this issue is closed. Of course the tax could have been recast to become a peacetime addition to the federal tax system. The main argument for such a policy is that industry is often not well policed by the forces of competition, and excessive prices result in excessive profits. But the excess profits tax, in addition to heavy administrative liabilities, carried a threat to industrial expansion by its failure to isolate monopoly from risk-taking and efficiency profits.

The corporate income tax is probably more appropriate for peacetime use than the excess profits tax, but it also is open to some valid objections. It results in two taxes upon the stockholders, where only one applies to the bondholder. This has the unwholesome effect of encouraging debt financing. No differentiation between large and small stockholders is possible. The final distribution of the corporate tax burden is uncertain; probably a considerable portion of it is shifted to consumers and wage earners in the form of higher prices and lower wages. The effect upon business expansion of high corporate as compared with high personal taxes is problematical, but the business tax is closer to management and is probably the more repressive of the two. The emphasis in business taxation should be upon levies which reach undistributed profits. Business taxation itself should be deemphasized in favor of personal taxation.

Personal taxes are based on the personal obligation of the citizen to his government; business taxes on the ideal that the government is a factor in business production. This factor of production, however, unlike the others, is determined not by the businessman but for him.

It has been contended that the corporate tax is a progressive levy because somehow or other it "comes out of" the rich. The progressive character of the corporate tax is uncertain, irregular, and inconsistent. Mention has been made of the uncertainty of its incidence. A consistently and regularly progressive tax will not only tax a \$25,000 income at a higher rate than a \$5,000 income, but it will assess all \$25,000 incomes at the same rate. Our present system applies a much higher effective rate on an income of \$25,000 consisting of dividends than on one consisting of interest, salary, or capital gains. It assesses no tax at all on \$25,000 of interest from state and local bonds. To hold that taxes can be defended merely because rich people pay them, no matter how capricious the distribution, is to exemplify that sort of irresponsibility that threatens the successful operation of a mixed economy.

The treatment of undistributed earnings is perhaps the most difficult spot in the income tax system. Our present system, imposing two taxes on income passing through the corporation and only one on income reinvested, is un-

(Continued on page 1710)

Postwar Taxation and Economic Progress

(Continued from page 1709)

fair and an open invitation to corporate hoarding and avoidance of personal taxes. Not a few critics believe that corporate earnings should be taxed to the stockholder on a pro-rata basis when the earnings are reinvested. Undoubtedly they are right theoretically and perhaps their proposal is practical, though it is full of administrative and other difficulties and has no successful precedents anywhere.

A more conservative proposal, with some merit, seeks to eliminate the duplication in personal and corporate income taxes and the discrimination in favor of undistributed income all at one stroke. The corporate tax would be confined to a withholding levy on dividends and an advance payment upon the income retained by the corporation for reinvestment. Capital gains and losses would be treated like other income, and those "realized" by death and gift transfer would come under this rule. The resulting integration would be far from perfect; an individual with a large income would escape (temporarily, at least) by corporate reinvestment, the payment of surtaxes above the withholding rate. But the degree of integration would be much greater than at present, and duplication would be eliminated. Combined with a rigorous treatment of capital gains, such a system would be a great advance over what we now have.

All there is to tax in this country is the country's wealth and income. This is all owned or received by individuals in some form or other. Nothing can be done to reach this wealth and income by taxing corporations that cannot also be done by taxing individuals. If the desire is to tax property income or even profits alone at a higher rate than that applicable to other income, this too can be done through the individual income tax. By the use of the personal tax for most of our revenue a much fairer distribution of the total tax load can be achieved.

D. Sales Taxes

Sales taxes, special or general, are a convenient means of getting large revenues without arousing much tax-consciousness among taxpayers. However, they are the least equitable of the major alternative sources of federal revenue, and they cut into the spending power of those who must be relied upon to provide a postwar market. Some retention of these levies will probably be necessary to provide stability, diversity, and adequacy in the postwar revenue system, but they should be confined to non-essentials (liquor, tobacco, and perhaps gasoline) and should be kept to a minimum. State and local taxes are primarily regressive (resting more heavily on the little than on the large taxpayer), and the federal system should correct rather than aggravate this regressivity.

Liquor and tobacco taxes are subject to some criticism, but they probably warrant a substantial place in the future revenue system. Few people believe that cheap whiskey would be a great asset to the nation. Both liquor and tobacco are largely consumed by adults and are not a special burden on the family man. Both represent consumption that could be foregone without impairing health and decency standards.

Opposition to consumption taxes includes a negative reaction to tariffs. An additional ground for a negative conclusion in this case is that tariffs are bad for international relations. Parenthetically, it may be observed that, when we are ready for the surrender of some sovereignty to an international government, we might as well start with the rules of international trade.

E. Incentive Taxation

Many ingenious plans have been submitted by which it is proposed to use taxation to reinforce incentives rather than to undermine them. It is proposed, for example, that businesses should contribute to government according to their idle capacity and employees. Plans to levy taxes inversely to the size of the payroll or number of employees or additions to employees are very numerous. One of them was given a considerable trial in Germany before Hitler but without noteworthy success. Another popular pattern of incentive taxation is that which proposes to tax idle money or hoarding.

It seems highly doubtful that the economic virtues can be called into existence by negative treatment. People work enthusiastically to develop new ideas, and risk their fortunes on new enterprises when they have confidence in the future. That kind of confidence can hardly be engendered by taxing optimism and by showing the potential investor two ways instead of one in which he can lose his resources. Industry is a creative endeavor, and it flourishes with the enthusiasm of its participants; such enthusiasm cannot be generated by the application of a lash. Moreover, any notion that hoarding is more than a symptom of the economic problem seems quite illusory.

That the American tax system has been constructed with little regard for incentives is evident enough to anyone who takes the trouble to examine it. Mention has been made of tax-exempt securities, a case where tax privileges are given the most secure form of investment. Then there is the matter of fluctuating business and personal income. Because a person or a business happens to reap the rewards of long effort in one particular year, he or it should not be punished by the graduated scale of a progressive tax. The business that experiences alternating losses and profits should pay no higher taxes than the concern with an equivalent but steady net income.

It is true that our income tax laws now permit a carry-over of net business losses for two years. And the 1942 act permits a carry-back of such losses for an equal period—much the most generous allowance that has ever been in the American law. But from 1933 to 1938, when losses were greatest, no carry-over at all was allowed; and our present period is short compared with that of the British, who permit net losses to be carried forward for six years.

The personal income tax should provide some periodic adjustment to eliminate, or at least mitigate, the discrimination against the recipients of fluctuating as compared with stable income. This is important in the interest of both equity and incentives, and it is a condition precedent for sound and reasonable practices in the taxation of capital gains. Classifying some gains as casual (non-recurrent) and excluding them from income taxation, as in the British practice, takes hold of the problem at the wrong end. Almost all gains are casual in some degree. Casual gains should be taxed but with due regard for their casual character. The techniques of an averaging system are difficult, but a combination of a carry-over of exemptions and losses for the lower brackets and an additional privilege of averaging in the case of incomes above \$5,000 seems to offer no prohibitive difficulties. Averaging might take the form of permitting the taxpayer to sum his taxes over a period of years, calculate what his tax bill would have been if his income had been distributed evenly among these years, determine the difference between

the two, and claim the difference as a refund or tax credit.

Some use of the tax system to promote new business or small business, or both, is highly desirable. Small business is greatly handicapped at present by the inaccessibility of the capital market. It could be allowed some immunity from a tax on undistributed earnings. The full tax on capital gains would make the privilege a temporary one only. If the corporate tax is retained and no other form of aid for small business is developed, a graduated rate in the corporate levy can be employed.

There is abundant testimony from the business world that excellent junior officials of going concerns, who would have started business for themselves 25 years ago, now prefer the security of salaried jobs. They also prefer secure investments. The days of high adventure in our economic life cannot and probably should not be restored, but some element of this dynamic spirit we should seek to preserve. At least it can be said that, if it is possible to give some support to incentives through the tax system without sacrificing other important objectives, that is definitely worth doing.

There is a difference between taxing business and taxing wealth. It is not inconsistent to advocate lighter taxes on one and heavier taxes on the other. Business provides us with our tax base, from which all the social services are supported, and it provides us with jobs. We are not equally dependent upon wealth. A million dollars in the hands of Henry Kaiser is much more beneficial than a million dollars in the hands of Doris Duke.

III. State and Local Finance

As to the highly varied field of state and local finance, time permits only one or two suggestions here. States and municipalities that have been casting about for new sources of revenue and experimenting with dubious sales and gross income taxes, might consider the possibility of developing a new species of tax—a net income tax without exemptions and with no deductions except for expenses involved in creating the income. This would provide a broad base upon which a low flat rate would provide very substantial revenue. This type of tax would have important advantages over the property tax—it would be truly proportional whereas the general property tax, in practice, is regressive. The tax would not, like the more conventional form, reduce inequalities in income, but the leading role in accomplishing this purpose must be left to the Federal government. The suggested differentiation in type of levy would counteract the objection that state and local income tax development constitutes double exploitation of a field already exhaustively tilled by the Federal government. If the proposal is criticized because it includes the necessities of life in the tax base, it may be recalled that neither the property tax nor the sales tax provide any exemptions.

IV. Conclusion

Our approach to the tax problem places much emphasis on the factor of timing. The approach calls for some concessions to industrialists in the current levies of business and personal taxes. This is to give them adequate tools with which to serve the social interest in production. When they sell out (capital gains tax) or die out, the tax system will catch up with them. This supports the view that the businessman must function as a trustee and that the ladder of opportunity must be protected. It is in the in-

GOP Normalcy Means Chaos: Wallace

(Continued from first page)

dore Roosevelt. The reactionary leadership of the Republican party has long been determined never to make that mistake again. They are true to their big stockholders. To them, property always must come first. In their blind adherence to their reactionary tradition, they would never knowingly nominate a real progressive—even for purposes of winning an election. They lost out to Wendell Willkie—and to this very day, the reactionary Republican leadership fills the air with imprecations and maledictions every time the name of Wendell Willkie is mentioned.

The greatest disciple of Andrew Jackson was Franklin Delano Roosevelt.

Speaking of Andrew Jackson, Franklin Roosevelt once said: "They loved him for the enemies he made. An overwhelming proportion of the material power of the nation was arrayed against him. The great media for the dissemination of information, and the molding of public opinion, fought him. Haughty and sterile intellectualism opposed him. Hollow and outworn traditionalism shook a trembling finger at him. It seemed sometimes that all were against him—all but the people of the United States."

Those were Roosevelt's words about the immortal Jackson. But history, in repeating itself, also writes these words as an epitaph to the immortal Roosevelt.

It was just a year ago, lacking three weeks, that Franklin Roosevelt was taken from us. Our memories of him are fresh and alive. And we here tonight must resolve to keep fresh and alive the heritage he left us.

The most precious things in this heritage are the people's fight for real political and economic democracy—and the people's fight for a strong United Nations Organization to provide and maintain a peace of abundance.

These two fights have been carried on unceasingly by Franklin Roosevelt's successor—Harry Truman.

I know that at times he has felt as Roosevelt felt—that they are all against him. And as the fight becomes more intense, he will feel this more and more. But Harry Truman can find courage as well as comfort in the knowledge that he is fighting in the brave and goodly company of Jefferson, Jackson, Lincoln, Wilson and Roosevelt.

No President can hit hard in

terest of responsible business leadership and a dynamic economy.

This program may be criticized on the score that it involves shifting tax burdens from the rich to the poor. But it is not apparent that a combination of a reduced sales tax, lower tariffs, higher estate taxes, plugging loopholes, moderation of income tax rates, and the integration of personal and corporate taxes will result in a net effect of shifting taxes from the rich to the poor. And even if they did, we ought not be so exclusively absorbed with the problem of distribution (of economic rewards after taxes) that we pay no heed at all to the effect of taxes on what there is to distribute. A tax program that resulted in more income for everyone might be defended even though it did not go so far in reducing inequalities as some alternative program.

Taxation may be regarded as nothing but warfare between the rich and the poor, each seeking to shift a burden to the other. We have sought rather to develop a program in the social interest, a program that will be of advantage to all groups in the long run.

the people's cause without being reviled. But now is the time when hard blows must be struck. Now is the time for us to earn the bitter opposition of selfish men of special interests.

A Glance at Coming Election

And Mr. President, I know that you will forgive me, here, for taking a little glance ahead at Tuesday, November fifth. We can stand the reviling, the insults—yes, even the lies—if we deserve and get the people's votes on that day.

The people believe as you do, Mr. President, that atomic energy must be under civilian control—so that it may be a great blessing and not a curse. The people dislike all this talk of inevitable war. And the people don't want industrial strife.

The people want jobs that provide a decent annual income—jobs that produce a fair return to those who own the tools of production. They rejoice with you, Mr. President, that so many of the strikes have been fruitfully settled—so that we, as a nation, can now get to work on the biggest job of all—that of assuring full production and full employment. Those who put property before people naturally decry the words—full production and full employment. They say these words are merely the catch phrases of demagogues. But the great voice of the people says differently. And as Jefferson and Jackson and Roosevelt knew and understood so well, that great voice speaks true—and rings true.

Also, Mr. President, the people rejoice in your forthright statement that the policy of your Administration is steadfastly to avert even the causes that make for war. The people do not want to fight another war either with or against England or Russia—or with or against any combination of nations. They seek the open door of good neighborliness; they seek a well-founded and mutual confidence; they seek only peace. And they want to make the United Nations Organization a workable instrument to achieve these ends.

Peoples elsewhere throughout the world will demand the same from their leaders. They will demand this with a tremendous voice that arises from their combined sacrifice and suffering.

Wants Abundance for All

But to win this peace of continuous full profitable production and full gainful employment here at home—to win the peace of world cooperation based upon mutual confidence—to win the people's peace of abundance for all—we, as Democrats, must give effective and determined and fighting leadership.

We know that we cannot trust the reactionary Republican leadership to lead the Nation in this post-war period. We know what sins this leadership has committed upon the people in the name of Republican normalcy. This is the normalcy that gave us the senseless Republican tariff policies of the twenties and early thirties—and we know that the reactionary Republicans, like the Bourbons, never forget. We know that a Republican congressional victory next fall would have a gravely disturbing effect on the whole international situation—for the traditional Republican isolationist policies would inevitably lead to world disaster. We know, finally, that this brand of normalcy will lead, as always, to boom, bust—and chaos.

But if we Democrats seek to continue to lead, we must be worthy as leaders. We must be the

Truman Calls for Unity

(Continued from first page) remained as guiding principles for the Democratic Party.

More recently there appeared another champion of social justice to revive and revitalize these principles—Franklin Delano Roosevelt!

If that great humanitarian were among us today he would bring us a message of courage and faith. He would bring us a challenge to improve the lot of mankind everywhere. He would say, "Fight on!"

We of the Democratic Party must meet that challenge. Even though tremendous progress has been made, we must continue to fight on to attain our basic objectives—human freedom and human security. This is one fight which we must and will win.

Our Democratic Party became great and powerful as a progressive party—one pioneering in new social fields and determined to abolish the tragic inequities of the past.

Party Must Go Ahead

To hold our leadership, and the support of the American people, we must continually advance toward higher goals in keeping with our liberal heritage.

Political parties are the instruments through which democracy works. Our party system remains as one of the massive foundations of our liberty. Only the free play of political opposition can guarantee the survival of civil freedom.

Therefore, upon all of us rests a solemn responsibility to preserve our party system on a sound and wholesome basis. To achieve this, the leadership of all political parties must face the urgent issues frankly, and act solely in accordance with our national welfare.

Our Democratic Party has a long and proud record of achievement. But for continued success, we must live in the present and work for the future. As we seek to improve the social order, our policies must remain dynamic,

party of progress in a real two-party system—the party that offers hope of progress for all the people, regardless of color or creed. Into this party we must welcome all independent Republicans—all independent progressives everywhere—who seek progress and can not find it elsewhere.

Hits Coalition in Congress

In our own party, we have been done great harm by those who have joined in a coalition against progress—by those who wrap themselves with the traditions of Jefferson and Jackson, but whose actions belie their pretensions.

So to keep our own party on the side of progress, we must call upon those Democrats who have been harmful to our cause to return to the way of Jefferson and Jackson—and to honor our side of the fence with their "mugs" as well as their "wumps."

I say this without rancor because I spent some years on the mugwump fence myself—one of those seeking progress and who found a door to opportunity—and the door was labeled "The Democratic Party."

The Democratic party must welcome every American, white and black, who believes in the rights of man. And to continue its national leadership, it must be irrevocably committed to the ideals and the down-to-earth practicality of Jefferson, Jackson, Lincoln, Wilson and Roosevelt. Then the Democratic party can face the future unafraid—secure in the people's support. Then, we as a Nation can turn over to our children an abundant America in an abundant world—dedicated to continuous progress and to lasting peace.

ever sensitive to the impact of changing conditions.

The domestic program of this Administration has been a program to make the system of free enterprise work. The Democratic Administration has been quick to seek out the danger spots which threaten the system of free enterprise—and remove them. In a very practical sense it has made enterprise free where it was not free before and it has encouraged private competition where there was only monopoly.

We are seeking to establish higher standards of living—a new health program, a new educational and social security program, an increased minimum wage, adequate housing, a further development of our natural resources, and above all, a strong and progressive America now and for all time.

Today America is in a period of transition. The aftermath of war has brought new and pressing problems.

Sees Inflation Danger

Without question, one of the most serious of these problems is the danger of a disastrous inflation and subsequent depression in our country.

Unless we can keep prices and rents under control until we have normal production flowing from our factories, our economic stability is in peril. But we Americans have every right to be confident of our ability to check inflation and to get production going full blast. During the war, in spite of the greatest inflationary pressures in our history, we learned that the cost of living could be kept in line. We must do as well in time of peace.

Our progress toward that goal has been delayed by the technical bottlenecks that must be expected in reconverting our gigantic industrial machine from war to peacetime production.

But it is also being delayed, even more seriously, by doubt, fear and, in some cases, just plain selfishness.

Wage-Price Policy

To break both the technical and psychological bottlenecks, your Administration announced last month a new policy concerning wages and prices. That plan is now going into operation. I am confident that it will pave the way for the greatest outpouring of consumer goods that the world has ever seen. It gives all of us—businessmen, workers and farmers—assurance that wage and price adjustments will be made quickly when needed. With the knowledge that all groups in the country are assured a fair and equitable return, we can expedite our vast production job, and still hold the line against runaway rents, soaring prices and prohibitive business costs.

Whenever conflicts between selfish and national interests arise, our country must come first. We will never permit our national welfare to be wrecked upon the rock of special privilege. Only by dedicating ourselves to the principle of national unity can we keep America strong and free.

For Party Unity

And this same basic principle applies to the Democratic Party. As in the nation at large, there is diversity of opinion among us, but the fundamental principles of the Democratic Party bind us together in a unity of purpose—an inflexible determination that our Party shall advance to new and greater achievements.

In order to accomplish this, we must keep faith with the American people. They have given us grave responsibilities. And we Democrats must continue to merit the confidence of our people. This

Administration will not be found wanting!

Under our party system, political responsibility must rest with the President and with the majority in the Congress. To meet this responsibility, all our members in the Congress must cooperate wholeheartedly and help carry out our Party platform. Unless this is done, the Party program is delayed. I cannot make too strong my plea for Party unity and Party responsibility!

Under our Democratic leadership we have set a goal of 2,700,000 new homes by the end of 1947—the greatest home construction program in the history of this or any other country.

Housing Legislation

We have proposed legislation for this task. That legislation is now before the Congress. I have strongly urged its prompt enactment. In this connection, there are two proposed amendments to the pending housing measure which also are of vital importance: One to provide premium payments for expanded production of materials, the other to prevent further speculation in existing housing.

There is constant pressure for an increase in the price of building materials. No one questions that some adjustments—both up and down—are needed, if we are to complete our building program at full speed. But price increases all along the line are clearly out of the question. The price of homes already is too high.

We must stimulate home building by methods which will not send prices sky-rocketing far beyond the means of the average citizen. That is the reason for premium payments, which would be used to break bottlenecks.

The price controls we advocate are aimed specifically at halting further inflation in real estate. We urge that the future sale price of any home be made the ceiling price on that home for the duration of the emergency. Under this plan, any home-owner could sell his property in a free and open market. However, such property could not then be resold by a speculator for a higher price resulting in a quick and unearned profit.

The veterans returning from battlefronts all over the world deserve the opportunity to obtain homes—and at reasonable prices. They must not become the victims of speculators. I am satisfied that the American people intend to give them a fair break. I am convinced that the Veterans Emergency Housing program can and will succeed.

For a Balanced Budget

The problem of reconversion involves much more than a physical change-over to the production of civilian goods. Our financial policies are also being adapted to meet our new peacetime needs. These policies will help greatly in maintaining high levels of production, employment and national income.

We are on our way to a balanced budget and further reduction in the public debt. Full production, maximum employment and a high national income will make this sound program possible. In the end, that is the only way to meet the Government's financial obligations and at the same time lessen the taxpayer's burden.

No phase of economic life has been so completely disrupted as our international economic relations. During the war, the bulk of foreign trade was done by or for governments. Here, too, there must be reconversion. World trade must be restored—and it must be returned to private enterprise.

We need a world in which all countries can do business with each other, and with us. That means giving other countries a

chance to reconstruct their war-shattered lands. It also means maintaining orderly exchange arrangements through the cooperation of the United Nations. Already we have made substantial progress. Only a few days ago, at Savannah, Ga., the International Bank and the International Monetary Fund, created at Bretton Woods, became organized institutions.

The financial policies we are following are adapted to the needs of our time. I feel confident that they will help make this a strong and sound country in a free and progressive world.

The United States of America has achieved world leadership. For that result the Democratic Party, as the party of enlightened internationalism, is primarily responsible. We must maintain that leadership. And the Democratic Party must continue to lead the way.

A tremendous price has been paid for the peace and security we Americans enjoy tonight. Payment began long ago by our brave Allies, who first bore the brunt of all-out aggression. At that time, our isolationists were still debating, and almost defeating, most efforts of Democratic leaders to improve our national defenses.

I say, without any partisan rancor, the cold record clearly reveals that our political opponents voted overwhelmingly against the most essential defense measures. Of course, when subsequent events proved beyond question their shortsightedness, most of our opponents changed their policy.

Yet many Republicans, of all people, then charged the Democratic Administration with failure to prepare more adequately for events which they themselves said would never occur!

Let us be tolerant, however, of the inconsistencies of man. Let us rather concentrate upon the urgent problems before us.

U. S. Must Lead

America must lead the way to a better world order. We seek increasingly close friendship with all nations. And we shall strengthen the foundations of the United Nations. Surely, we shall never retreat merely because of dangers along the road to peace and progress. Despite opposition and all difficulties, we shall attain our goal—a prosperous and peaceful world.

At home every one of us should subordinate the differences of the past to expedite the progress of the future. Let us devote ourselves to the important problems of peace, and to the promotion of the general welfare. They go hand in hand. For without lasting peace in the world, prosperity and security at home become temporary illusions. And a repetition of such a tragedy must not occur!

The solution of the tremendous social problems of our day should not be a partisan affair. No one class, group, or party can hope to solve all the complicated problems facing America. Their solution requires the wholehearted cooperation of every element within our great country. And America will reach its high destiny only if we remain strongly united in the endless quest for justice.

Above and beyond all political considerations, Americans deeply yearn for a sound and lasting peace. Not merely the future of our political parties is at stake in the coming peace settlements. The future welfare of our country is at stake. The happiness and the lives of your children and mine are at stake. For their sake, for America, and for all humanity, let us rededicate ourselves to the noble cause of peace.

As in Jackson's time, we Americans must continue to live courageously. We should emulate the valor and the determination of our forefathers—those brave men

Famine Group to Act; Hoover in Paris for Tour of Europe

Herbert Hoover, Honorary Chairman of President Truman's Famine Emergency Committee who left by plane on Mar. 17 to visit the hunger depressed areas of Europe in an effort to determine the actual needs for assistance existing in each country which has sought aid from the United States, arrived in Paris on Mar. 19. The night before his departure Mr. Hoover made an address by radio in which he appealed to the people of this nation to cooperate to the fullest extent in the gigantic task of providing food for the starving millions. He stressed the importance of conserving the amount of grain fed to livestock and of increasing available fats. But, he added, "Even with success in these measures, we have insufficient food for all the millions of people, and every atom of increase means life and hope somewhere."

The former President also appealed to the other countries of the Western Hemisphere to join the United States in eating fewer cereals in order to provide additional food for Europe. On Mar. 12, according to Associated Press Washington advices, President Truman requested 125 citizens throughout the United States to serve on a famine emergency council to supplement the work of the committee headed by Mr. Hoover. These Americans were asked to take the lead in their organizations and communities in explaining needs and methods of food conservation.

Within the Famine Emergency Committee which consists of 13 members, an executive committee was set up on Mar. 12, composed of Chester C. Davis, Chairman; Eugene Meyer, publisher of the Washington Post, Vice Chairman; James W. Young, Miss Anna Lord Strauss and George H. Gallup. Mr. Davis is appealing to Americans to plant victory gardens again this year. In the party which accompanied Mr. Hoover to Europe was Hugh Gibson, former Ambassador to Poland and Belgium.

Before starting on his tour on March 17 Mr. Hoover said according to the New York "Times" that the present crisis was worse than that after World War I because "it involves 500,000,000 people and the last time it involved 400,000,000." The "Times" also quoted him in part as saying:

"The next four months will be the critical period. We will have a breathing spell when the harvest comes in next July in the Northern Hemisphere, so that all American efforts have to be concentrated over the next four months. The major problem is to see in what manner we can stretch the supply over the famine area. The problem is greater [than that of the last war] because the war has been longer and the agriculture of the countries in the war has degenerated for a longer period, so that the crops have been steadily less year by year."

who conquered the physical frontiers of this vast continent.

The modern economic, political, and social frontiers, which still confront all of us, offer an even greater challenge to our moral stamina and to our intellectual integrity. This challenge also must be met. This victory must be won. I am confident that, with Divine guidance, no problem on earth exists that will not yield to the intelligence, courage and eternal faith of free men.

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	U. S. Corpo- rate*	Corporate by Ratings*				Corporate by Groups*					
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.			
Mar. 26	125.56	119.82	123.99	122.50	119.41	114.08	117.20	120.22	122.29			
25	125.67	119.82	123.99	122.50	119.41	114.08	117.20	120.22	122.29			
24	125.74	119.82	123.99	122.50	119.41	114.08	117.20	120.22	122.29			
23	125.74	119.82	123.77	122.29	119.41	114.08	117.20	120.22	122.09			
22	125.74	119.82	123.77	122.29	119.41	114.08	117.20	120.22	122.09			
21	125.77	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
20	125.80	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
19	125.80	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
18	125.80	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
17	125.80	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
16	125.80	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
15	125.80	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
14	125.80	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
13	125.81	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
12	125.81	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
11	125.86	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
10	125.86	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
9	125.86	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
8	125.81	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
7	125.81	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
6	125.81	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
5	125.81	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
4	125.81	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
3	125.84	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
2	125.84	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
1	125.84	119.61	123.56	122.29	119.00	114.08	116.80	120.22	122.09			
Feb. 21	126.02	120.22	123.34	121.88	119.00	114.27	116.41	120.22	122.09			
15	126.14	119.61	123.56	121.88	119.00	114.27	116.41	120.22	122.09			
8	126.15	119.61	123.34	121.88	119.00	114.27	116.41	120.22	122.09			
1	126.15	119.61	123.34	121.88	119.00	114.27	116.41	120.22	122.09			
Jan. 25	126.28	119.00	123.12	121.46	118.80	113.50	115.82	119.41	122.29			
18	126.06	119.00	123.12	121.46	118.80	113.50	115.82	119.41	122.29			
11	126.11	118.20	122.69	120.63	118.20	112.56	115.04	118.40	121.46			
4	126.11	118.20	122.69	120.63	118.20	112.56	115.04	118.40	121.46			
High 1946	126.28	119.82	123.99	122.50	119.41	114.37	116.68	117.80	120.84			
Low 1946	124.97	117.60	121.46	119.82	117.40	112.19	114.46	117.80	120.63			
1 Year Ago	122.16	115.04	121.04	118.60	114.85	106.21	111.25	114.27	119.41			
Mar. 26, 1945	119.80	111.44	118.20	116.61	111.44	100.81	104.83	113.89	116.41			

MOODY'S BOND YIELD AVERAGES (Based on Individual Closing Prices)												
1946— Daily Averages	U. S. Govt. Bonds	U. S. Corpo- rate*	Corporate by Ratings*				Corporate by Groups*					
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.			
Mar. 26	1.36	2.66	2.46	2.53	2.68	2.95	2.79	2.64	2.54			
25	1.36	2.66	2.46	2.53	2.68	2.95	2.79	2.64	2.54			
24	1.36	2.66	2.46	2.53	2.68	2.95	2.79	2.64	2.54			
23	1.35	2.66	2.47	2.54	2.68	2.95	2.79	2.64	2.55			
22	1.35	2.66	2.47	2.53	2.69	2.95	2.80	2.64	2.55			
21	1.35	2.67	2.48	2.54	2.70	2.95	2.81	2.64	2.55			
20	1.35	2.67	2.48	2.54	2.70	2.94	2.80	2.64	2.55			
19	1.35	2.67	2.48	2.54	2.70	2.94	2.80	2.64	2.55			
18	1.35	2.66	2.47	2.53	2.69	2.94	2.80	2.64	2.54			
17	1.35	2.66	2.47	2.54	2.69	2.94	2.80	2.64	2.54			
16	1.34	2.66	2.47	2.54	2.69	2.94	2.81	2.64	2.54			
15	1.34	2.66	2.47	2.54	2.69	2.94	2.81	2.64	2.54			
14	1.34	2.66	2.47	2.54	2.69	2.93	2.80	2.64	2.54			
13	1.34	2.66	2.47	2.54	2.69	2.93	2.80	2.64	2.54			
12	1.34	2.66	2.47	2.54	2.69	2.93	2.80	2.64	2.54			
11	1.34	2.66	2.47	2.53	2.69	2.93	2.81	2.63	2.53			
10	1.34	2.66	2.47	2.53	2.69	2.93	2.81	2.63	2.53			
9	1.34	2.66	2.48	2.53	2.69	2.93	2.81	2.63	2.54			
8	1.34	2.66	2.48	2.53	2.69	2.93	2.81	2.63	2.54			
7	1.34	2.66	2.48	2.54	2.69	2.93	2.81	2.64	2.54			
6	1.34	2.66	2.48	2.54	2.69	2.93	2.81	2.64	2.54			
5	1.34	2.66	2.48	2.54	2.69	2.93	2.81	2.64	2.54			
4	1.34	2.66	2.48	2.54	2.69	2.93	2.81	2.64	2.54			
3	1.34	2.67	2.48	2.56	2.69	2.94	2.82	2.64	2.54			
2	1.34	2.67	2.48	2.56	2.69	2.94	2.82	2.64	2.55			
1	1.34	2.67	2.48	2.56	2.69	2.94	2.82	2.64	2.55			
Feb. 21	1.33	2.67	2.49	2.56	2.70	2.94	2.83	2.64	2.55			
15	1.32	2.67	2.48	2.56	2.69	2.94	2.83	2.64	2.55			
8	1.32	2.67	2.49	2.56	2.69	2.94	2.83	2.65	2.54			
1	1.33	2.69	2.49	2.58	2.71	2.98	2.86	2.68	2.54			
Jan. 25	1.31	2.70	2.50	2.59	2.70	2.99	2.87	2.68	2.54			
18	1.33	2.72	2.53	2.61	2.72	3.01	2.89	2.71	2.55			
11	1.32	2.74	2.55	2.62	2.74	3.03	2.90	2.73	2.56			
4	1.38	2.76	2.57	2.66	2.77	3.04	2.92	2.76	2.61			
High 1946	1.40	2.77	2.58	2.66	2.78	3.05	2.93	2.76	2.62			
Low 1946	1.31	2.66	2.46	2.53	2.68	2.93	2.79	2.63	2.53			
1 Year Ago	1.65	2.90	2.60	2.72	2.91	3.38	3.10	2.94	2.68			
Mar. 26, 1945	1.83	3.09	2.74	2.82	3.09	3.70	3.46	2.96	2.83			

*These prices are computed from average yields on the basis of one "typical" bond level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

Electric Output for Week Ended March 23, 1946

8.7% 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 March 23, 1946, was 4,017,310,000 kwh., which compares with 4,401,716,000 kwh. in the corresponding week a year ago, and 3,987,877,000 kwh. in the week ended March 16, 1946. The output for the week ended March 23, 1946 was 8.7% below that of the same week in 1945.

Major Geographical Divisions—	PERCENTAGE DECREASE UNDER SAME WEEK LAST YEAR			
	March 23	March 16	March 9	March 2
New England	6.1	4.2	5.1	1.9
Middle Atlantic	3.6	3.0	5.7	4.3
Central Industrial	13.6	13.5	15.7	15.9
West Central	8.7	1.2	2.4	1.9
Southern States	8.9	9.9	11.9	11.8
Rocky Mountain	8.0	11.2	1.6	8.1
Pacific Coast	10.8	13.4	13.4	13.1
Total United States	8.7	9.3	11.1	10.6

Week Ended—	DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)				
	1945	1944	1943	1932	1929
Dec. 1	4,042,915	4,524,237	4,560,158	1,518,922	1,806,225
Dec. 8	4,096,954	4,538,012	4,566,905	1,563,384	1,840,863
Dec. 15	4,154,061	4,563,079	4,612,994	1,554,473	1,860,021
Dec. 22	4,239,376	4,616,975	4,625,010	1,414,710	1,637,583
Dec. 29	3,756,942	4,225,614	4,337,287	1,619,265	1,542,000

Week Ended—	% Change under 1945				
	1945	1944	1943	1932	1929
Jan. 5	3,865,362	4,427,281	4,567,959	1,602,482	1,733,810
Jan. 12	4,163,206	4,614,334	4,539,083	1,598,201	1,736,721
Jan. 19	4,145,116	4,588,214	4,531,662	1,586,967	1,717,315
Jan. 26	4,034,365	4,576,713	4,523,763	1,586,853	1,728,208
Feb. 2	3,962,775	4,538,552	4,524,134	1,578,217	1,726,161
Feb. 9	3,983,493	4,505,269	4,532,730	1,545,459	1,718,304
Feb. 16	3,948,620	4,472,238	4,444,939	1,512,158	1,687,229
Feb. 23	3,922,796	4,473,962	4,464,686	1,538,452	1,705,719
March 2	4,000,119	4,472,110	4,425,330	1,537,747	1,687,229
March 9	3,952,539	4,446,136	4,409,159	1,480,208	1,683,262
March 16	3,987,877	4,397,529	4,409,159	1,480,208	1,679,589
March 23	4,017,310	4,401,716	4,408,703	1,465,076	1,633,291

Civil Engineering Construction Totals \$105,931,000 for Week

Civil engineering construction volume in continental United States totals \$105,931,000 for the week ending March 21, 1946 as reported to "Engineering News-Record." This volume is 42% above the previous week, 349% above the corresponding week of last year, and 9% above the previous four-week moving average. The report issued on March 21 continued as follows:

Private construction this week, \$53,650,000 is 17% above last week and 905% above the week last year. Public construction, 81% greater than last week and 180% above the week last year. State and municipal construction 59% greater than last week, is also 1,004% above the 1945 week. Federal construction, 150% above last week and 14% above the week last year.

Total engineering construction for the twelve-week period of 1946 records a cumulative total of \$845,371,000, 147% above the total for a

Daily Average Crude Oil Production for Week Ended March 16, 1946 Increased 11,200 Bbls.

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended March 16, 1946, was 4,414,550 barrels, an increase of 11,200 barrels per day over the preceding week. The current figure, however, was 359,365 barrels per day less than in the corresponding week of 1945, and was 35,450 barrels below the daily average figure of 4,450,000 barrels estimated by the United States Bureau of Mines as the requirements for the month of March, 1946. Daily production for the four weeks ended March 16, 1946 averaged 4,564,450 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 4,607,000 barrels of crude oil daily and produced 13,850,000 barrels of gasoline; 2,168,000 barrels of kerosine; 5,655,000 barrels of distillate fuel, and 3,382,000 barrels of residual fuel oil during the week ended March 16, 1946; and had in storage at the end of the week 104,781,000 barrels of finished and unfinished gasoline; 8,466,000 barrels of kerosine; 25,747,000 barrels of distillate fuel, and 37,767,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

State	*B. of M. Calculated Requirements	State Allowables	Actual Production		4 Weeks Ended	Week Ended
			Week Ended	Change from Previous Week		
Oklahoma	366,000	359,525	1,371,500	- 10,059	383,150	368,950
Kansas	252,000	245,200	2,527,750	+ 3,050	252,050	271,300
Nebraska	800	---	1,800	---	50	950
Panhandle Texas	---	---	81,000	---	81,000	88,000
North Texas	---	---	146,050	---	151,850	149,300
West Texas	---	---	436,350	---	469,900	477,400
East Central Texas	---	---	127,500	---	136,850	146,700
East Texas	---	---	317,400	---	319,200	381,000
Southwest Texas	---	---	290,200	---	323,200	352,150
Coastal Texas	---	---	418,800	---	481,400	564,450
Total Texas	1,910,000	1,791,553	1,817,500	---	1,963,400	2,159,000
North Louisiana	---	---	82,550	+ 250	82,400	70,150
Coastal Louisiana	---	---	293,350	---	291,100	295,650
Total Louisiana	372,000	406,454	375,900	+ 250	373,500	365,800
Arkansas	76,000	79,603	77,000	---	77,250	80,300
Mississippi	52,000	---	55,100	---	54,600	51,500
Alabama	600	1,000	---	---	1,000	250
Florida	---	100	---	---	100	15
Illinois	198,000	---	206,150	- 1,700	209,400	181,950
Indiana	13,000	---	17,900	---	18,300	10,300
Eastern (Not incl. Ill., Ind., Ky.)	61,200	---	65,100	+ 1,200	64,250	66,800
Kentucky	29,000	---	32,150	+ 1,550	30,850	14,200
Michigan	46,000	---	43,250	- 1,850	44,100	50,100
Wyoming	94,000	---	110,300	+ 7,600	105,500	105,600
Montana	20,400	---	20,150	+ 1,050	19,350	20,650
Colorado	23,000	---	25,400	- 2,800	25,350	9,900
New Mexico	98,000	106,000	95,600	---	97,000	103,850
Total East of Calif.	3,612,000	---	3,567,650	+ 1,800	3,719,700	3,861,415
California	838,000	824,000	846,900	+ 9,400	844,750	912,500
Total United States	4,450,000	---	4,414,550	+ 11,200	4,564,450	4,773,915

*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 March. 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., Mar. 13, 1946.

‡This is the net basic allowable as of March 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of those fields which were exempted entirely the entire state was ordered shut down for 10 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 10 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 MARCH 16, 1946

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District	% Daily Report'g	Crude Runs to Stills	Gasoline Produced at Ref.	Unfin. Gasoline	Kerosine	Stks. of Gas Oil	Stks. of Fuel Oil	% Stks. of Resid. Fuel Oil
East Coast	99.5	763	96.5	1,587	23,305	3,964	7,926	6,093
Appalachian	---	---	---	---	---	---	---	---
District No. 1	76.8	92	63.0	320	2,856	161	396	255
District No. 2	81.2	59	118.0	219	1,200	25	81	284
District No. 3	87.2	751	87.6	2,562	24,213	1,129	3,100	3,043
Ind., Ill., Ky.	78.3	392	83.6	1,295	9,892	389	1,438	959
Okla., Kan., Mo.	59.8	203	61.5	873	3,091	292	300	629
Inland Texas	89.3	1,091	88.2	3,653	15,669	1,094	4,262	4,062
Texas Gulf Coast	96.8	301	115.8	837	4,427	499	1,189	1,179
Lo., La. & Arkansas	55.9	58	46.0	151	1,891	216	451	245
Rocky Mountain	---	---	---	---	---	---	---	---
District No. 3	17.1	14	107.7	44	105	20	31	33
District No. 4	72.1	122	76.7	392	2,386	102	384	563
California	86.5	761	78.7	1,917	15,746	575	6,189	20,422
Total U. S. B. of M. Basis Mar. 13, 1946	85.7	4,607	85.2	13,850	104,781	8,466	25,747	37,767
Total U. S. B. of M. Basis Mar. 9, 1945	85.7	4,656	86.1	13,669	104,901	8,108	25,131	38,388
U. S. B. of M. Basis Mar. 17, 1945	---	4,751	---	14,728	198,405	6,617	25,874	43,243

*Includes unfinished gasoline stocks of 8,522,000 barrels. †Includes unfinished gasoline stocks of 12,110,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 2,168,000 barrels of kerosine, 5,655,000 barrels of gas oil and distillate fuel oil and 3,382,000 barrels of residual fuel oil produced during the week ended March 16, 1946, which compares with 2,276,000 barrels, 5,929,000 barrels and 8,779,000 barrels, respectively, in the preceding week and 1,639,000 barrels, 4,640,000 barrels and 8,706,000 barrels, respectively, in the week ended March 17, 1945.

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite in the week ended March 16, 1946, as estimated by the United States Bureau of Mines, was 13,180,000 net tons, an increase of 120,000 tons, or 0.9% over the preceding week. Output in the week ended March 17, 1945 amounted to 11,912,000 tons. From Jan. 1 to March 16, 1946, soft coal production totaled 134,349,000 net tons, an increase of 3.8% when compared with the 129,481,000 tons produced in the period from Jan. 1 to March 17, 1945.

Production of Pennsylvania anthracite for the week ended March 16, 1946, as estimated by the Bureau of Mines, was 1,276,000 tons, an increase of 78,000 tons (6.5%) over the preceding week. When compared with the output in the corresponding week of 1945 there was an increase of 62,000 tons, or 5.1%. The calendar year to date shows an increase of 10.1% when compared with the corresponding period of 1945.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended March 16, 1946 showed an increase of 3,500 tons when compared with the output for the week ended March 9, 1946; but was 20,800 tons less than for the corresponding week of 1945.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE

	Week Ended			Jan. 1 to Date	
	Mar. 16, 1946	Mar. 9, 1946	Mar. 17, 1945	Mar. 16, 1946	Mar. 17, 1945
Bituminous coal & lignite	13,180,000	13,060,000	11,912,000	134,349,000	129,481,000
Total, including mine fuel	2,197,000	2,177,000	1,985,000	2,096,000	1,974,000
Daily average	2,197,000	2,177,000	1,985,000	2,096,000	1,974,000

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

	Week Ended			Calendar Year to Date	
	Mar. 16, 1946	Mar. 9, 1946	Mar. 17, 1945	Mar. 16, 1946	Mar. 17, 1945
Penn. Anthracite	1,276,000	1,198,000	1,214,000	12,651,000	11,493,000
*Total incl. coll. fuel	1,225,000	1,150,000	1,165,000	12,144,000	11,033,000
†Commercial produc.	1,225,000	1,150,000	1,165,000	12,144,000	11,033,000
Beehive coke	106,400	102,500	127,200	972,500	1,223,000
United States	106,400	102,500	127,200	972,500	1,223,000

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery coal. ‡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 loadings 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		
	Mar. 9, 1946	Mar. 2, 1946	Mar. 10, 1945
Alabama	447,000	421,000	365,000
Alaska	7,000	7,000	7,000
Arkansas and Oklahoma	112,000	102,000	80,000
Colorado	159,000	155,000	174,000
Georgia and North Carolina	1,000	1,000	1,000
Illinois	1,653,000	1,572,000	1,463,000
Indiana	550,000	568,000	479,000
Iowa	30,000	45,000	40,000
Kansas and Missouri	121,000	152,000	148,000
Kentucky—Eastern	1,146,000	1,113,000	898,000
Kentucky—Western	476,000	478,000	318,000
Maryland	48,000	46,000	3,000
Michigan	3,000	3,000	107,000
Montana (bitum. & lignite)	91,000	97,000	33,000
New Mexico	30,000	67,000	48,000
North & South Dakota (lignite)	61,000	767,000	437,000
Ohio	825,000	2,974,000	2,343,000
Pennsylvania (bituminous)	2,937,000	163,000	126,000
Tennessee	172,000	1,000	2,000
Texas (bituminous & lignite)	147,000	148,000	137,000
Utah	405,000	388,000	345,000
Virginia	25,000	24,000	29,000
Washington	2,296,000	2,207,000	2,082,000
West Virginia—Southern	1,130,000	1,006,000	915,000
West Virginia—Northern	187,000	183,000	197,000
Wyoming	---	---	---
Other Western States	---	---	---
Total bituminous & lignite	13,060,000	12,720,000	10,810,000

†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.

Non-Ferrous Metals—Foreign Copper Higher—Revised Lead Order Further Limits Consumption

"E. & M. J. Metal and Mineral Markets," in its issue of March 21, stated:

"The movement of major non-ferrous metals continues at a reduced rate, owing to strikes that have shut down numerous important units in the copper and lead industries. The pinch in copper is being felt largely in a shortage of wirebars. In reference to lead, both imports and domestic production have been reduced sharply.

Resumption of galvanizing is reflected in an enlarged demand for Prime Western zinc. With the demand for foreign copper in the open market expanding sales are being closed at higher prices. This development is reflected in current quotations for foreign metal issued weekly by E. & M. J. Quicksilver advanced \$1 per flask." The publication further went on to say in part as follows:

Copper

Strikes at mines, smelters, and refineries have reduced the flow of specifiable shapes of copper, particularly in so far as wirebars are concerned. In an effort to avoid a strike at the mines of Phelps Dodge, OPA offered to review the price situation in copper. This caused much speculation on whether the ceiling price would be raised in the not distant future, and buyers were eager to place whatever business they could. In other words, demand was active, but offerings remained light because of the labor situation.

Though "bulk" buying of foreign copper by governments is likely to continue for some time, the volume of business transacted daily in foreign copper in the free market has been expanding since the beginning of the year. This volume has attained proportions that again make it possible to establish a "world price" that can be accepted as a measure of value for copper sold outside of the United States. Effective March 14, our export quotation for copper reflects prices obtained by producers in the open market. Average prices for the calendar week ended March 16, 1946, were: Domestic copper f. o. b. refinery, 11.775 cents and export copper f. o. b. refinery, 11.821 cents. On March 20, export copper was 11.925 cents.

Lead

The revised lead order further limiting consumption has been completed, the industry believes, and its contents will be divulged by CPA shortly. In view of the strike situation, the industry is struggling with the more immediate problems of supply that are

greatly restricting business regardless of what the order will show.

Consumers last week asked for a large tonnage of foreign lead for April, probably more than 40,000 tons, but it is highly probable that not more than 12,000 tons will be released by the Government. Imports have been light, also due to labor troubles, and the stockpile is down to around 41,000 tons. Sales of lead during the last week totaled 2,108 tons.

Zinc

With galvanizing operations expanding, demand for Prime Western zinc is improving, and most sellers reported a good week's business. Special High Grade, as for some time past, continues in excellent demand. Grades used in brass making remain inactive.

The Government's stockpile of slab zinc at the end of February amounted to 260,044 tons, which compares with 260,702 tons a month previous.

Tin

The Metals Reserve stockpile at the end of February contained 57,440 tons of tin, which compares with 56,016 tons a month previous. The stockpile consists of 24,254 tons of pig tin and 33,186 tons of tin contained in concentrates.

Straits quality tin for shipment, in cents per pound, was nominally as follows:

	March	April	May
March 14	52.000	52.000	52.000
March 15	52.000	52.000	52.000
March 16	52.000	52.000	52.000
March 19	52.000	52.000	52.000
March 20	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c per pound.

Quicksilver

The market was firm in all directions, with some sellers now offering spot metal except in small lots under present conditions. Growing uncertainty over the political situation in Spain is viewed as a disturbing factor by several operators. Others believe that demand here will improve sufficiently to make for a continued tight spot position until domestic production can be increased. Italian producers are not anxious sellers. Recent activity in quicksilver in this market involved larger supplies than first reported, reducing supplies in weak hands to a minimum. Demand was fair throughout the week that ended yesterday, with sales covering round lots at \$104 and \$104.50 per flask. As the week ended quotations ranged from \$104 to \$107, depending on quantity and seller.

Silver

The Treasury loaned a total of 1,226,000,000 oz. of silver to war projects through the Office of Defense Plants. So far, 24,000,000 oz. have been returned to the Treasury. About one-third of the silver was loaned to war plants.

This dispute over silver prices continues. Senator McCarran (Nev.) has introduced a bill which would fix the sum paid to miners at 80% of the monetary value of silver, which would establish the price at slightly more than \$1.03 an ounce troy. He believes that his proposal may lead to a compromise.

Senator Green (R.I.) predicted the Senate Appropriations Committee will approve and the Senate will pass his proposal, submitted as an amendment to the Treasury-Post Office bill, which calls for the sale of surplus Treasury silver at 71.11c for two years.

The New York Official quotation for foreign silver was unchanged last week at 70 3/4c. London was unchanged at 44d.

Trading on New York Exchanges

The Securities and Exchange Commission made public on March 20 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 Mar. 2, 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 Mar. 2 (in round-lot transactions) totaled 3,429,122 shares, which amount was 17.32% of the total transactions on the Exchange of 9,895,830 shares. This compares with member trading during the week ended Feb. 23 of 2,816,210 shares, or 16.57% of the total trading of 8,515,570 shares.

On the New York Curb Exchange, member trading during the week ended Mar. 2, amounted to 913,410 shares, or 13.74% of the total volume on that Exchange of 3,324,875 shares. During the week ended Feb. 23 trading for the account of Curb members of 873,695 shares was 13.53% of the total trading of 3,229,180 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)
WEEK ENDED MARCH 2, 1946

A. Total Round-Lot Sales:		Total for Week	%
Short sales	248,110		
Other sales	9,647,720		
Total sales		9,895,830	
B. 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	1,141,130		
Short sales	148,100		
Other sales	1,019,060		
Total sales		1,167,160	11.66
2. Other transactions initiated on the floor—			
Total purchases	159,910		
Short sales	11,800		
Other sales	208,800		
Total sales		220,600	1.92
3. Other transactions initiated off the floor—			
Total purchases	338,837		
Short sales	23,200		
Other sales	378,285		
Total sales		401,485	3.74
4. Total—			
Total purchases	1,639,877		
Short sales	183,100		
Other sales	1,606,145		
Total sales		1,789,245	17.32

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)
WEEK ENDED MARCH 2, 1946

A. Total Round-Lot Sales:		Total for Week	%
Short sales	31,265		
Other sales	3,293,610		
Total sales		3,324,875	
B. Round-Lot Transactions for Account of Members:			
1. Transactions of specialists in stocks in which they are registered—			
Total purchases	326,110		
Short sales	14,060		
Other sales	304,315		
Total sales		318,375	9.69
2. Other transactions initiated on the floor—			
Total purchases	59,645		
Short sales	5,800		
Other sales	55,550		
Total sales		61,350	1.82
3. Other transactions initiated off the floor—			
Total purchases	60,315		
Short sales	9,700		
Other sales	77,915		
Total sales		87,615	2.23
4. Total—			
Total purchases	446,070		
Short sales	29,560		
Other sales	437,780		
Total sales		467,340	13.74
C. Odd-Lot Transactions for Account of Specialists—			
Customers' short sales	0		
Customers' other sales	123,220		
Total purchases		123,220	
Total sales		149,450	

*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."

Wholesale Prices Rose 0.2% in Week Ended March 16, Labor Department Reports

Average primary market prices reached a new postwar high during the week ended March 16, 1946, with an advance of 0.2% in the index of commodity prices prepared by the Bureau of Labor Statistics, U. S. Department of Labor. In reporting this on March 21, the Bureau stated that "at 108.4% of the 1926 average, the index was 1.1% above a month ago and 3.1% higher than the corresponding week of last year." The Bureau's advices continued:

"Farm Products and Foods — Prices of farm products declined 0.6% during the week largely because of lower prices for fresh fruits and vegetables, while prices of foods rose 0.3% reflecting the increase in OPA ceilings for meats allowed as a result of increases for packing house workers. Sheep quotations were lower while prices for cows and steers were higher in a strong market. Prices of oranges declined with poor quality offerings. Potatoes, onions, and apples rose seasonally. Lemons were higher with improved quality. Rye quotations were lower. Cotton quotations declined reflecting heavy selling by the Commodity Credit Corporation. The group index for farm products was 1.6% above mid-February 1946 and 4.5% above a year ago.

"Foods were 1.4% above four weeks earlier and 4.7% higher than mid-March 1945. Price increases for meats during the week

ranged from 1% to nearly 7%, with the average up 1.9%. Lard prices rose with increased OPA ceilings and rye flour was higher.

"Other Commodities—All commodities other than farm products and foods increased 0.3% during the week to a level 0.8% above mid-February 1946 and 2.5% above a year ago. Most of the increases followed upward adjustments in OPA ceilings. Lumber quotations advance 5.5% reflecting sharply higher prices for douglas fir sizes used in residential construction and increases for southern pine, both allowed by OPA to encourage production. Prices of pig iron rose as higher ceilings were allowed by OPA to cover increased costs; brass sheets, lavatories and farm machinery also were up with increased ceilings. There were small advances for wool rugs, reflecting OPA ceiling adjustments for individual manufacturers in addition to the industry wide increase allowed in January. Prices of ergot, common brick and Portland cement were higher."

The Labor Department included the following notation in its report:

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 Feb. 16, 1946 and March 17, 1946, and (2) percentage changes in subgroup indexes from March 9, 1946 to March 16, 1946.

CHANGES IN WHOLESALE PRICES BY COMMODITY GROUPS FOR THE WEEK ENDED MARCH 16, 1946

Commodity group—	Percentage changes to Mar. 16, 1946, from—					
	3-16	3-9	3-2	2-16	3-17	2-16
All commodities	108.4	103.2	107.6	107.2	105.1	+0.2 +1.1 +3.1
Farm products	133.1	133.9	130.7	131.0	127.4	-0.6 +1.5 +4.5
Foods	109.5	109.2	107.9	108.0	104.6	+0.3 +1.4 +4.7
Hides and leather products	120.1	120.1	120.1	118.2	0	0 0 +1.6
Textile products	101.9	101.9	101.4	101.1	99.2	0 +0.6 +2.7
Fuel and lighting materials	85.4	85.4	85.4	85.7	83.9	0 -0.4 +1.8
Metal and metal products	107.7	107.8	107.8	105.8	104.3	-0.1 +1.8 +3.3
Building materials	123.3	121.1	121.0	120.0	116.9	+1.8 +2.8 +5.5
Chemicals and allied products	96.0	96.0	96.0	95.9	94.9	0 +0.1 +1.2
Household furnishings goods	108.4	108.3	108.0	106.8	106.2	+0.1 +1.5 +2.1
Miscellaneous commodities	95.4	95.4	95.4	95.4	94.4	0 0 +1.0
Raw materials	121.0	121.4	119.5	119.7	116.3	-0.3 +1.1 +4.0
Semi-manufactured articles	99.7	99.6	99.6	98.5	94.9	+0.1 +1.2 +5.1
Manufactured products	104.3	103.8	103.7	103.2	101.8	+0.5 +1.1 +2.5
All commodities other than farm products	103.0	102.6	102.5	102.0	100.3	+0.4 +1.6 +2.7
All commodities other than farm products and foods	101.9	101.6	101.5	101.1	99.4	+0.3 +0.8 +2.5

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM MARCH 9, 1946 TO MARCH 16, 1946

Subgroup	Increases		1946
	3-16	3-9	
Lumber	5.5	Meats	1.9
Non-ferrous metals	0.5	Cement	0.2
Brick and tile	0.1	Drugs and pharmaceuticals	0.1
Farm machinery	0.1	Other foods	0.1
Plumbing and heating			0.1
Decreases			
Fruits and vegetables	1.3	Other farm products	0.9
Livestock and poultry			0.3

National Fertilizer Association Commodity Price Index Records New High 3rd Consecutive Week

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on March 25, advanced 0.6%, to 144.4 in the week ended March 23, 1946, from 143.6 in the preceding week. This is the third consecutive week that a new high point has been recorded for the index and it is now 1.5% higher than it was at the beginning of this year. A month ago the index stood at 142.1, and a year ago at 140.1, all based on the 1935-1939 average as 100. The Association's report went on to say:

There were advances in five of the composite groups of the index with three of the five reaching new high points. The food group registered the largest increase during the latest week with higher prices for bread, oranges, potatoes, dressed beef, lamb and pork. The farm products group advanced to its level of Dec. 15, 1945, with the three subgroups all sharing in the advance. Higher quotations for cotton took the index to a new high point. The grain index also advanced to a new high reflecting higher quotations for rye and barley. The livestock index advanced slightly due to an increase in good cattle and lamb prices. The textile group advanced to a new high point, principally because of higher prices for cotton yarns, and cotton goods. The metal index, reaching a new high point, advanced slightly because of the higher prices for pig iron. The farm machinery index advanced fractionally, reaching a new high level. All other groups in the index remained unchanged.

During the week 16 price series in the index advanced and none declined; in the preceding week 13 advanced and four declined; in the second preceding week 13 advanced and three declined.

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 Ago	Year Ago
		Week Mar. 23, 1946	Week Mar. 16, 1946		
25.3	Foods	144.0	141.9	141.5	141.6
	Fats and Oils	147.4	147.4	146.6	145.3
	Cottonseed Oil	163.1	163.1	163.1	163.1
23.0	Farm Products	173.2	172.5	169.7	166.1
	Cotton	254.1	251.8	247.8	207.3
	Grains	173.5	172.4	169.9	163.7
	Livestock	160.5	160.2	157.1	160.3
17.3	Fuels	126.5	126.5	128.7	130.4
10.8	Miscellaneous commodities	134.3	134.3	133.9	133.4
8.2	Textiles	165.4	163.7	161.3	156.1
7.1	Metals	117.1	116.9	110.2	104.7
6.1	Building materials	167.8	167.8	161.3	154.2
1.3	Chemicals and drugs	127.2	127.2	127.2	125.4
3	Fertilizer materials	118.2	118.2	118.2	118.3
3	Fertilizers	119.8	119.8	119.8	119.9
3	Farm machinery	105.3	105.2	105.2	104.8
100.0	All groups combined	144.4	143.6	142.1	140.1

*Indexes on 1926-1928 base were: March 23, 1946, 112.5; March 16, 1946, 111.9; and March 24, 1945, 109.1.

Result of Treasury Bill Offering

The Secretary of the Treasury announced on March 25 that the tenders for \$1,300,000,000 or thereabout of 91-day Treasury bills to be dated March 28 and to mature June 27, which were offered on March 22, were opened at the Federal Reserve Banks on March 25. Total applied for \$1,984,509,000. Total accepted, \$1,312,401,000 (includes \$44,768,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905+; equivalent rate of discount approximately 0.375% per annum. Range of accepted competitive bids: High, 99.908, equivalent rate of discount approximately 0.364% per annum. Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

(61% of the amount bid for at the low price was accepted.) There was a maturity of a similar issue of bills on March 28 in the amount of \$1,304,361,000.

As a means of attracting more volunteers to the armed services, both the Secretary of War, Robert P. Patterson and the Secretary of the Navy, James Forrestal, on Mar. 20 recommended to a subcommittee of the Senate Military Affairs Committee that a 20% increase be allowed in the pay of service men of all ranks. Mr. Patterson, according to the report from Washington to the New York "Times", urged a rise for enlisted men "to a level more comparable to business and industrial standards", and he pointed out that the money was needed immediately "to alleviate an undesirable situation which has been made more acute by the recent rise in living costs and civilian scales of pay."

Armed Service Pay Increase Urged

Mr. Forrestal expressed the opinion that the entire structure of service pay could be overhauled only after a year's study had been devoted to the task, which, he added, could best be done by civilians.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on March 20, a summary for the week ended Mar. 9 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 March 9, 1946		Total
Odd-Lot Sales by Dealers—		For Week
(Customers' purchases)		
Number of Orders	28,310	
Number of Shares	834,073	
Dollar Value	\$38,079,811	
Odd-Lot Purchases by Dealers—		
(Customers' sales)		
Number of Orders	77	
Customers' short sales	77	
Customers' other sales	25,120	
Customers' total sales	25,197	
Number of Shares	2,538	
Customers' short sales	699,623	
Customers' other sales	702,061	
Customers' total sales	\$31,419,276	
Round-Lot Sales by Dealers—		
Number of Shares	100	
Short sales	129,000	
Other sales	129,160	
Round-Lot Purchases by Dealers—		
Number of Shares	287,860	
*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."		

Revenue Freight Car Loadings During Week Ended March 16, 1946 Increased 13,680 Cars

Loading of revenue freight for the week ended March 16, 1946, totaled 799,882 cars, the Association of American Railroads announced on March 21. This was a decrease below the corresponding week of 1945 of 16,674 cars, or 2.0%, but an increase above the same week in 1944 of 14,687 cars or 1.9%.

Loading of revenue freight for the week of March 16, increased 13,680 cars or 1.7% above the preceding week.

Miscellaneous freight loading totaled 359,049 cars, an increase of 9,828 cars above the preceding week, but a decrease of 46,419 cars below the corresponding week in 1945.

Loading of merchandise less than carload lot freight totaled 123,018 cars, an increase of 995 cars above the preceding week, and an increase of 14,440 cars above the corresponding week in 1945.

Coal loading amounted to 188,469 cars, an increase of 761 cars above the preceding week, and an increase of 18,760 cars above the corresponding week in 1945.

Grain and grain products loading totaled 48,354 cars, an increase of 1,194 cars above the preceding week and an increase of 4,284 cars above the corresponding week in 1945. In the Western Districts alone, grain and grain products loading for the week of March 16 totaled 32,975 cars, an increase of 337 cars above the preceding week and an increase of 4,153 cars above the corresponding week in 1945.

Livestock loading amounted to 15,193 cars, a decrease of 12 cars below the preceding week, but an increase of 846 cars above the corresponding week in 1945. In the Western Districts alone loading of livestock for the week of March 16 totaled 11,541 cars, an increase of 57 cars above the preceding week, and an increase of 658 cars above the corresponding week in 1945.

Forest products loading totaled 42,273 cars, an increase of 238 cars above the preceding week, and an increase of 369 cars above the corresponding week in 1945.

Ore loading amounted to 10,380 cars, an increase of 561 cars above the preceding week, but a decrease of 6,700 cars below the corresponding week in 1945.

Coke loading amounted to 13,146 cars, an increase of 115 cars above the preceding week, but a decrease of 2,254 cars below the corresponding week in 1945.

All districts reported decreases compared with the corresponding week in 1945 except the Pocahontas, Southern, and Northwestern, and all reported decreases compared with 1944, except the Eastern, Pocahontas, Southern, Northwestern and Centralwestern.

	1946	1945	1944
4 weeks of January	2,883,620	3,003,655	3,158,700
4 weeks of February	2,866,710	3,052,487	3,154,116
Week of March 2	782,397	785,736	786,893
Week of March 9	786,202	767,055	780,265
Week of March 16	799,882	816,556	785,195
Total	8,118,811	8,425,489	8,665,169

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended March 16, 1946. During this period 68 roads reported gains over the week ended March 17, 1945.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED MARCH 16

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Eastern District—					
Ann Arbor	437	309	244	1,676	1,606
Bangor & Aroostook	3,371	2,945	3,018	440	659
Boston & Maine	7,727	7,224	6,890	15,045	17,169
Chicago, Indianapolis & Louisville	1,277	1,259	1,480	2,139	2,755
Central Indiana	59	38	43	44	41
Central Vermont	1,097	1,161	1,060	2,095	2,357
Delaware & Hudson	4,815	4,954	4,590	11,991	14,681
Delaware, Lackawanna & Western	7,848	8,092	7,389	9,776	13,072
Detroit & Mackinac	257	250	233	172	143
Detroit, Toledo & Ironton	2,300	1,971	1,800	1,524	2,327
Detroit & Toledo Shore Line	309	429	318	3,453	4,443
Erie	11,503	13,341	13,018	15,406	18,816
Grand Trunk Western	3,210	4,235	3,945	7,612	10,068
Lehigh & Hudson River	169	172	173	2,716	4,144
Lehigh & New England	2,273	2,073	1,882	1,786	1,606
Lehigh Valley	8,655	8,213	8,688	8,036	13,810
Maine Central	3,062	2,612	2,335	5,706	4,921
Monongahela	6,389	6,220	6,209	277	356
Montour	2,843	2,644	2,524	25	15
New York Central Lines	47,328	50,619	47,087	55,129	58,071
N. Y. N. H. & Hartford	10,886	11,605	10,178	15,371	21,142
New York, Ontario & Western	855	992	1,223	2,653	3,288
New York, Chicago & St. Louis	5,476	7,769	6,532	14,874	18,187
N. Y. Susquehanna & Western	403	513	471	2,066	2,579
Pittsburgh & Lake Erie	7,519	8,079	7,991	7,504	8,111
Pere Marquette	5,007	5,299	4,711	7,937	9,787
Pittsburgh & Shawmut	816	796	712	235	250
Pittsburgh, Shawmut & North	285	264	295	15	5
Pittsburgh & West Virginia	929	1,013	970	1,852	3,310
Rutland	422	401	358	1,448	1,270
Wabash	5,826	6,118	5,857	12,268	14,038
Wheeling & Lake Erie	5,173	6,218	4,771	3,672	5,377
Total	158,447	167,828	157,001	214,975	258,489
Allegheny District—					
Akron, Canton & Youngstown	647	866	715	1,514	1,697
Baltimore & Ohio	42,106	43,291	41,752	24,774	31,193
Essesmer & Lake Erie	2,457	3,196	2,878	1,311	1,822
Cambria & Indiana	1,454	1,634	1,753	8	10
Central R. R. of New Jersey	6,103	7,085	6,725	17,663	22,837
Cornwall	457	518	479	59	71
Cumberland & Pennsylvania	406	178	191	15	5
Long Island	40	112	123	5	5
Long Island	1,579	1,778	1,280	5,363	5,054
Penn-Reading Seashore Lines	1,715	1,952	1,602	1,922	2,719
Pennsylvania System	77,779	83,948	78,443	61,813	69,315
Reading Co.	14,519	15,357	14,830	27,618	32,467
Union (Pittsburgh)	17,885	19,333	20,144	3,300	4,687
Western Maryland	4,668	3,919	4,377	12,362	14,866
Total	171,795	183,167	175,292	157,729	185,593
Pocahontas District—					
Chesapeake & Ohio	32,191	27,768	28,355	13,018	15,220
Norfolk & Western	22,673	20,491	21,596	6,969	10,758
Virginian	5,498	4,455	4,599	1,761	3,159
Total	60,362	52,714	54,550	21,748	29,137

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Southern District—					
Alabama, Tennessee & Northern	431	497	374	234	408
Atl. & W. P.—W. R. R. of Ala.	954	900	834	2,094	2,670
Atlanta, Birmingham & Coast	1,154	1,154	778	1,154	1,154
Atlantic Coast Line	16,154	15,231	14,513	10,971	14,907
Central of Georgia	4,705	4,071	4,132	5,065	6,264
Charleston & Western Carolina	504	491	398	1,690	2,096
Clinchfield	1,774	1,597	1,571	3,460	4,015
Columbus & Greenville	385	276	263	316	286
Durham & Southern	107	224	130	703	761
Florida East Coast	3,934	3,792	3,996	1,699	1,548
Gainesville Midland	73	57	62	131	151
Georgia	1,206	1,065	1,296	2,387	2,632
Georgia & Florida	448	445	545	915	814
Gulf, Mobile & Ohio	5,345	4,523	4,207	4,358	4,298
Illinois Central System	28,729	27,329	27,897	14,696	18,333
Louisville & Nashville	27,705	25,649	24,246	10,075	11,965
Macon, Dublin & Savannah	246	184	212	1,159	975
Mississippi Central	340	338	263	444	482
Nashville, Chattanooga & St. L.	3,776	3,394	3,449	4,227	5,371
Norfolk Southern	1,302	1,078	996	1,688	1,648
Piedmont Northern	440	437	411	1,512	1,274
Richmond, Fred. & Potomac	407	497	430	9,946	11,659
Seaboard Air Line	12,209	11,920	11,111	8,636	9,791
Southern System	27,359	24,869	24,041	25,592	27,600
Tennessee Central	635	678	751	797	961
Winston-Salem, Southbound	161	136	140	1,051	2,032
Total	139,329	129,678	127,051	113,846	132,941

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Northwestern District—					
Chicago & North Western	16,291	14,904	14,921	15,055	13,454
Chicago Great Western	2,596	2,352	2,816	3,533	3,659
Chicago, Milw., St. P. & Pac.	21,833	20,797	20,014	11,590	10,734
Chicago, St. Paul, Minn. & Omaha	3,705	3,682	3,334	5,085	4,645
Duluth, Missabe & Iron Range	1,328	1,170	1,106	315	267
Duluth, South Shore & Atlantic	807	675	751	669	631
Ely, Joliet & Eastern	7,959	9,324	8,645	10,935	12,698
Fr. Dodge, Des Moines & South	461	347	385	155	79
Great Northern	12,638	11,168	12,623	4,742	6,105
Green Bay & Western	479	456	464	1,087	960
Lake Superior & Ishpeming	305	285	281	55	68
Minneapolis & St. Louis	2,188	2,030	1,778	2,586	2,825
Minn., St. Paul & S. S. M.	5,579	4,502	5,236	4,427	3,663
Northern Pacific	9,821	9,059	9,641	5,019	5,544
Spokane International	86	246	107	481	476
Spokane, Portland & Seattle	2,018	2,244	2,466	2,775	3,718
Total	88,094	83,241	84,568	68,509	69,526

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Central Western District—					
Atch., Top. & Santa Fe System	22,638	24,425	21,083	9,836	14,739
Alton	2,922	3,693	2,964	3,440	6,450
Bingham & Garfield	5	378	557	7	71
Chicago, Burlington & Quincy	19,789	20,185	18,136	12,365	12,742
Chicago & Illinois Midland	2,999	2,847	3,057	805	967
Chicago, Rock Island & Pacific	12,206	11,829	10,989	13,612	14,217
Chicago & Eastern Illinois	2,919	2,719	2,554	3,582	5,678
Colorado & Southern	714	828	746	1,597	2,107
Denver & Rio Grande Western	2,920	3,320	3,205	3,715	6,709
Denver & Salt Lake	940	855	698	1,217	1,448
Fort Worth & Denver City	2,128	2,478	2,063	1,779	2,140
Illinois Terminal	936	920	1,037	582	889
Missouri-Illinois	1,464	1,157	1,762	103	110
Nevada Northern	537	714	766	598	887
North Western Pacific	9	10	15	0	0
Peoria & Pekin Union	27,435	28,630	29,783	9,215	16,020
Southern Pacific (Pacific)	0	270	402	0	2,267
Union Pacific & Western	15,119	17,485	14,703	12,024	16,600
Union Pacific System	883	535	617	15	4
Utah	1,601	1,774	1,853	2,651	4,740
Western Pacific					
Total	118,724	125,914	117,760	77,190	108,816

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Southwestern District—					
Juriling-Rock Island	299	377	553	489	240
Suff. Coast Lines	5,222	6,729	6,067	2,307	2,778
International-Great Northern	2,054	2,854	1,778	3,535	4,056
K. C. & G. M. V. & O. C. A.-A.	1,382	1,290	909	1,728	1,822
Kansas City Southern	2,810	5,133	5,850	3,131	3,144
Louisiana & Arkansas	2,393	3,434	3,028	2,290	2,739
Atchafalaya & Madison	351	352	317	1,205	1,284
Missouri & Arkansas	213	144	194	427	398
Missouri-Kansas-Texas Lines	5,345	7,175	5,601	4,003	4,863
Missouri Pacific	16,991	16,697	15,361	14,227	19,979
Quanah Acme & Pacific	162	150	121	224	411
St. Louis-San Francisco	10,187	9,643	8,043		

Items About Banks, Trust Companies

John M. Wallace, Vice-President in charge of the three London branches of the Chase National Bank of New York, is in New York City on a business trip to confer with associates at the head office of the bank. This is the first time since 1940 that Mr. Wallace has been in the United States.

The opening by the Chemical Bank & Trust Co. of New York of a branch office at Hunter College, the Bronx, to serve the United Nations Organization, is referred to in a separate item elsewhere in our issue today.

Joseph C. Brennan was elected Assistant Treasurer of Bankers Trust Company of New York effective March 21. He will be associated with the Fifth Avenue office. Mr. Brennan has just completed 3½ years' service in the Navy. He was a Lieutenant-Commander in the Intelligence Division of Aviation. A graduate of Georgetown University, Mr. Brennan had considerable banking experience before leaving for active service in the Navy.

Directors of Clinton Trust Company of New York at their regular meeting on March 19 declared a dividend of 25 cents per share payable April 1 to stockholders of record March 21. This is at the rate of \$1.00 a year on the new stock resulting from the recent two and one-half-for-one stock split-up and represents an increase over the \$2 a year paid prior to the split-up. The present rate is equivalent to \$2.50 per share on the old stock.

Herman L. Papsdorf, President of the Hamburg Savings Bank of Brooklyn, N. Y., recently announced the celebration of the bank's 40th anniversary.

"It was on March 10, 1906, that the bank opened its doors for business in a small store at 250 Bleecker Street," said Mr. Papsdorf. "The 40 years which have passed have brought about many changes in world conditions. We have seen peace and war, serious depression and great prosperity. During these 40 years we have witnessed great advances in the fields of science, industry and social progress. And during these 40 years since 1906 the communities which our bank serves have grown and by working together the bank has grown with them. We feel that the growth of an institution to over \$66,500,000 on deposit is due to public recognition of our modern services and complete banking facilities."

The bank recently announced its intention to open a new Ridgewood Office at Wyckoff Avenue corner Gates at the Myrtle-Wyckoff Junction as soon as installations are completed. The bank at present has its main office at Myrtle Avenue corner Knickerbocker Avenue in the Bushwick-Ridgewood section and an office at Fulton Street corner Crescent in Cypress Hills.

The Penns Grove National Bank & Trust Co. of Penns Grove, N. J., increased its capital March 8 from \$150,000 to \$200,000 by the sale of new stock, it was indicated in the weekly bulletin March 18 of the Comptroller of the Currency.

Special meetings of the stockholders of Broad Street Trust Company and Chestnut Hill Title & Trust Company of Philadelphia, Pa., have been called for May 23, to vote on the proposed plans for merger of the two institutions. The merger plan calls for the exchange of two shares of capital stock of the Broad Street Trust

Company for each share of capital stock of Chestnut Hill Title & Trust Company. Upon approval by stockholders, the present office of the Chestnut Hill Company will be maintained as the Chestnut Hill office of the Broad Street Trust Company. There will be no change in the management of the Chestnut Hill office. A previous item bearing on the merger plans appeared in our issue of March 14, page 1412.

Directors of the Equitable Trust Company of Baltimore on March 15, declared a quarterly dividend of 20 cents a share, payable April 1 to stockholders of record March 22. This places the stock on an annual basis of 80 cents a share. Last year the company paid four quarterly dividends of 15 cents, plus an extra 15 cents, or a total for the year of 75 cents a share.

The Baltimore "Sun" from which this is learned further said: "The company also reported the election of Snowden Hoff, Jr., as Assistant Vice-President. J. Edward Lucas was also elected as Assistant Secretary and Assistant Treasurer. Arthur K. Kershaw was elected Auditor to succeed Mr. Lucas."

Election of Andrew Saul as a Director and James F. Willett as an Assistant Treasurer of the American Security & Trust Company of Washington, D. C., was announced on March 20 by President Daniel W. Bell.

S. Oliver Goodman, reporting this in the Washington "Post" also said:

"Mr. Saul, the newly named board member, is executive vice-president of the Washington real estate firm of B. F. Saul Co.

"At the same time directors of the Washington bank declared a quarterly dividend of 2½% on capital stock, placing the issue on a regular 10% annual basis. For some time the bank has been paying an annual dividend of 8% plus 2% extra dividend. The latest dividend is payable March 30 to stockholders of record March 19.

A 40 cent per share dividend has been voted by the directors of the Ohio Citizens Trust Company of Toledo, Ohio, it was announced on March 20 by Williard I. Webb, Jr., President of the institution, it is learned from the Toledo "Blade." The dividend will be paid on April 1 to stockholders of record March 25. Mr. Webb also stated that hereafter dividends will be paid at regular quarterly intervals.

The Hicksville Bank of Hicksville, Defiance 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 advices from the Reserve Bank state that the Hicksville Bank opened for business on Jan. 9, 1946, assuming the deposit liabilities and purchasing the assets of the Hicksville National Bank. Operating as a state charter bank, it is capitalized with \$100,000 common stock and \$50,000 surplus. Deposits total \$3,457,000. Three of the officers of the predecessor bank continue in similar capacities with the successor bank. They are D. J. Miller, President; J. S. Hull, Vice-President, and E. L. Meeker, Assistant Cashier. Ralph J. Baldwin is Cashier of the Hicksville Bank. Six of the nine directors of the new bank were directors of the old national bank. The six are D. J. Miller; his son, L. D. Miller, President of Crook Son & Co., manufacturers of wooden handles for implements; J. S. Hull; J. R.

Blosser; Wallace May, and Jacob Weber. The remaining directors are W. LaVon Boone, Walter W. Ferris, attorney who had been legal counsel for the predecessor bank, and Mrs. Carma J. Rowe, principal owner of the W. L. Johnson Construction Co.

Wendell C. Laycock, President of the Fort Wayne National Bank of Fort Wayne, Ind., announces the following promotions in the bank's official staff which became effective Feb. 14: Herbert E. Widenhofer, Vice-President; Russell G. Ayers, Assistant Vice-President, and Harold D. Cothrell, Assistant Vice-President.

The Second Trust Company of Richmond, Ind., was consolidated on March 9 with the Second National Bank of Richmond under the charter and title of the latter; the bank reports common capital stock of \$400,000, divided into 40,000 shares of the par value of \$10, and a surplus of \$600,000. The bank also reports demand deposits of \$17,769,850; savings and time deposits of \$7,180,936, and U. S. war loan account, \$4,274,797. D. N. Elmer is President.

Lewis S. Robinson has been elected Assistant Vice-President and Assistant Trust Officer of the National Bank of Detroit it is announced. The Detroit "Free Press" indicating this in its Mar. 20 issue said:

"He will serve on the administrative staff of the trust department. A graduate of Princeton University and the University of Michigan Law School, Mr. Robinson was recently discharged from the Army Air Forces. Prior to entering the service he practiced law with Beaumont, Smith & Harris.

William H. Duff, has recently been elected cashier and director of the Plaza Bank of St. Louis, Mo., according to the St. Louis "Globe Democrat" of March 15. Mr. Duff, who was an examiner for the Federal Deposit Insurance Corporation, succeeds R. M. Fox, who recently resigned.

The regular quarterly dividend of 50 cents was declared on March 21 payable March 30 of record March 23, by St. Louis Union Trust Company of St. Louis, it was stated in the St. Louis Globe Democrat of March 22, which added that the board also announced that Fred A. Sheppard, Assistant Vice President, has been given the additional title of counsel, and that M. G. Helston, formerly Assistant Trust Officer, has been promoted to Assistant Counsel.

The appointment of Asa W. Fuller as Assistant Vice-President in charge of the Fifth Street office of Liberty National Bank & Trust Company of Louisville, Ky., was announced on March 20 by Merle E. Robertson, President of the institution.

Donald McWain, Financial Editor of the Louisville "Courier Journal" in making this known also said:

"Mr. Fuller will take over his new duties Monday (March 25), succeeding Ernest S. Clarke, Jr., who resigned to become President of Union Bank and Trust Company, Lexington, Ky."

The weekly bulletin March 18 of the Comptroller of Currency announced that on March 11th South Carolina National Bank of Charleston, S. C., increased its capital from \$1,320,000 to \$1,500,000 by the sale of new stock, and from \$1,500,000 to \$2,000,000 by a stock dividend.

According to the weekly bulletin of the Comptroller of the Currency the Commercial National Bank of Spartanburg, S. C., increased its capital March 11 from \$200,000 to \$220,000 by a stock dividend, and from \$220,000 to \$300,000 by the sale of new stock.

It is learned from the Los An-

Semi-Annual Report of Export-Import Bank

(Continued from page 1691)

LOAN DISBURSEMENTS BY EXPORT-IMPORT BANK, BY COUNTRIES, DURING 6 MONTHS ENDED DEC. 31, 1945

(In Thousands of Dollars)

Country	Amount	Country	Amount
Latin America:		Europe:	
Brazil	\$ 3,609	Denmark	\$ 7,600
Chile	2,711	Netherlands	21,800
Colombia	6,089		
Costa Rica	50	Total Europe	29,400
Cuba	5,125	Asia:	
Ecuador	909	China	4,210
Mexico	3,933		
Paraguay	370	Total Asia	4,210
Salvador	576	Various countries	499
Uruguay	1,064		
Various countries	100		

Total Latin America—\$24,536

Grand total—\$58,645

Repayments of loans outstanding amounted to \$20.6 million during the period, says the Bank, which adds:

"Of the total \$252,000,000 loans outstanding Dec. 31, only \$303,000, or slightly more than one-tenth of 1%, was past due. At least \$90,000 of these past due accounts is regarded as collectible.

"Of the total loans outstanding, approximately \$103 million or 41% was advanced by private banks from their own funds under agreements with the Export-Import Bank. In addition to this, exporters and private banks have used their own funds without recourse on the Export-Import Bank in export transactions which are assisted by the Export-Import Bank. Not infrequently the Export-Import Bank's credit is limited to a percentage of the total value of the contract shipments from the U. S. and requires the American exporter, foreign importer or their banks to finance a portion of the transaction themselves. The extent of private capital participation, both with and without recourse on the Export-Import Bank, has been considerable. "Net profit" for the six months' period was \$3.4 million which was added to the Bank's undivided profits, now amounting to \$25.2 million, accumulated since 1934 and which are held as a reserve against future contingencies. Profits from the Bank's operations are secondary to the major objective of fostering the foreign trade of the United States.

A statement of condition of the Bank as of Dec. 31, 1945, follows:

STATEMENT OF CONDITIONS OF EXPORT-IMPORT BANK AS OF DECEMBER 31, 1945

ASSETS—	
Cash	\$ 1,276,197.03
Cash deposit with Reconstruction Finance Corporation available on demand	55,156,260.27
Loans:	
Direct from Export-Import Bank funds	\$142,384,034.15
From deposits by participants in loans without recourse on Export-Import Bank (contra)	6,981,223.77
From advances by private banks under agency agreements with Export-Import Bank (contra)	102,889,739.66
Total loans	\$252,254,997.58
Accrued interest	1,890,641.55
Other assets	155,039.39
Total assets	\$310,733,136.32
LIABILITIES—	
Accounts payable	\$23,768.19
Collateral held for account of borrowers	530,826.13
Loan advances by private banks under agency agreements with Export-Import Bank (contra)	102,889,739.66
Deposits by participants in loans without recourse on Export-Import Bank	6,981,223.77
Unallocated receipts from participants	18,776.23
Capital stock:	
Authorized	\$1,000,000,000.00
Less: To be issued to United States Treasury	825,000,000.00
Issued and outstanding	175,000,000.00
Undivided profits held as reserve against future contingencies	25,238,802.29
Total liabilities	\$310,733,136.32

NOTE—The undisbursed commitments (i. e., unutilized lines of credit established under loan agreements) of the Export-Import Bank at the end of 1945 were \$1,307,545,935.83.

geles "Times" of March 20 that the directors of the Security-First National Bank of Los Angeles authorized on March 19 an increase of \$10,000,000 in the capital account through the transfer of that amount from reserves for contingencies and other reserve accounts of the bank to undivided profits. The advices added:

"The action raises the undivided profits account to \$22,000,000, which, with surplus of \$26,000,000 and capital of \$24,000,000 boosts the capital account to \$72,000,000 from \$62,000,000 as of Dec. 31st, last.

"This transfer of funds to the capital account raises the book value of the 1,200,000 shares of capital stock to \$60 a share, George M. Wallace, President, stated."

Senator Macy Inducted Into Seamen's Bank Club

Senator W. Kingsland Macy who has completed 20 years of service as a trustee of the Seamen's Bank for Savings was inducted with appropriate ceremony into the bank's Twenty-Year Service Club at its March meeting and dinner, it was announced by the bank on March 18. The name Macy has been identified with the bank for almost 100 years. William H. Macy, great grandfather of the Senator, was elected to the Board of Trustees in 1848 and served as President during the Civil War years. George Plank, teller, was also inducted, and the membership of the club now stands at 48 which includes four members of the Board of Trustees.