

New Deal

**FOUND
AS
SCANNED**

High Tax Perils Middle Class, Senators Told

Exemptions Urged on Fixed Obligations To Assist Millions

Washington Bureau of The Chicago Sun.

Washington, Aug. 4.—War taxation can be so sweeping that it will result in permanent harm to middle class taxpayers, witnesses testified today before the Senate Finance Committee considering the war tax bill.

The taxpayers' future ability to pay will be hampered unless they receive exemptions on such obligations as debt retirement, insurance premiums and subscriptions for purchase of war bonds, the witnesses said.

Members of the committee gave sympathetic reception to an argument by John A. Witherspoon, president of the National Association of Life Underwriters, that unless reasonable sums are relieved from the high rates in the pending tax bill "it is going to be virtually impossible for many of the 65,000,000 insurance policy holders to maintain the life insurance they own today and pay their debts."

"Unless individuals in both the low income and middle income tax brackets are granted some assistance in carrying their fixed obligations, including life insurance premiums, it is virtually a foregone conclusion that the government, which means the taxpayers, will have to support their dependents," Witherspoon declared.

Senator Walter F. George (Dem., Ga.), chairman of the finance committee, indicated that he favored exemptions of fixed payments, including mortgages, insurance premiums and bond-purchase allocations.

Sun, 142

Tax and Labor Anxieties Depress Industrial Stocks

Report F. D. R. Will Seek Stiffer Senate Levies Deters Buyers; Wage Formula Effects Feared

New York, July 17.—(UP)—The injection of new tax and labor uncertainties into the stock market picture today gave security prices their worst recession in almost a month. Steel shares led the setback which carried leaders down to losses of more than a point.

Eleven issues recorded new 1942 highs, but some of these reacted to close lower. The new tops included American Home Products, Dixie-Vortex, Oliver Farm Equipment, White Rock and Collins & Aikman—all on small gains. Two stocks set new lows.

Turnover on the exchange was limited to 282,770 shares, indicating that a goodly part of the recession came from lack of buying interest rather than from heavy selling pressure, compared with 265,390 yesterday.

Bonds moved irregularly in all sections.

The War Labor Board's award of 44 cents a day to "Little Steel" workers proved less favorable from the market standpoint than had been expected. Specifically traders felt that the formula recognizing validity of a 15 per cent cost-of-living wage increase since Jan. 1, 1941, might open the way for additional wage demands in other industries. In addition, the award

The item which affected the mar-

ket most, however, was the report that President Roosevelt and Treasury Secretary Morgenthau plan to bring pressure upon the Senate to stiffen the tax bill now before the House, particularly as to the corporate tax provisions—maybe to the tune of \$2,000,000,000.

Steels were hurt by the combined news, and Bethlehem lost 1½, while Inland and Crucible dropped a point each, and Youngstown Sheet, which also suffered from a cut in its dividend from 75 cents to 50, sold off 1¾. Other steels were down fractionally.

Chemical leaders sold off a point or more and oils had losses running to more than a point in Texas Company. Atlantic Coast Line and New York Central, both active, closed higher, but most other rails finished with fractional losses. Utilities were down slightly on balance, but the communication shares, particularly Postal Telegraph preferred, acted rather well.

Motors weakened fractionally and aircrafts were mixed. Rubbers slipped off after Goodrich equaled its high. Low-priced movie shares met some demand. Westinghouse, American Can, United States Smelting, United States Gypsum, New York Shipbuilding, Coca-Cola, American Chicle, Allied Chemical, Du Pont and Union Carbide closed on losses of a point or more each.

Taxes, Curbs Cut Oil Discoveries

Sum 1942

OPC Aid Tells Senate Group of Obstacles

Washington, July 17.—(UP)—Robert E. Allen, assistant deputy petroleum co-ordinator, told a Senate subcommittee today that conservation and tax laws have cut down discoveries of new oil fields during the past two years.

"Part of the glamour has been taken out of finding oil," he told a Senate public lands subcommittee. "For the individual, particularly, it has become impossible to make and keep a million dollars in a hurry by finding a field."

He spoke during a "round table" discussion held by the subcommittee of possible means of stimulating oil production in the West.

Mr. Allen asserted that discovery of new fields in the past two years has been diminishing. Oil operators no longer are permitted to exploit their fields as rapidly as possible, he said, "because the national interest demands a long-term development and the fullest possible exploitation of a discovery."

Dr. George W. Stocking, head of the petroleum section of the Office of Price Administration, told the subcommittee OPA will "give every reasonable consideration" to petitions for modification of oil price ceilings.

Roosevelt Authorizes Admiral King to Order Uniforms Over Knox Veto

BY DREW PEARSON

WASHINGTON—When you see how Navy brass-hats get completely off base on a simple matter like uniforms, you can get a better insight into why the Navy has been so slow in building escort vessels, using helicopters, and adopting auxiliary airplane carriers.

The inside story on the Navy's new uniforms becomes more amazing as more leaks out.

It is now revealed that last fall when the subject of new summer uniforms was debated, procurement officials warned that new uniforms would strain the textile industry, so they wanted notice well in advance.

Finally, in December, procurement officials got a promise that there would be no new summer uniforms, but that the old khaki jobs could last another year, even if they did wrinkle at the shoulders and bag a bit at the knee.

Knox Says There Will Be No Change

JUST to make absolutely sure they would not be called upon to dig up several million yards of textiles at the last minute, procurement officials actually got a written commitment from no less than the secretary of the Navy himself, Frank Knox, stating that there would be no change in uniforms.

But Knox did not count upon his clothes-horse commander of the fleet, Admiral Ernest King. The admiral came back from London wearing a green uniform nattily got up for him by a London tailor who caters to his majesty's navy.

It is the privilege of the commander of the fleet

to wear any kind of uniform he wants, and King had let His Majesty's tailor use his imagination.

Admiral's New Get-Up Wins President's Praise

WHEN the admiral walked into the White House, the president complimented him on his dashing new get-up, and suggested on the spur of the moment that the Navy adopt a similar uniform.

"I wish you'd tell that to Knox," said King.

Whereupon the president proceeded to authorize Admiral King to go over the head of the secretary of the Navy and order new summer uniforms for the entire Navy.

This little act in itself will put such a strain on the textile industry that the rest of the United States may have to be clothes-rationed.

However, this wasn't all. The natty green uniform of Admiral King, inspired in London, had to be taken out to sea on a battleship and subjected to camouflage tests to ascertain whether the enemy could see it. This required a lot of time and monkeying around. And finally slate gray was substituted for green.

Old Grads Back Dirksen For President

ILLINOIS Republican Representative Everett Dirksen, sometimes called "Thorn-in-F. D. R.'s-side," is taking seriously the talk of friends that he run for president of the United States.

It all began when Dirksen attended an alumni meeting at the University of Minnesota, his alma mater, where the old grads started organizing Dirksen-for-President clubs. Now the distillery interests in Peoria, Ill., near where he lives, have taken it up and 25 congressional colleagues will soon come out for "Dirk for president."

His most powerful backstage pusher is Earle Smith of the Illinois Farm Bureau, whose congressional spokesman he has been for many years.



DREW PEARSON

Fines Up to \$1000

The penalties of the Stabilization Act will apply, McNutt said, including possible fines up to \$1000, a year's imprisonment, and loss of right to deduct wages paid in violation of the order as an income tax or financial expense. Penalties apply to both employers and employees alike, McNutt said.

McNutt explained that the movement of workers between essential activities "for no other reason than to receive higher pay is one of the most serious and wasteful forms of labor turnover now prevalent."

The order affects all jobs which an employee has held during the See MANPOWER, Page 2 Col. 1.

More Coffee Soon, Brown Hopes, but Not Yet Awhile

Price Administrator Prentiss Brown said last night present coffee imports "hold out the possibility of an increase in coffee rations in the near future," but the increase is not at hand yet, and the next coffee stamp will remain on the basis of 1 pound per person every five weeks. This is stamp 23 in ration book No. 1, and it will be good for 1 pound of coffee from April 26 to May 30.

"It is most gratifying for me to be in a position to assure America's coffee drinkers that they can be positive of coffee rations at the present rate, and it is even more gratifying to hold out the hope that a more liberal ration is in prospect," Brown said.

Waste! only because gov. in preference has made wage-
a function of how much you can get under

costs plus
more than
how much
you need
workers.

Waste — The Enemy at Home

Condensed from The American Magazine

Harry F. Byrd

United States Senator from Virginia

WHILE you and all other patriotic Americans are practicing strict economy, making sacrifices to help win the war, your government is wasting billions of dollars of the taxpayers' money. Geared to high-speed spending in peacetime, Washington in wartime continues to pour out money as furiously for nonessentials as it does for battleships, planes and tanks.

Certain groups are determined to carry on their spending for unemployment and for relief, whether it is needed or not. Others want to keep their "cultural" projects running. Still others would continue pork-barrel spending, such as unnecessary dams, roads, buildings, canals and power projects. There is a tendency to hang on to every government employe, whether he is busy or idle.

Here's an example of the way your money is being wasted: In February, this year, a WPA representative in West Virginia asked for \$123,747 to organize bands, choruses and orchestras among WPA workers, to teach those who couldn't play, to furnish bull fiddles and bass drums to those who hadn't any. This, the representative declared, was "war morale work"; the WPA folks would play

While Americans fight for their lives and pay to the hilt, government spendthrifts toss away two billion dollars a year on bands, publicity, pork-barrel projects and Treasury leeches. How can we stop it?

and sing and make civilians want to buy more bonds.

The WPA in Washington didn't say no to this application for \$123,747. Incredibly, it said, "That isn't enough. You can spend, in West Virginia alone, up to \$405,107!"

Scores of WPA bands, choruses and orchestras have been engaged in this "war morale work." If other states were getting as much as West Virginia in proportion to their population, \$26,000,000 will be spent for fiddling while the world burns.

Such departments as the WPA, the National Youth Administration and various divisions of the Department of Agriculture were created to fight the depression. But now there is no depression. Farms and factories are crying for labor. There is no real need for government employes in these nonessential activities to speed along full-tilt crying, "Keep 'Em Rolling!" — the "'Em" in this instance referring to dollars, rolling out

of the pockets of taxpayers to support these employes and the millions of clients who are still receiving what some call charity in one form or another from the U. S. Government. (Please don't change that spelling.)

If there were only some way to take a few thousand key government employes — directors, assistant directors and publicity purveyors in such agencies as WPA, NYA, the Department of Agriculture — show them the newspaper headlines, and say: "Now, look, please. See that word? W-A-R spells *war*. You surely know what a war is. Well, there's a war going on, a very, very big war. We're in it up to our necks, and so far we haven't won it. This is no time for monkey business. Come on and get into the war with the rest of the country."

I am chairman of the Joint Congressional Committee on Reduction of Nonessential Federal Expenditures. We have been holding hearings since November 28, 1941, and have thus far recommended to Congress and the President specific cuts of \$1,301,075,000. We will continue our hearings indefinitely, and believe that further investigation will show that \$2,000,000,000 can be saved in the next year without affecting our war effort.*

We are meeting strong resistance. Men and women in high places ex-

* The Committee reported on July 26 that Congress had cut appropriations for the current fiscal year by \$1,313,983,000. But, the report declared, "the possibilities for economies have been no more than scratched."

citedly contend that "social gain must advance unabated in wartime" and that nonessential spending must be continued so that these agencies will come out of the war full of vim and vigor and with the spending habit unimpaired. The beneficiaries of government bounties clamor for their continuance. Urging them on are thousands of government field employes who have been known to use government money to pay for propaganda to attack our committee.

Almost everybody who works in a nonessential government position has convinced himself, and attempts to convince others, that we can't fight a good war if he loses his job. Straight-faced, they contend fiercely that to win the war it is necessary to lend money to operate schools to teach "cultural" subjects to adults, and to produce booklets telling how to put on a church supper and what to wear when you attend.

It's all in the interest of "building morale," they declare. But America's morale doesn't need to be built. If there is any morale problem, it has been created by the practices of these "morale builders." Stop wasteful spending and nobody will have to worry about morale in this country.

Patriotic citizens are beginning to protest spending which they know will help their communities but which they realize can be postponed until after the war. I have before me a letter from a citizen of Elmira, New York, saying, "I wish you would stop the spending of an addi-

national \$2,000,000 on a local flood project that will get under way soon. We have never had a serious flood here. We feel that this boondoggling is sabotaging our war effort."

The Chamber of Commerce of Bluefield, West Virginia, has recommended holding up an appropriation of \$200,000 for a federal building there. It also asked suspension of the construction — as unnecessary at this time — of the Bluestone Dam, which will cost \$22,000,000.

Twenty students at Harding College, Searcy, Arkansas, found they could get jobs to pay their way through college and asked that the \$210 a month that had been allotted to them by the National Youth Administration be given to the United States Treasury for war work. Aubrey Williams, NYA director, instead of praising their patriotism declared he would give the money to other students and accused the Harding College boys of being influenced by Dr. George S. Benson, president of the college. Dr. Benson had been making speeches attacking waste in government spending and Mr. Williams described Dr. Benson as "a ringleader in the so-called economy drive!"

That statement is a perfect example of a too-prevalent type of Washington mind. Directors of certain agencies have become popular because they have spent and spent and spent. Public opinion has changed, but these Directors of Spending don't acknowledge it.

My files are crammed with examples of waste and unnecessary spending. A few picked at random may appear trivial, but remember, there are thousands like them.

A list of new WPA projects included \$32,809 for a student union building at New Mexico State College and \$30,652 for a municipal golf course at Raton, New Mexico. The National Archives budget provides for increases of more than \$1,000,000; \$200,000 would be spent for the George Washington Memorial Parkway; \$2,113,348 for more land for the Forest Service.

A clipping from a Kansas City newspaper points out that, while the Office of Civilian Defense has no money for gas masks, it was able to spend \$124,000 for publicity. Washington's output of publicity is unbelievable. Nearly every agency has a staff of "information specialists." *Ninety million dollars a year* is spent to send out "news" to boost various departments and their heads.

The Treasurer of the United States says he will need \$1,700,000 in the coming year just to meet the costs of paying checks issued by other government agencies.

A few days spent in some Washington offices would make any taxpayer go mad. Nobody seems to hesitate before he makes a long-distance telephone call, nor appears to hurry while it is in progress. The National Youth Administration alone spent \$262,892 for long-distance calls in a year.

Patriotic federal employes have written their congressmen letters which include charges such as these:

An investigation would disclose that in many of the older departments, the Internal Revenue, General Accounting, Agriculture, etc., one third of the personnel could be dropped and better work would be accomplished.

Without exaggeration, 70 percent of the girls have nothing to do all day. We may be lucky to get one letter a day to retype, and we may not. But we are told to write personal letters or do something else to appear busy.

When our Joint Committee recommends savings of \$2,000,000,000 a year, that figure looks like small change. But it's \$23,000,000 more than the total expenditures of the United States Government in 1917. Two billion dollars will pay for 48,000 medium tanks, or for 8000 heavy four-motored bombers.

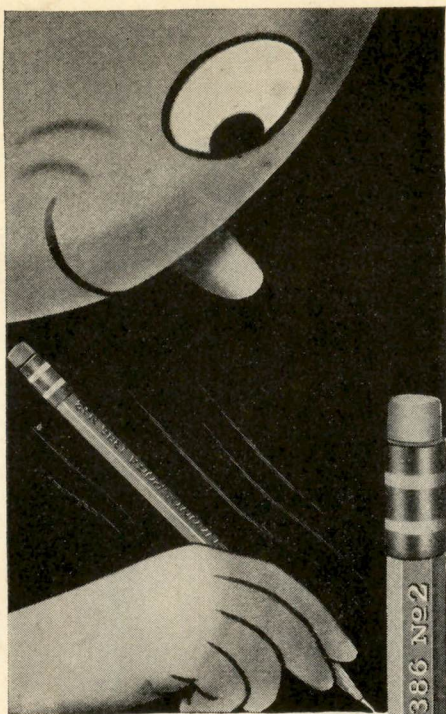
The Committee would cut Department of Agriculture expenditures by at least \$400,000,000. The Department says it needs \$1,244,410,104. Henry Morgenthau, Jr., Secretary of the Treasury, recommends a cut of \$500,000,000, stating, "Although governmental aid was necessary to bring the farmers' net income from $3\frac{1}{2}$ billion dollars in 1932 up to $8\frac{1}{2}$ billion in 1941, certainly after having reached this goal there does not appear to be any reason to continue spending at the same rate."

We can save many more millions by restricting to war projects the spending on public works and federal highways, by deferring rivers and harbors and flood-control items which can wait. The Work Projects Administration has spent billions for "make work" projects. Surely there is no great necessity to make work for anybody these days.

The gain would be not only in saving money. With farmers and manufacturers begging for workers, we could release 100,000 or more employes from nonessential federal jobs for more important work.

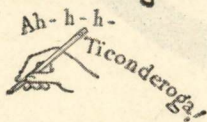
This nation is in dire peril. We can win only if every one of us realizes that his own safety is threatened, that he must make great sacrifices to save himself and his country. He must stop saying "Gimme" and declare "I will give." The top men in Washington who wantonly waste money are sabotaging our national effort as much as the spy who puts a bomb under a bridge. In every town and city, in every office in Washington, Americans should rise and protest when they see evidences of government waste.

In Washington thousands of men and women are working effectively and unselfishly — fighting as patriotically as the men on the firing line. But there are thousands, too, who have the "Washington mind" — the political mind, the "gimme" mind, the reckless spending mind. They are a drag on the war effort. The "Washington mind" must be destroyed.



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Joseph Dixon Crucible Co. Dept. 6-J7, Jersey City, N. J.

so fast that no one even thought to talk about contracts and cost. But by last week, with the new invasion an amphibious success, the cost of Standard's Sicilian sidelight seemed academic.

TEXTILES

Rayon v. Cotton

Cotton-State Senators chortled. Headed by old (79) "Cotton Ed" Smith of South Carolina, they had fought a bitter minor battle. The War Department had plumped for the use of rayon cord in synthetic tires in place of cotton. The politicians, ever-sensitive in their cotton fibers, worried about the South's loss of a good chunk of its domestic cotton market. Then, last week, the Senate's Truman Committee mightily boosted the cause of cotton cord.

Rough-&-tumble Rubber Czar Jeffers thought he had settled the question last October. At the War Department's request he has bulled through most of his program to expand U.S. rayon cord capacity 100,000,000 lb. annually (to a total of 200,000,000 lb.). He was all set to use rayon cord in all medium and heavy synthetic tires for the Army. To the outraged protests of cotton Senators (who called Jeffers before the Senate's Agricultural Committee) Jeffers gave a flat answer: the Army wanted rayon; the Army was going to get it. Army tests, he said, had proved rayon had higher tensile strength than cotton, greater resistance to heat.

The Truman Committee turned its heat on those "Army tests." Said the Committee: the War Department had decided on rayon "without the benefit of any adequate tests. . . ."

Slipshod tests had been conducted, the Committee reported, under the auspices of military men drafted from the Big Four rubber companies. But even these tests had proved "cotton cord the equal of rayon in most sizes of synthetic rubber tires in the latest tests. Rayon has displayed no superiority over cotton to warrant the great investment in critical materials now being made to produce facilities for rayon cord.

With a long political look ahead, the Committee gloomed: "The effect of the War Department predilection for rayon . . . will be a disaster to . . . the South."

Bull Bill Jeffers snorted: "So what? . . . Experts of the Army, the industry and my office disagree. I'll trail along with them. . . ."

WALL STREET

Standard: One for Four

Stocky, down-to-earth James S. Adams, 45-year-old President of Standard Brands Inc. (Fleischmann's Yeast, Royal Baking Powder, etc.) last week announced that he would ask his 115,000 common stockholders to convert every four shares they now hold into one share of new stock. Brokers raised interested eyebrows: reverse splitting had hardly been heard of on Wall Street since the dog days after the 1929 crash, when some companies used

STAN
He want



*Opposes
Chase, Keynes,
et al.*

1944

with slight amendments.

Gaffney

Economic Conditions Governmental Finance United States Securities

New York, January, 1944

General Business Conditions

TWO great tasks face this country at the beginning of the new year. The first is to devote to winning the war every effort and every resource that can be so employed. The second is to make all possible preparation to facilitate the reconversion to peacetime work which will come as war demands on the industries decline, and which in a small way is already beginning. The reason why reconversion problems have become pressing while the war is still far from won is that we have found that we can produce more of some types of weapons and munitions than the armed forces can use. This leads to cutbacks in production schedules, which release materials and labor first to make other war products, and in due course to turn out more civilian goods.

Before the end of 1944 the release of materials and plant facilities for civilian production, which is now only a trickle, seems likely to become a good-sized stream. General Eisenhower has expressed himself without qualification as believing that the defeat of Germany will come during 1944. When that happens contract cancellations will rise to an enormous volume, even though war production must continue large until the defeat of Japan. Unless policies have been established and organizations enlarged to handle contract settlements promptly, and to deal with the related problems of disposal of inventories, machines and plant, the transition to peacetime manufacturing will be slow and difficult. Much of the industrial organization will be tied in knots, with working capital frozen in war inventories and working space encumbered with government property.

Other problems which call for policy-making decisions are also pressing. More materials, especially metals, are available and could be used for civilian goods to the extent that labor, plant capacity and component parts are also available. But questions arise as to whether some companies in a competitive field are to be allowed to resume civilian production while their competitors are kept on war work;

whether standardized or "Victory" models are desirable for a time; what consideration should be given to manufacturers who want to make a new product; how prices should be established, and similar problems. These questions are beginning to be urgent and will become more so as the year goes on.

All these problems have been under study by government and private agencies. They are now in the competent hands of Mr. Baruch and his associates, who have the task of establishing policies and laying down lines of authority. Their purpose is to set up a program to avert needless confusion in the industrial organization, and if they can clear the way an optimistic view of conditions during the reconversion period will be justified.

The part of the problem which falls upon industrial management, namely, to resume making familiar things, is one which the manufacturers of this country are superlatively able to solve. Their record in converting to war work and turning out unfamiliar war products is sufficient proof.

Obligations of Individuals

Some comment is heard to the effect that the growing emphasis on reconversion tends to detract from the war effort. The argument is that it diverts thought and energy,—also that some people begin to take victory for granted, and consciously or unconsciously weaken their support of the war measures. The answer to the first point is that events make preparations for reconversion imperative, and the planning of the war effort has reached a point where it is feasible to take up new problems. If people become heedless or selfish, the cause in most cases is lack of leadership and understanding. Obviously, the obligations of individuals are not altered in the slightest, and there is no real reason why the greatest possible war effort, preparations for reconversion, and such shifts back to civilian production as war needs permit, cannot all be carried on successfully together.

People have the duty in 1944, as they had in 1943, of doing more to help win the war. There is need for everyone to economize and save, to buy more government bonds, to work more effectively whether they are in war plants or civilian occupations, to co-operate more whole-heartedly in the ration and price control programs, and in general to subordinate their personal and group interests in greater degree to the common effort and the common welfare. Probably these points cover about what General Eisenhower had in mind when he referred to the "duty" of people back home, and what Secretary Hull meant when he called for national "unity".

The Production Outlook

The business observers who ventured at this time last year to make predictions for the year 1943 were generally agreed upon three main points. One was that industrial activity—governed by the supreme need to get ahead with the war—would rise again to new highs. The second was that prices would advance, perhaps considerably. The third was that consumer goods trade would fall off.

The first of these predictions has been realized, and the increase has been even greater than expected. Industrial production in 1943 has exceeded 1942 by 20 per cent, according to the Federal Reserve Board's index. The price advance, as measured by official indexes, has been substantially less than most people looked for. Wholesale prices during the year have risen 2 per cent and the cost of living only about 3 per cent. The decline in consumer goods trade has not materialized at all. Retail dollar sales have totaled some 9 per cent higher, and it seems probable that the volume of merchandise distributed, coming partly out of inventory, has increased as well.

This record shows that the capacity to produce "butter" as well as "guns", and the effectiveness of rationing, price controls and people's savings in restraining inflationary forces, were both underestimated. There may be a lesson in this for the coming year.

Looking into 1944, there are two reasons for thinking that the output of the industries is now nearly at its ceiling. One is that further increases in the manpower available, after allowing for the 1944 additions to the armed forces, are hardly to be expected. (To be sure, the productivity of the workers now employed should and may be increased.) The second is that the goals of war production, in the aggregate, have already been approximately reached. Mr. Lawrence Appley of the War Manpower Commission stated December 28 that war production was at the rate of \$80 billions annually, and this is somewhat higher than the total of the schedules for 1944, even without allowance for later cutbacks. Mr. Wilson, Vice Chairman

of the War Production Board, told the National Association of Manufacturers during the month that war production in 1944 must exceed 1943 by 20 per cent, but this was a comparison between the aggregates for the full years, not between the year-end rate and the 1944 schedules.

On the premise that the course of the war will permit curtailment of war production sometime during the year, the prospect is that total industrial production also will turn downward, for civilian industry will hardly take up all the slack. The time needed to swing smoothly back into peacetime operation and the difficulties—some of which have been touched on above—have to be taken into account. Also, it should be understood that the wartime level of industrial activity is wholly abnormal. It includes operation of many plants which will have no civilian use, and of many others which could be turned to civilian production only by extensive reconversion. The industries are employing many workers who after the war will want to go, and who should go, back into the homes, back to school, or into retirement.

The indications are that consumers in 1944 will fare in the aggregate about as they have done in 1943, with larger production of consumer goods later in the year but with smaller inventories in distributors' hands to draw upon as the year begins. However, if the rise in national income flattens out as the production increase tapers off, retail sales would be expected to flatten out also, and experienced observers doubt that the record-breaking totals of 1943 will be duplicated. In general, merchants are looking upon 1944 as a year in which there will be, at some time, a swing back toward more normal conditions. They look forward to getting, sooner or later, more durable goods and more of their accustomed lines and qualities in non-durable goods. They are likely to push sales of "substitute" goods accordingly.

Manufacturers have no way of knowing whether some part of their plants will be freed for peacetime work in the middle of the year, at the end of the year, or at all. However, a disposition to keep down inventories of materials, except those which are allocated to specific government contracts or which can be used in peacetime work, is evident. It seems plain that when the cutback in war production comes, stocks of industrial raw materials will be heavy in almost all lines, and behind the stocks will be an enlarged producing capacity to fill all needs abundantly. This makes hoarding of materials in general unattractive. During the past month the freeing of pig iron from allocation control, cutbacks in aluminum production, end of Sunday work for copper miners, and the announcement that a program for the

liquidation of the government-owned stock of foreign wool is in preparation, have provided additional evidence of the easing in raw material supplies.

The Labor Crisis

The threatened railway strike December 30, which would have paralyzed the war effort, has been averted by an award to two of the operating unions of wage increases fixed by the President personally, and by his action on the 27th seizing the railroads and placing the Army in control. The wage award, which presumably will be extended to the other operating unions, departs from previous policy in the same three respects that the award to the United Mine Workers at the beginning of November departed from it. First, in terms of what the employees will actually receive it goes beyond the Little Steel formula, under which wage rate increases are in general limited to 15 per cent since January 1, 1941. Second, in making the award the government agency vested with authority over the case was over-ridden. Third, while the award was not actually made to end a strike already begun, as in the coal miners' case, it was made to avert one which was imminent, which is not greatly different. The policy of refusing to sanction wage increases to workers on strike, long adhered to by the War Labor Board, was correct in principle, even though the attitude of powerful unions has made its observance very difficult.

Now that established policy has been voided in two major cases, the probability that other unions will invoke the strike weapon unless the Little Steel formula is broken for them also is of course apparent. Steel workers already have given an example by stopping work while new wage contracts were under negotiation, because the War Labor Board voted against directing that any increases they might obtain would be retroactive to the expiration of the old contract. Thereupon the Board, taking a new vote, reversed itself. Thus new contracts will be retroactive, although any increase in steel prices which the O.P.A. may grant cannot be retroactive; and the steel unions have additional reason for feeling that they have on their side the strength to drive a stiff bargain. The cost of the stoppage to the war effort was 170,000 tons of steel.

In the offing are the demands of the powerful clothing workers' unions and others for wage increases going beyond the Little Steel formula. It is naturally to be expected that every concession will make more concessions necessary, until advances in industrial wages become general.

All this adds up to a new labor crisis. There is little occasion to go over again the statistics of wages, cost of living and other data bearing

on the unions' claims that wage scales are inequitable, on which comment was made in the last issue of this Letter. The facts of broader importance are, first, that at the demand of groups ruthless enough to threaten to paralyze the war effort, the anti-inflationary program is being weakened and an increase in labor costs set in motion which in due course must lead to price increases; and second, that strikes and strike threats instead of being penalized are rewarded, which encourages more strikes.

Overthrow of Established Policy

The conflict that has thus been allowed to develop is not between labor unions and employers but between labor unions and the Government, and blame attaches to both sides. As far as railways are concerned, mediation procedures generally considered to be models of their kind are established by law. They were invoked in the present cases, but not carried through to completion. A Presidential Emergency Board awarded 4 cents an hour increase to the operating unions, which the union leaders described as an insult. A similar Board awarded 8 cents an hour to the non-operating unions but Stabilization Director Vinson forbade the increase and a second Board was appointed which recommended a different settlement, with sliding scales. Meanwhile Mr. Vinson's action was rebuked by the Senate, which passed a resolution declaring that the 8 cents an hour was in conformity with the Railroad Labor Act and was not inflationary. Finally comes the action of the President taking matters into his own hands.

The record is one of conflicting authority and overthrow of established policy, carried on until it now seems fair to say there is no longer a governing formula, but only a situation in which wage cases will be dealt with separately, "each according to its merits." Under such conditions the government agencies, instead of having unquestioned jurisdiction, stature and prestige, tend to become arbitrators or mediators, subject to appeal to higher authority, to the exercise of the influence of the unions in political channels, and finally to the strike weapon. The opening of the gates to such pressures can hardly fail to lead to their use on an increasing scale, with consequences that can be immensely costly to the war effort.

The second disturbing element is the extent to which the labor leaders themselves are willing to press their demands. It is safe to say that members of the unions are good American citizens, as good on the average as other population groups, with about the same percentage of sons and relatives in the armed forces, and with as great an interest as others in speeding the war effort. But they have their eyes fixed on money wages, disregarding the other ele-

ments which govern the standard of living; and evidently they do not understand the importance of wage and price stability during the war and in the post-war situation. They rely upon their leaders. Yet the statements of the officials of the five operating brotherhoods in support of the railway strike call included assertions which could not be more inflammatory if they were deliberately intended to provoke disunity and encourage disorder in industrial relations. Samples of these assertions are the following:

It is a strike against inflation for the privileged few and deflation for the many . . .

All the frantic and cheap appeals to patriotism issued by the Offices of War Mobilization and War Stabilization cannot obscure this issue . . .

We do not believe that American boys are fighting to defend politicians in office and profiteers in business and industry who are plundering their fathers and mothers and wives and children while they are away in uniform.

Such unwarranted assertions are harmful to the war effort and a disservice to the labor cause. This country's enemies in the war are totalitarian countries, which do everything by compulsion; but the American way, which is followed in mobilizing labor for war work, is to rely primarily upon voluntary cooperation. Reliance upon cooperation, however, assumes that people understand the necessity for teamwork and the position they must play on the team, and that they are willing to live up to their obligations.

The Seizure of the Roads

The seizure of the railroads by the Government has little in common with the corresponding move by President Wilson in December 1917. Then lack of coordination in traffic movements, with other factors, had caused such congestion that inadequate transportation service was the bottleneck of the whole war effort. The government action was for the purpose of establishing coordination and control by a central authority. No such condition has arisen in this war. On the contrary, the accomplishment of the railroads commands the admiration of the country.

President Roosevelt's move was for the purpose of putting the railway unions in the position of working for the Government, thereby subjecting them to penalties against strikes, and to put the roads under the protection of the Army both for security and to aid in operation if necessary. The President instructed that the ordinary management, operation and financial transactions of the roads were not to be disturbed except in such manner as necessary to secure the purposes of the order. The natural deduction is that a return of the roads to their owners is contemplated as soon as labor relations become stable again, following the parallel to be found in the taking over of the coal mines earlier.

The Fourth War Loan

The Fourth War Loan drive for \$14 billions will start at a time when there is increasing activity on many fighting fronts and when the United Nations' plans for the invasion of Europe are shaping up rapidly. Preparations for the government security sale are being perfected by the War Finance Committees of every state, and call for a more extensive canvass of investors than was made in any previous campaign. The various types of securities to be offered, as announced more than a month ago, are already familiar to the public and are the same as in the third drive, except that in place of the 10-year 2 per cent bonds there will be 13/16-year 2¼ per cent bonds.

The aim of the Fourth Loan is to broaden still further the sale of securities to investors outside of the banks, and particularly the sales to individual investors. A quota for such sales has been set at \$5½ billions, compared with a goal of \$5 billions and actual subscriptions of \$5.4 billions in the third drive.

Commercial banks having savings deposits, however, will be permitted to participate in subscriptions to the 2¼ and 2½ per cent bonds, and to series F and G savings bonds, to an aggregate up to 10 per cent of such savings deposits, or up to \$200,000, whichever is less. No bank, however, may hold more than \$100,000 (issue price) of 1944 F and G savings bonds combined.

A summary of the amounts raised in the three previous war loans from the major groups of investors is given in the table following, which shows also the net increase in

Subscriptions to First Three War Loans, and Net Increase in Investor Holdings of U. S. Gov't Securities for Eleven Months Ended September 30, 1943

	(In Billions of Dollars)			Total	Net Increase
	First Drive 11/30/42- 12/31/42	Second Drive 4/12/43- 5/3/43	Third Drive 9/9/43- 10/2/43	Three Drives	11/30/42- 9/30/43
Insurance companies and savings banks	\$ 2.3	\$ 3.6	\$ 4.1	\$10.0	\$ 6.3
Individuals, partnerships and personal trust accounts	1.6	3.3	5.4	10.3	24.9
Other nonbank investors	2.8	5.6	7.9	16.3	
Dealers and brokers..	0.9	0.5	0.9	2.3	
Govt. agencies and trust fund	0.3	0.4	0.6	1.3	4.1
Nonbank subtotal	7.9	13.5	18.9	40.3	35.3
Commercial banks*....	5.1	5.1		10.2	22.5
Federal Res. Banks**					3.5
Total	\$13.0	\$18.6	\$18.9	\$50.5	\$61.3

*Commercial banks were excluded from the third drive, but were later sold \$3.2 billions of bonds and certificates; in each of the two previous drives the allotments to banks were limited to about \$5 billions. Between drives there were two certificate and one note offerings aggregating \$3.2 billions new money (net of maturities) taken to a large extent by the banks.

**Federal Reserve Banks were not included in the drives.

not very revealing

investor holdings for approximately the period covered by the three loans. These figures are of interest as indicating the extent to which subscriptions reported during the drives represent actual net increases in holdings of government issues by the various groups, and to what extent the gross subscriptions to new issues are offset by disposal or redemption of other securities.

In comparing the figures of subscriptions during the drives with the growth of investor holdings of government securities, some allowance needs to be made for the fact that the latest data on ownership, as reported or estimated by the Federal Reserve Board, are as of September 30, whereas the Third War Loan did not close until October 2, with war savings bond sales up to October 16 being counted as part of the drive and with insurance companies having the privilege of deferring the payment and delivery of securities up to November 1. This overlapping at the end of the third drive, however, is not large enough to destroy the usefulness of the comparisons.

It will be seen that the increase in total interest-bearing debt during the eleven months period was some \$11 billions more than the total subscriptions credited in the three drives. This was due to special offerings between drives, to the continuing regular sale of war savings bonds and tax notes, and to the direct issues to government trust funds.

In some of the investor groups, however, the net holdings increased less than the total of subscriptions during the three drives. In the case of the insurance companies and savings banks, for example, the net increase amounted to but \$6.3 billions, against total subscriptions of \$10 billions. Between drives these institutions rearranged their portfolios by disposing of certain of the older issues of government securities, as well as various other investments, thus paving the way for larger subscriptions to new issues than would otherwise have been possible.

For the next three investor groups the net increase in holdings was \$4 billions less than the total subscriptions, despite the fact that the holdings reflect not only the subscriptions during drives but the net purchases (over redemptions) of war savings bonds and tax notes between drives. Purchases by dealers and brokers of course were for later distribution to others.

It is not surprising that during a great nationwide sales campaign, when everyone is trying to make a record and there is patriotic appeal to buy up to the limit, many purchasers will overestimate their ability to carry the full amount of their commitments. So long as the "lightening-up" by such purchasers following the drive does not become excessive, the

overall results can still be considered satisfactory. Some buyers have obtained bank loans to assist them in financing relatively large subscriptions, with the expectation of reselling at a profit on the establishment of market trading.

Bank Holdings of Governments

It will be seen from the table that during the eleven months period the government security holdings of the commercial banks, in contrast with the showing of nonbank investors, increased by \$12 billions more than the amount of their subscriptions during the drives. This large difference is accounted for by, (1) the offering between drives of two new issues of certificates and one of notes, taken to a large extent by the banks; and (2) the bank purchases in the open-market of substantial amounts of government issues, including both old and recent, which had come into the market from dealers and brokers as well as from institutional and individual investors.

The Federal Reserve Banks were not included in the drives, but during the same eleven months period increased their government security portfolio by \$3½ billions. This absorbed securities sold by other investors and carried out the policy of keeping the market supplied with funds, through replenishing the excess of bank reserves that was being continually drained away by the wartime expansion of currency and bank deposits.

To the extent that investors resell their government securities, or turn them in for redemption, and that such securities must be repurchased or refinanced by the banks, the objective of keeping down an inflationary expansion of bank credit is defeated. For this reason, it is important not only to sell the major portion of the new securities to be offered this year outside of the banking system, but also to have the purchasers hold on to their securities until maturity whenever possible.

Gold in the News

Several items pertaining to gold have appeared in recent weeks in the daily press. The reports of official sales of gold to hoarders in India and Egypt at premium prices have aroused particular public interest. A dispatch from Moscow quoted a Russian publication as advocating use of gold currencies in settling international payment balances after the war. The third item, the U. S. Treasury report that our gold stock declined in December to approximately the \$22 billion level, serves as a reminder that gold shifts are continually taking place, and that gold is still performing its traditional function as a medium for settling international transactions.

General uncertainty brought about by the war has enhanced the attraction of investment

in gold as a means of protection against loss of the purchasing power of paper money. Despite scorn heaped by the Axis Powers upon the use of gold, demand for the metal picked up after the fall of France, and prices in free markets began to rise beyond the \$35 per ounce level set by the U. S. Treasury. Prices have differed widely from market to market. The bulk of transactions was probably small, and everywhere gold coins commanded additional premiums because of easier transportation, handling, and disposal.

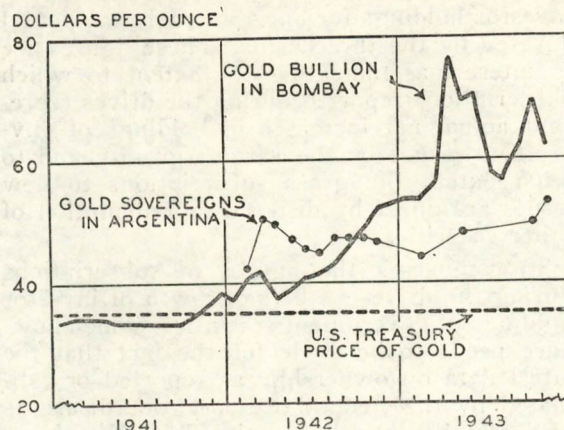
The official sales of gold to the public are a more recent development. Their primary object is to check inflation. In many parts of Latin America and Asia, where the masses of the people are not accustomed to use of banking facilities, or where the system of taxation is inadequate, sales of gold offer a means of absorbing excess purchasing power.

A few months ago the Mexican Government began to coin gold and silver pieces to attract the redundant funds in the country and to curb speculation. In India, where previously a committee headed by Professor T. E. G. Gregory, economic adviser to the Indian Government, recommended the sale of both gold and silver as a way of inducing the farmer to sell his produce, the Government started to release gold to the Bombay bullion market early in October and a few weeks later the Egyptian Government followed suit in Cairo.

One of the factors that has contributed to the disastrous shortage of food in various parts of India has been the tendency on the part of cultivators to hold their products off the market. Always distrustful of paper currency, the peasant has wanted goods rather than rupees, the purchasing power of which has declined by almost two-thirds since the outbreak of the war. The great expansion of rupee circulation, from about 2 to almost 8 billions, has naturally aggravated his distrust of paper currency.

The trend of gold prices in the Bombay bullion market will be seen from the accompanying chart. The peak of \$77.25 per ounce was reached last May just before the Indian Government launched a series of anti-inflationary measures. Among others, loans on gold bullion were prohibited and restrictions were placed on forward dealings. The object was to reach the ultimate saver or hoarder who would pay cash. For the same reason, gold is being supplied in small bars—in Egypt weighing about 2 ounces and in India as low as three-eighths of an ounce.

Following the official tender of gold on the market, Indian bullion prices declined somewhat and late in November were at about the equivalent of \$63 per ounce. In Egypt the Government was getting the equivalent of about \$66 per ounce, but at that price the de-



GOLD PRICES IN THREE MARKETS

(Bombay quotations at end of month and Argentine quotations available only at irregular intervals)

mand is reported to be smaller than generally expected. The weekly sales in Bombay were put at about \$1,200,000 early in November. According to the London Economist, the gold offered in India is apparently newly-mined metal from South Africa, since the gold stock in the Indian Reserve Bank remained unaffected.

Gold is bringing lower prices outside of the Near and Middle East. In Buenos Aires, gold bars apparently have fluctuated this year between \$37 and \$44 per ounce. However, as will be seen from the chart, gold sovereigns have brought considerably more—from \$44 to \$52 per ounce. In Mexico the 50 peso gold coins command a premium of about 10 per cent, equivalent to about \$38-39 per ounce. The premium is less for smaller denomination coins.

Russian Intentions About Gold

The dispatch carried by the Associated Press December 6 from Soviet sources concerning gold quotes from a Russian magazine as follows:

As a country which participates in foreign trade the Soviet Union, like England and the United States, is interested in the stability of currencies in those countries with which it carries on trade relations.

If Soviet trade with other countries could be conducted in gold currency, undoubtedly this circumstance would facilitate trade operations.

This statement, which could hardly have been made without the approval of the Soviet Government, is significant as to the Russian attitude on the general problem of post-war currency stability. Just how much should be read into the statement that gold be used in settling international transactions must at best await future developments. While Russia has given evidence of willingness to cooperate with other United Nations, her state control of currency and foreign trade seems quite clearly to rule out adoption of anything like the conventional gold standard. What may be nearer to the reality is that the Soviet Union is ready

to back up the use of gold in international transactions and that she is interested in maintaining the value of gold, if only for the reason that she is likely to resume the position of second largest producer of the metal after the war. The statement is also a recognition of the value of currency stability in promoting trade.

Russia undoubtedly intends to make use of her gold in the rehabilitation of the country, but whether she will receive gold in return or build up large monetary stocks remains to be seen. In the past Russia regarded — as perhaps no other country did — her imports of commodities as the real gain in foreign trade, and her exports, whether gold or commodities, merely as the means of payment for the imports.

U. S. Gold Stock and Production

Our steadily declining gold stock, now about \$800 millions below the peak of \$22,800 millions reached a few weeks prior to Pearl Harbor, reflects principally the excess import balance in our cash foreign trade. Cash payments for excess imports are now running at the rate of about \$600 millions a year, and the bulk apparently is going to individual Latin American countries. This in turn is being reflected in the phenomenal growth of Latin American gold and foreign exchange balances which increased during the first nine months of this year by some \$700 millions, to over \$2,000 millions.

If our new production and our imports of gold are considered, the overall loss during the past two years has been probably nearer to \$1,300 millions than to \$800 millions. Most of the metal itself remains in this country, in the earmarked stock held by the Federal Reserve Banks for the account of foreign central banks.

"Where's the Money Coming From?"

In the December issue of this Letter we devoted considerable space to a discussion of the general theory of government versus private spending, and in particular to the doctrine propounded by a certain school of economists that a rising public debt is not a matter of much concern so long as "we owe it to ourselves." We endeavored to show the difference in the economic effects of public and private debt increases, and to point out why a big national debt contains elements of danger and is almost certainly a burden and handicap.

About the time of our going to press on our December issue, announcement was made through the press of a new book carrying the title headlined above, by Stuart Chase, and published under the auspices of the Twentieth Century Fund. In this book, written in the engaging style for which the author is renowned, Mr. Chase gives full support to the "owing it to ourselves" argument about internal debt, and plumps unreservedly for the

theory of the compensatory economy — that is, where the government takes responsibility for maintaining full employment by spending freely and running into debt in periods of depression, and siphoning off purchasing power and retiring debt by taxes in periods of boom.

The war has demonstrated, Mr. Chase argues, that the country can, if it only makes up its mind to do so, lift employment, payrolls, and production to peak levels. (The trouble with pump-priming in the 'thirties, he says, was that the government never spent enough). After seeing that the government can spend money all out and put people to work for war, Americans, he observes, are going to be hard to convince that the government cannot do the same for peace.

These are familiar assertions, — none more so than the last, viz., that because the government has spent lavishly in war it can "afford" to spend lavishly in peace. Mr. Chase may well be right in his estimate of public psychology on this point (though possibly he may not, as the huge wartime rise of debt and broadening of the tax base to include millions of new taxpayers may have a more sobering influence than he thinks). The fact is, however, that prediction and argument are two different things; and just because people do a certain thing does not necessarily make it right.

The New Theory of Government Spending and Debt

Discussing in his new book the question, where the money to support government spending is coming from, Mr. Chase says:

The question of where's the money coming from has one answer in the case of the individual, and quite a different answer in the case of all individuals united in a nation. As in the matter of debt, it is meaningless to identify the individual with the nation as a whole. That kind of thinking leads into a blind alley. If you have no money, you cannot buy that beautiful new car. Period. But if you, and all your fellow citizens, want to buy a beautiful new river development project or a beautiful new war, there is nothing to stop you from doing so. What you can "afford" moves into an entirely new dimension.

In your collective capacity you can put men and machines hitherto idle to work. When this pool is exhausted, you can transfer manpower from making cars to making tanks. You can issue claim checks (money) for the new war production, and then tax them back or borrow them back in a closed circuit. You can buy your war and its costly equipment right up to the limit of the nation's manpower, machine-hours and materials. There will be no difficulty about the money — as there is none today in any belligerent nation.

... Except for our fears and financial traditions, the same formula can be followed in peacetime.

Analyzing this argument, it will be seen that it comes down basically to the same philosophy as that embodied in the statement that we need not worry about a national debt that is "owed to ourselves." Inasmuch as we discussed this latter theory at considerable length in the previous issue of this Letter, we shall not undertake to repeat at this time, but will merely point out that while we may as a nation "owe the debt to ourselves" this is not true of us as indi-

viduals. As individuals, our interests as taxpayers and bondholders are of the most diverse character; and it is precisely this diversity of interests among individuals that makes most of the trouble about public debt and taxes and frequently leads to serious consequences.

In the passage cited above, the author appears to assume a smooth, almost automatic, flow of funds from the Treasury through the processes of production and distribution and back to the Treasury by way of taxes. "You can," he says, "issue claim checks (money) for the new war production and then tax them back or borrow them back in a closed circuit." As he says in another passage following the quotation, "the money follows the work, and the taxes follow the money." And, according to the author, "except for our fears and financial traditions, the same formula can be followed in peacetime."

This argument is obviously similar to the National Resources Planning Board proposition that "costs and income are just opposite sides of the same shield," discussed in our December issue. The process sounds easy and simple; the difficulty is that funds do not flow from the Treasury into the economy and back to the Treasury in the smooth and automatic way that is suggested. While a certain amount of increased revenue will of course result from the stimulation of incomes and business activity, it is generally recognized that government spending means either bigger and bigger deficits or higher and higher taxes.

This raises the exceedingly knotty problem of who is going to pay the taxes. As we have had ample opportunity to observe in enacting our war tax program, few subjects are more controversial and more certain to arouse bitter antagonism than taxes. As taxes go up, people resist further increases, which means—if the spending continues—more borrowing and inflationary pressure. On the other hand, to the extent that taxes are stepped up, the effort of all groups is to shift the burden to other shoulders, thus enhancing the difficulty of achieving a fair and equitable distribution of the tax burden and avoiding repressive effects upon the economy.

In other words, the "formula" for "where's the money coming from" appears on analysis to be less simple than it sounds. Evidently there are reasons other than mere "fears" and "financial traditions" to be considered. Discussing the thesis that government spending and building up of debt need occasion no concern because the money spent or paid out in debt interest "remains within the system," Dr. Albert Hahn, former chairman of a large provincial bank in Frankfurt-on-the-Main, Germany, writing in *The Banking Law Journal* for July 1943, points to some interesting similarity with arguments circulated in Germany

during and following the first World War. He says:

To everyone who lived through the German inflation, this argument arouses strong, but very unpleasant, memories, for it is obviously identical with the dictum formulated in Germany during the first World War,—"The money remains in the country" (*Das Geld bleibt im Lande*). This dictum provided the solace to the conscience of German authorities as they followed the lax fiscal policies which resulted in inflation and the misery that came in its wake.

But what of the statement itself? Is it true? It is not only true—it is too true. It is a truism like the arithmetical equation that ten minus ten equals zero. This argument, of course, can be applied at whatever level of government debt one might choose to mention, anywhere from \$1.00 to trillions and trillions.

The Theory of the Compensatory Budget

The theory of the compensatory budget—or compensatory economy, as Mr. Chase puts it—has gained a wide following over the past decade. It is a product both of the depression and incomplete recovery of the 'thirties and of the boom generated by the war spending of the 'forties. As such, it represents a mixture of economic defeatism born of hard times, and of an exhilarating sense of having discovered something new from the experience of seeing at last what really big scale government spending can do. Adherents of the theory range all the way from the "mature economy" school, and those who for other reasons have lost faith in the self-propelling forces of the economic system, to those who are merely impatient with the slow and imperfect working of these economic processes. Regardless of such differences, all however share in common the view that it is the government's job to keep the economy operating on even keel at full employment, injecting purchasing power into the System by increased public spending and "investment" as private spending and investment falls off, and following a reverse course as the cycle changes. Implementing government spending, Mr. Chase advocates a highly "flexible" tax system—one designed to penalize "idle money" and drive "hoarded" savings into spending or investment when the economy needs stimulating, with a shift over to some form of spendings taxes when things begin to go too fast and need restraint.

Admittedly, here is a very interesting blueprint for permanent prosperity—if it would work. Actually, it is difficult—even with the most sanguine stretch of the imagination—to see how it could work.

In the first place, it is impossible to turn public expenditures and taxes on and off like the spigot of a water pipe. Much less is it easy to alter on short notice the structure of the tax system at the behest of economic planners bent on using it as the lever to control business cycle fluctuations.

While it is usually easy enough to expand government expenditures—appropriation bills

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Can they think of no better arguments?

are almost invariably popular—it is quite another matter to contract them. Big public spending generates vested interests both within and without the government in continued big public spending. In periods of expansion the government becomes encumbered with all kinds of excess personnel, agencies, departments, and what not, whose ideas as to their indispensability extend far beyond the termination of the original emergency. Similarly, people on the outside who have been the recipients and beneficiaries of the government's largesse can seldom bring themselves to see any good reason why the flow from the Treasury should be cut off. As the saying goes, "Who wants to shoot Santa Claus?" The result is that every period of big spending leaves the government on a permanently higher level of costs, with more debt and more taxes.

And comparable difficulties arise as to taxes. While plenty of people like to see government expenditures increased, nobody really likes to see taxes go up. Yet it is implicit in the compensatory budget theory that taxes be increased promptly and vigorously to draw off purchasing power and retire debt as a brake upon inflationary tendencies. What are the chances of this weapon being employed effectively? A candid facing up to the lessons of our wartime tax experience is hardly encouraging. Despite the most compelling reasons for tax increases in wartime, both to pay for the war and to sterilize surplus purchasing power, we have witnessed the spectacle of months of wrangling over tax bills; and not even yet have we a tax program that is truly anti-inflationary in the sense, of going to the heart of the problem of reaching excess income where it is being created. True it is that there have been very stiff taxes upon the medium and higher bracket individual incomes and upon the corporations, but there has been relatively little done to mop up the inflationary money which has shown itself so clearly in excessive and unnecessary spending. While there has been a lot of talk about sales taxes, spendings taxes and other types of taxes to meet the situation, between the Administration on one hand and Congress on the other, politics has dominated.

If we are unable or unwilling to tax adequately in wartime, when the need is so clear and when there is a spirit of patriotism to help, what chance would there be in ordinary times of raising taxes on large masses of people to cut off a perfectly good boom which everyone was enjoying and would doubtless like to see continue indefinitely?

Mr. John Chamberlain, literary critic of the New York Times, expressed the difficulty very well when, in reviewing Mr. Chase's book,

"Where's the Money Coming From", he said:

What bothers me is the failure of people to see the implications of Mr. Chase's ideas. If there is to be deficit financing in a 1933-39 period, there must be high taxation in a 1940-43 period, when the economy is booming. Yet Congress, at the moment, shows no willingness to tax with any rigor. I suspect that this is an almost unchangeable fact of human nature, this unwillingness to pay off in good times what has been borrowed in bad times. When it's raining is obviously no time to mend the roof. But when the sun comes out we don't want to mend the roof either. Things are too pleasant on the ground.

The difficulty was also expressed aptly, though more cynically, by the veteran Congressman who was reported to have advised the freshman member that the way to have a long career in Congress was "never to vote against an appropriation bill and never to vote for a tax bill".

Mr. Chase concedes in his book that his system would require a "serious psychological adjustment" about taxes. "Americans", he says, "traditionally regard taxes as a burden and a waste, if not an outrage." But, says he,

... if they want a compensatory economy and not something much more radical, they will have to change their ideas and begin to think about taxes the way they have been taught to think about insurance. You pay now in order to avoid calamity later.

Perhaps Americans ought to think about taxes that way; but will they? Maybe, before piling up a lot of debt on the compensatory spending theory, it would be a good idea to know.

Deficit Financing No Cure

A second, and even more basic, objection to the compensatory budget idea is that it vastly over-simplifies the problem of maintaining economic stability. It would be a fine thing indeed if all that was needed to keep the economic machine hitting on all cylinders at just the right pace would be turning on and off the stream of funds from the public treasury. But it would be well to pause and think a moment of the full implications of this doctrine.

What it means, first of all, is applying a single specific — government spending — to all the ills to which the economic system may fall victim. No need to bother about the particular cause of the trouble — whether it be some basic disturbance or unbalance in vital parts of the economy. No need to bother whether exorbitant demands of particular groups are blocking the channels of trade; no matter about international trade barriers, or wrong exchange rates, or bad tax laws, or other short-sighted actions and policies of individuals and governments which, in varying degree, may be responsible for interrupting the even flow of economic activity. For all these, the prescription is the same — more government spending.

What it means, secondly, is attempting to shift to the government responsibilities that in a democratic society must rest primarily with the people. Putting everything up to the gov-

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Their criticism of Chase's hanging superficial. Such stuff will never sway U.S. They need to originate some thoughts of their own often they seem to accept Chase's assumptions.

ernment means weakening the responsibility of the individual. Why should individual groups concern themselves with making adjustments, or place restraints upon their actions? The lid is off for pressure groups, whether they be labor, business, agriculture, or any other, if the government is responsible for keeping everyone employed. Why should anyone worry when the government underwrites everything?

The fact is that society cannot function under a system that encourages irresponsibility and indiscipline, and which protects everyone from the consequences of making mistakes. This is not to suggest "putting on the hair shirt" deliberately for the sake of punishment, but simply that necessity is the mother not only of invention but of adjustment. Except as there are incentives and pressures to eliminate sources of disorder, sore spots in the economy tend to get sorer and sorer, until finally the treatment breaks down as after the last war when a maladjusted international situation was masked and propped up by a huge volume of international credits.

An instructive light is thrown on the compensatory budget question by the following description and analysis of conditions in this country in 1920, just after World War I. The quotation is from a recent booklet* published by the National Bureau of Economic Research, a non-partisan organization of highest standing, whose directorate includes representatives of business, banking, agriculture, labor, and education; and it raises a question how the compensatory budget system would have worked had it been in operation at that time.

Considering the nature of the eventual crisis, its international as well as domestic basis, it could hardly have been avoided by any makeshift policies of business, banking and government, conceived and applied at the moment.

Unfortunately, business departures from prudence in commitments to buy and sell, in inventory holdings, and in short-term business debt had gone too far in too many cases. Furthermore, the participation of manufacturing and trade concerns in the speculative excesses of the period was widespread; in certain industries—of which automobiles, textiles, rubber, paper, retailing and wholesaling were outstanding examples—financial overextensions were numerous and conspicuous. Orders for goods were too often placed and accepted with reckless disregard for the responsibilities involved. The ultimate liquidity of too many debt commitments, however consistent with customary practice and with the commercial credit theory underlying the newly established Federal Reserve System, was solely dependent on impending transactions at the inflated level of prices then prevailing; in other words, too few concerns took sufficient account of their future capacity to retire debt from funds retained from operations in case short-term market expectations failed to materialize.

Lastly, too many business creditors and debtors were unprepared to make debt adjustments once financial crisis was at hand; too few of them had anticipated the possibility of such crisis, and too few

debtors had refunded excess short-term debt in time, or converted it into equity. In brief, businessmen, bankers, and public officials had simply raised their sights on the future too high and in so doing had overlooked immediate realities. Nothing except a different set of post-war business expectations, a less ambitious scale of business planning and stricter adherence to older standards of financial prudence could have altered the result.

Apparently, under the compensatory budget theory, the attempt should have been made to shore up this shaky and unsound structure by a great expansion of government spending. While it is possible that steps might have been taken to soften somewhat the severity of the deflation, can anyone question that a serious effort to hold the boom levels through deficit spending would have failed, and the crash been all the greater when it came?

No doubt some one will say that had the compensatory budget system been in effect the boom would have been prevented in the first place. But that is highly problematical, to say the least. Of course it has always been known that the best way to avoid depression is to avoid the booms that go before—but that hasn't prevented us from continuing to have both.

The Theory That Because We Can "Afford" to Spend for War We Can "Afford" to Spend for Peace

The argument that because we willingly pour out great sums to win a war we can do the same in peace is by no means original with Mr. Chase. It has been repeated off and on in recent years, and appears to be regarded by many people as settling the debate.

It is true, as Mr. Chase says in the first quotation cited above, there will be no difficulty about raising the money. The mechanism of the banking system and of credit expansion can take care of that. The real question is, what are the consequences of this kind of finance?

As Mr. Chamberlain observes in his book review, Mr. Chase has given up the idea of operating an economy by force, yet stands entranced at the war construction records of the belligerent nations. "Where did the money come from?" asks Mr. Chase, pointing to the vast military programs of Russia, Italy, Japan, and Germany. "Where did Britain and America get it for their colossal war outlays?"

We know the answer to that. They got it out of varying degrees of credit and currency inflation, coupled with taxation beyond anything ever dreamed of before and unprecedented regimentation of their people. In Great Britain and the United States, with their tradition of individual liberty, the heavy hand of the State has been gloved compared with the extreme methods of the totalitarian countries; but it has been there nonetheless, to a degree far beyond anything that would be tolerated in time of peace.

*The Effect of War on Business Financing: Manufacturing and Trade, World War I; by Charles H. Schmidt and Ralph A. Young, published by National Bureau of Economic Research, Inc., 1943.

When we hear it said that because this and other countries can "afford" to spend great sums for carrying on the war, we can "afford" to spend in peace, we have to bear in mind that the ultimate consequences of this war spending are not yet known. The chemist does not stop in the middle of his experiment and draw final conclusions as to the results. We have to consider, also, what we mean by the term "afford". As stated above, it is not merely a question of raising the money. It is a question of what the cost will be in terms of inflation, taxation, and the kind of an economy we are going to have.

In war, we spend money and run into debt, not because we can "afford" to in any ordinary sense, but because—compared with the supremely important objective of winning the war—almost nothing else matters. Even though we knew that the spending of these sums would eventually bring national bankruptcy and financial chaos, as it has done for many warring nations in the past, we would still do it, for the life of the nation is at stake. Not only do we accept these financial risks as a necessary part of war, but we sacrifice our liberties under all manner of government controls, and men and women leave their homes and occupations and risk their lives to defend the country's security.

In short, the economy in war is not and cannot be—at least in a democracy—a criterion for the economy in peace. War represents a tremendous distortion of normal peacetime values and practices and ways of living, and there is no warrant for assuming that because certain things are done in war they can be, or ought to be, done in peace. This applies to finance as much as to anything else. To spend money and incur debt in the desperate emergency of war is one thing. To adopt this as the regular procedure for controlling ordinary peacetime business fluctuations is quite another matter.

The Point To Be Stressed

In concluding this discussion, it should be made clear that what has been said is not to imply that the government should not give assistance in times of economic crisis. Everyone recognizes the obligation of public authorities to extend help to the needy in periods of unemployment, despite differences of opinion as to whether this should be a federal or local responsibility. Most people likewise recognize the need for government support in tiding over key situations, where time is needed to make adjustments in orderly fashion and where

breakdowns might have serious and widespread repercussions. Finally, the government could help a great deal by so scheduling public works as to hold projects on the shelf when ordinary business is active, and bring them forward in times when business falls off. Such a policy would be useful both in avoiding accentuation of business peaks and in providing substantial employment and purchasing power in the valleys. It would also save money, in that projects could doubtless be carried out at less cost in periods of business slack.

In financing depression spending, few economists and experts are now such financial purists as to insist that the costs be met entirely out of taxes, and to disapprove some measure of borrowing and credit expansion as a means of mitigating deflationary pressures.

The main point to be stressed is that, whether the spending be along lines indicated above or some other, we be thoroughly aware of what we are doing, and not mistake palliatives for cures. Real curative measures consist of making adjustments, discovering and eliminating bad policies and practices, cleaning up weak spots, etc., so that the economy can get a new start. When government spending comes to be used as a substitute for such essential—though often painful and unpleasant—processes, it becomes a menace instead of a help.

Nor should it be supposed that in taking the road of government spending we are necessarily avoiding "something more radical", as suggested by Mr. Chase. Government spending tends to be like a drug, in that it takes larger and larger doses to get results; and all the time debt and taxes get higher and higher. There is no surer route to statism than by way of the tax collector, for when private enterprise ceases to become profitable and lags, the state takes over. One of the factors handicapping recovery in the 'thirties was the draining off of the sources of risk capital by taxation, together with the large slice of the profits of successful ventures taken by government.

In other words, in going forward with whatever relief programs may be deemed necessary and desirable from time to time, let us do so with eyes open to the limitations and dangers of such measures. Let us not be misled by any assumption that "because we did it in war we can do it in peace," or delude ourselves that we can keep ourselves afloat by pumping out government money for all sorts of projects, and increasing debt, so long as "the money remains in the country", and "we owe the debt to ourselves".

FOR A VICTORIOUS NEW YEAR!

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IS THE NEW DEAL SOAKING THE RICH OR THE POOR?

Source of revenue for the first quarter of the new fiscal year—two and three Qtr. Billions. and spent.

MILLIONS

DOLLARS

1000
900
800
700
600
500
400
300
200
100

Soc. Sec - Income Tax - Int'l Rev. - Borrowings

*

Internal Revenue Break-down.

"Hidden Taxes"

Each Pkg. of Cigarettes 6 $\frac{1}{2}$ ¢	
and all Tobacco	700 Million
Beer \$6.00 Bbl.	
Whiskey \$3.00 Gal.	
Gasoline 1 $\frac{1}{2}$ ¢ Gal.	
Playing Cards (25¢ Pkg.) 11¢	
Automobile of \$800 (5%)	\$44.00
Elec. Refrigerators of \$100-\$5.50	
Radios of \$50.00	\$2.75
Safe Deposit Boxes of \$10.00	\$1.00
Movies and Football Tickets over 20¢	
10%	300 "
Tires 2 $\frac{1}{2}$ ¢	
Tubes 4¢	
Toilet Preparations 10%	
Matches 5¢	
Lubricating Oil 4¢ Gal	

* Total Internal Revenue 1000 Millions

Borrowings (bonds to banks)	1000 "
Income Tax Collections	500 "
Social Security Tax	300 "

Total of All Revenue 2,800 "

Note:- There may be some little discrepancies in the figures owing to recent changes in regulations. 10% has been added to all taxes for DEFENSE. More Coming.

* * * * *

Source of information Chicago Tribune Oct. 9, 1940 from government reports

Mr. Neale tells of new process that
would have marbled flesh of grass fed cattle,
making them look corn fed, which is more
expensive & gives 'better' taste, thus hitting corn
industry. DA stopped it, with its power of sanitary
regulation in interstate commerce - presumably for
monop. reasons. An Amhurst prof. invented it, by
injecting liquid fat into veins. Big packers more
interested.

Suspend WPA; Pick Berries, Workers Told

Tribune June 3
East St. Louis, Ill., June 2 [Special].—All WPA projects in three southern Illinois counties—Jefferson, Marion and Washington—were closed down tonight, taking 600 persons off the government dole to make them available for private employment as strawberry pickers.

WPA workers who refuse jobs in private employment, it was said, will face classification as ineligible to receive future WPA aid or direct relief.

In announcing the action, James A. Carruthers, district WPA director, said the same procedure would be followed in other counties if farm harvest emergencies arise.

May Act for Other Crops.

Altho his present order is to remain effective only until the strawberry season ends, Carruthers indicated that similar action would be taken for other crops over which harvesting problems have become acute in many Illinois counties because of the many laborers who have gone to war or war production jobs.

Carruthers' admission that a strawberry harvest emergency exists in the three counties was considered by some farmers an understatement of the situation inasmuch as a large part of the strawberry crop is reported already to have spoiled in the fields because of a shortage of pickers. Some growers expressed the opinion the WPA shutdown would have been extremely valuable a week ago but had come too late.

Farmers said that WPA workers who had been asked to leave nonessential projects and pick strawberries had revolted against doing that kind of work. WPA officials had promised the growers all the help they needed and told WPA workers they would get their dole jobs back when the harvest was in.

Resent Going to Fields.

However, instances were reported of WPA laborers staging a near riot in refusing to go into the fields, and of others deliberately sabotaging carefully nurtured vines because they did not like to pick berries. Some WPA workers wouldn't go to the fields in the truck sent for them because the vehicle had only benches instead of permanent seats.

Strawberry pickers in the three counties receive an average of 3 cents for each quart of berries picked. Pickers are expected to pick 100 boxes a day, but exceptional workers can pick more than 200

boxes a day, which would pay them more than \$6 a day. The average WPA pay in the three counties has been \$52 a month for 120 hours.

The shutdown order released from WPA projects 225 men in Marion county, 225 in Jefferson and 25 in Washington county. Names of released WPA workers available for jobs in the fields are available at United States Employment service headquarters at Mount Vernon and Centralia, and at county WPA offices in Salem, Nashville and Mount Vernon, Carruthers said.

Tennessee. Aging, dapper Boss Ed Crump, who can swing 57,000 Memphis votes with his little finger, proved that his grip on Tennessee is as tight as ever. Over formidable opposition—supported mightily by New Deal Publisher Silliman Evans' Nashville Tennessean—Crump's men swept the Democratic primary.



Easygoing Senator Tom Stewart, seeking renomination, had only to make his voters forget that: 1) he had voted for Congressional pensions; 2) he had aided a vendetta against TVA's popular Dave Lilienthal; 3) two Stewart sons were on the public payroll. The voters forgot.

Hot-tempered, bachelor Governor Prentice Cooper Jr., who has already served two terms, had only to make his voters forget one thing: Tennessee's anti-third term tradition. The voters forgot.

Riot in Bahamas; 2 Die; Winds

WORKERS ON U.S. PROJECT LOOT SWANK STORES

Protest Wage Scale; Troops Called.

NASSAU, Bahamas, June 1 (AP).—
[Delayed by Censor.]—Unskilled laborers on a large American project rioted in Nassau yesterday, smashing store windows and looting fashionable stores.

Two of the rioters were killed and others were wounded before police and troops restored partial order. Rioting continued tonight in the suburbs, however. A police station, a fire engine, and an ambulance in the outskirts were burned.

The demonstrators were protesting wages of 4 shillings [approximately 80 cents] a day for unskilled labor on the project, and the riot occurred after the Bahamian government informed labor leaders the scale had been fixed by agreement of British and United States governments.

Surge Thru Fashionable Street.

Laborers began marching into the city Monday morning. Their members increased as they approached the shops of fashionable Bay street, which skirts the harbor and contains most of this tourist city's swank stores.

Show windows were smashed and widespread looting of liquors, expensive English fabrics and rare perfumes was reported. Local police were unable to quell the disturbance, and British garrison troops were summoned. There were several casualties among police and troops, but the government did not immediately make public their number.

W. L. Heape, acting governor in the absence of the duke of Windsor, proclaimed a curfew from 8 p. m. to 6 a. m.

Riot Reported Quelled.

Washington, D. C., June 2 (AP).—The state department received word tonight that labor disturbances in Nassau, Bahamas, which started yesterday, continued until the arrival of military police at noon today but that "no further rioting was anticipated."

The department issued the following statement:

"The American consul at Nassau, John W. Dye, reported to the state department that on June 1, laborers from the local airfield struck for higher wages and rioted. The rioters smashed automobiles and shop windows and looted freely on Bay street."

The duke of Windsor, who is governor of the Bahamas, left Washington today to return to Nassau, less than 24 hours after his arrival. He and the duchess came here yesterday.

The duchess, accompanied by her aunt, Mrs. D. Buchanan Merryman, drove to Baltimore late today for a physical checkup and then on to Timonium, Md., to spend several days with her uncle, Henry M. Warfield, and his wife.

July 23, 1942

Everyone is making less money account of taxes.

3

Gen'l Electric Net in Half Off To 72c a Share

General Electric Company's net income in the the first half of 1942 amounted to \$20,681,443, equal to 72 cents a share on the common stock, C. E. Wilson, president, announced yesterday. This compares with \$26,003,665 or 90 cents a share in the first half of 1941 when taxes were less than half of this year's allocations.

Net sales during the period aggregated \$412,383,825, as against \$300,-332,085 a year earlier. A regular provision of \$77,000,000 was made for federal taxes and reserve accounts included an amount of \$17,-000,000 for contingencies including possible additional taxes. Tax provisions made in the income account for the corresponding period of 1941 totaled \$42,000,000, Mr. Wilson stated.

R. G. LeTourneau, Inc.: Consolidated June net income was \$180,837 equal, after preferred requirements, to 38 cents a common share, as compared with \$272,391 or 58 cents a share in June, 1941. Net income for the six months ended June 30 amounted to \$1,086,600 or \$2.27 a common share, against \$1,613,748 or \$3.56 a share a year earlier, while it was \$2,399,469 or \$5.04 a share in the twelve months ended June 30, as compared with \$2,319,933 or \$5.13 a share in the preceding twelve months.

Corn Products Refining Company: Net profit for the six months ended June 30, including subsidiary sales companies, was \$4,160,660 equal to \$1.30 a common share, as compared with \$4,978,641 or \$1.45 a share a year earlier. Federal tax provisions compared \$10,810,000 against \$4,330,-000 in the corresponding 1941 period.

90 Pct. Profits Tax to Kill Business, Congress Warned

Washington, July 29.—(AP)—Clinton Davidson, Washington representative of a private research organization, told Congress today that a 90 per cent excess profits tax would "cause corporations to die like flies in the postwar period."

Davidson, appearing before the Senate Finance Committee for Fiduciary Counsel, Inc., of Jersey City, said his organization was convinced that failure to provide for a postwar rebate of part of tax payments by corporations under the pending revenue bill would cause great hardship. He said his organization served 40 "medium-sized" corporations.

Urges Excess Profit Cushion.

Davidson urged that all tax collected in excess of 80 per cent of excess profits be held by the Treasury as a postwar recovery and re-employment reserve to be returned to corporations.

The Treasury has recommended a 90 per cent excess profits tax with a 10 per cent postwar rebate but the House made the tax a flat 90 per cent without any rebate provision.

He estimated that at least \$1,000,000,000 a year should go into the proposed reserve.

Fears Farm Surpluses.

Davidson told the committee that unless sufficient postwar employment were provided to bolster purchasing power there was likely to be a tremendous surplus of agricultural products.

For instance, he said, there might be a 5,000,000-bale surplus of cotton and a 2,000,000,000-gallon surplus of milk yearly.

Senator Vandenberg (Rep., Mich.), remarked that it might not be necessary to worry about a milk surplus "if Vice-President Wallace achieves his ambition of giving a quart of milk a day to everybody in the world." Wallace suggested in a recent speech that such an objective ought to be one of the accomplishments of the peace.

Sees Slump in Auto Jobs.

Davidson estimated that employment in the automobile industry, which now works 1,500,000 persons on war contracts, would slump to the prewar level of 562,000 persons after hostilities cease. Senator Brown (Dem., Mich.), challenged that estimate, declaring he believed the postwar demand for automobiles would keep employment at a high level.

Observing that he did not believe American free enterprise would survive another period of

mass unemployment such as that in 1930 to 34, Davidson declared:

"Unemployment plus demobilization may equal demoralization."

Age Pensioners Ask Protection In Stopgap Jobs

Quick Reinstatement To Rolls at End of Employment Urged

Prompt reinstatement of Old Age Assistance recipients at the expiration of temporary employment, particularly in war work, was urged yesterday by Miss Mary Aiken of the Old Age Assistance Union of Illinois at a hearing before Rodney Brandon, state director of public welfare.

Permission for the old to rent rooms in their homes, where space permits, without suffering a deduction in their monthly allotments, also was asked.

Job Difficulties Told.

"Many old people are vigorous enough to replace younger workers needed in the war effort," Miss Aiken explained. "But they hesitate to accept jobs because, when laid off, it takes three months to get back on the Old Age Assistance rolls. Since much of the work available to old people is of a temporary nature, this procedure results in desperate hardship for those spirited enough to want to work. The present system robs the pensioners of all inspiration to try to help themselves and their country in the present crisis."

Miss Aiken cited the case of Lawrence Chiarolot, 67, of 2016 21st street who, after two years on the Old Age Assistance rolls, obtained employment as a night watchman. He worked for three months and then a younger man was found to replace him. Now, she asserted, he is faced with three months of extreme wait before he can be reinstated as a pensioner.

Odd Job Wages Deducted.

"Even small amounts of earned money are deducted from the allowances of the old," Miss Aiken said. "If they are able to pick up as little as 50 cents doing an odd job, that amount is deducted from the monthly check. Naturally, there is no incentive for them to try for these odd jobs."

Several old age assistance recipients have tried renting an extra room in an effort to augment their

A friend asked Mrs. Walter Brewster, who is opening her Lake Forest place, Covin Tree, for a Fete Champetre Thursday for the benefit of the Fighting French, what she would do if it rains. It seemed the best of a similar question.

Query.

friend repeated the Ten Commandments to himself. "What's the idea of mumbling the Ten Commandments to yourself?" demanded Mr. Wood. "That," retorted the friend, "is to keep me upright."

Statement From the Affiliated Milk Committee

The prices of milk and dairy products are moving upward in a typically inflationary spiral. The reasons given by the dairy industry for these increases are not based on economic necessity—that is, on cost of production—but on competition within the milk industry itself for milk supply. The Pacific Northwest is known to be particularly well-suited to dairy farming, yet the price of butter has been increased from the 1939 level of 23-25 cents per lb. to \$0.96-1.00 at the present time. The particular grievances are:

1. That the State milk control act and its administration operates for the protection of the strongly organized branches of the dairy industry, with little consideration for the independent producer, and even less for the public.

2. That the industry which has been protected by the public during the depression years does not now feel any moral obligation to the public to supply a basic commodity at a reasonable rate.

3. That the public has been deprived of the benefit of a "store differential" along with other advantages in city sales which are enjoyed by almost all of the metropolitan districts of the nation.

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Charles W. Eliot to Talk On Post-War Problems Tonight

Noblesse oblige

Charles William Eliot '20, Director of the National Resources Planning Board, will speak in the Kirkland House Junior Common Room this evening at 8 o'clock on the subject of "Planning vs. Waste."

In the meeting, which is sponsored by the Harvard Post-War Problem Council, Eliot will discuss marshalling the country's resources for the future, and the type of government planning that will be needed after the war.

The National Resources Planning Board, headed by Eliot, issued a report late in January on the war aims of this country, with particular reference to the economic problems which we will face after the war.

Chi Sun
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FIN

July 15 Issue Pushes National Debt Past 80-Billion Mark

Washington, July 17. — (UP) — The national debt passed the \$80,000,000,000-mark in mid-July, Treasury figures disclosed today.

The daily Treasury statement for July 15 showed the debt standing at \$80,505,618,486, compared with \$55,591,998,306 on the corresponding date a year ago.

A new \$2,000,000,000 bond issue, dated July 15, was largely responsible for the one-day debt increase of nearly \$2,250,000,000 over July 14.

Sanitary law used to thwart free market. & everyone thinking it ok - no criminal feeling.

THE CHICAGO SUN, THURSDAY, SEPTEMBER 24, 1942

Halt Diversion Of City's Milk, Dealers Urge

St. Louis, Other Cities Drain Supply; Shortage In 3 Months Feared

Chicago may experience a milk shortage in the next three months, Paul Potter, executive secretary of the Associated Milk Dealers, warned yesterday. He said the milk dealers will call on the Board of Health today to halt diversion of milk from the Chicago area.

The Board of Health inspects the milk supply of 17,000 producers in northern Illinois, southern Wisconsin, and northern Indiana, but all of it is not being consumed in Chicago, Potter said.

A dealers' committee, he said, will present to the board at its meeting this morning a letter requesting that it refuse to inspect milk which is shipped from the Chicago milkshed to St. Louis and elsewhere.

Supports Statement.

The statement of Potter, who represents 85 large dairies, was supported by A. H. Lauterbach, general manager of the Pure Milk Association, which is the bargaining agency for 13,000 producers.

August milk production is down 5 per cent and consumption is up 10 per cent, compared with Chicago milkshed figures for August, 1941, Lauterbach said.

August production, he said, was 184,000,000 pounds of milk compared with 187,000,000 in August, 1941.

"The main reason for decreased production is a shortage of help on the farm," he explained. "There are plenty of cows and plenty of feed, but with farmers being drafted and going into war industries it is difficult to find men to feed and milk the cows."

Herds Slaughtered.

"Many farmers are selling their herds. The best milk cows go into someone else's herd, but 75 per cent, according to our reports, go to the slaughterhouse."

"The Secretary of Agriculture has set a goal of 125,000,000,000 pounds of milk annually, but it appears that it will be about 122,000,000,000 this year and probably not more than 120,000,000,000 in 1943."

Potter estimated that 175,000 quarts, or more than 15 per cent, of the 1,000,000 quarts consumed daily from the Chicago production area are going to military camps as far away as Arkansas.

Milk for county institutions will cost from 3 to 10 cents a gallon more next year than at present, it was learned when contracts for furnishing the milk were awarded by the Board of Cook County Commissioners.

Two Years in Arrears.

County milk bills are two full years in arrears. Distributors must include in their price a carrying charge when they have to wait a long time for their money.

Contracts awarded were:

County Hospital, which uses 600 gallons a day, to the Capitol Dairy Company. Price, 42 cents a gallon, an increase of 3 cents.

Oak Forest Infirmary, 600 gallons a day, Capitol Dairy Company, 37.75 cents a gallon, an increase of 10 cents. This milk is unpasteurized and is pasteurized at the institution.

Juvenile Detention Home, 50 to 55 gallons a day, Western United Dairy Company, 42 cents a gallon, an increase of 2 cents.

County Jail, 5 to 10 gallons a day, Bowman Dairy Company, 40 cents a gallon, an increase of 1 cent.

Draft Dodging

It would be both irrational and unfair to assume that every man in the Government service between the ages of 18 and 38 is a draft dodger. Some key positions in Washington are just as important as battle stations at the front. Men in such posts can be released for military training only when women or older men have been trained to take their places. And in some instances it is utterly impractical to replace experts doing work that is of particular importance to the war effort. When ample allowance for these special cases is made, however, it seems impossible to justify the employment of more than 840,000 men of draft age in the Federal service.

Apparently there is a great variation in the policies of Federal agencies in meeting this problem. The Costello Committee of the House praises the Government Printing Office, the Treasury and the Civil Service Commission for especially commendable records in the replacement of men needed for the Army and Navy. Some other agencies have grossly neglected the training of substitutes. A few appear to be hoarding potential selectees. That practice is utterly incompatible with the spirit of the Selective Service Act. Favoritism of this sort for civilians on the Government payroll is a damaging blow to morale in the ranks.

Even though the problem must be dealt with in terms of individuals rather than generalities, it is difficult to understand why more than two-thirds of the male personnel of the Office of Emergency Management and the Tennessee Valley Authority should be of draft age. And why should 391 out of 1035 draft eligibles in the Federal Communications Commission be deferred?

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Certainly the practice of draft boards outside of the District in deferring Government employes without investigation is a vicious distortion of the Selective Service Act. Some boards have apparently accepted mere requests from Government workers for their own deferment. Since March 6, however, Federal employes have been under strict instructions from the President not to request their own deferment on occupational grounds or to advocate such requests.

On the whole, the recommendations of the Costello Committee, calling for a review of questionable cases and for greater emphasis on the training of substitutes, appear to be sound. There is a middle ground between dangerous disruption of Government service and the use of public office to shield draft dodgers. As an example to other employers, the Government is under a heavy obligation to see that only its irreplaceable employes are deferred for occupational reasons.

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New Slums for Old

A VALUABLE study of slum clearance proposals, presented to the City Council last week by the Chicago Housing Authority, makes it evident that Chicago's great imperative is not only to clear the slums, but to rehouse families now living there. Merely pushing low-income families out of existing blighted areas would inevitably create new blighted areas, and that doesn't make sense.

The Chicago Plan Commission has drafted a tentative rebuilding plan for a West Side slum area, contemplating the construction by private enterprise of group and row houses, garden apartments and 3-story walkups. The Housing Authority shows that even if this were done with various forms of land subsidy and tax exemption, the rent would have to average at least \$44, perhaps \$50 in most cases.

Only 3 per cent of the people now living in blighted areas pay rent of more than \$50, while 74 per cent pay less than \$25. Such a rebuilding plan, then, would force out of the district at least 74 per cent and undoubtedly many more of the families now living there. Overcrowding would be relieved in one area by moving it to another; slums abolished by creating new slums.

Clearly Chicago's rebuilding plan, if it is to avoid this result, must include two elements: first, adequate measures to reduce the cost and therefore the rent of private housing; and second, an adequate public housing program to serve the lowest-income families, now living in blighted areas, who cannot be served by private enterprise.

THE CAPITAL

Breathing Spell

Hotel men reported that plenty of rooms are now available in the nation's long-overcrowded capital. One reason: Congress has gone home, freeing thousands of lobbyists for vacations.

U. S. TREASURY O. K.'S RACING

**Provides Fun and Taxes,
Morgenthau Says**

WASHINGTON, June 1 (AP)—“People have got to have a little fun.”

This was the answer of Secretary of the Treasury Morgenthau today when asked whether it was right for thousands of people to turn out at horse races at a time when he was trying to raise money through the sale of war bonds to finance the war effort.

“Besides,” he added, “the government collects a 10 per cent tax on amusements.”

July 23 1942

Atlantic Refining Loses \$1,577,000 in 6 Months; High War Cost Result

Emergency wartime expenditures, particularly the exceptionally high transportation costs, resulted in heavy operating and net losses in the first six months of 1942 for Atlantic Refining Company, first of the eastern major oil companies to report its results.

The company and subsidiaries reported a net loss from operations of \$3,535,000, after deducting \$250,000 as an additional tax and contingencies reserve.

This operating loss was reduced by non-operating income from involuntary conversion of fixed assets of \$1,958,000, resulting in a net loss for the period of \$1,577,000.

This compared with a net profit of \$5,063,000 for the corresponding 1941 period.

The loss a share, after provision for preferred stock dividends, was announced as 70 cents for the first half of 1942, compared with a profit of \$1.79 for the 1941 period.

A company spokesman said the period's loss "included unrecovered excessive transportation expenses incurred in moving oils by high-cost transportation substituted for low-cost tankers."

Atlantic Refining Company, although only one of a dozen major East Coast operators especially affected by wartime transportation exigencies, has suffered perhaps relatively more than most others. Its marketing territory is confined to a part of the East Coast which has been placed under tight rationing control as the result of oil transportation stringency.

Atlantic's refining operations are principally on the East Coast also. Normally, it depends entirely on cheap tanker transportation. To maintain its operations, it has been forced to have recourse to higher cost forms, particularly tankcar,

switching which has entailed large outlays despite emergency-reduced rail rates.

Recent tabulations have shown Atlantic to be moving around 2,500 tankcar loads of petroleum weekly into the East, a volume which would approach 100,000 barrels daily.

General Foods Corporation: Net earnings for the June quarter on the common stock amounted to \$2,760,804 or 52.5 cents a share, as compared with \$2,847,400 or 54.2 cents a share a year earlier. For the six months ended June 30, net earnings, after provision of \$337,500 for preferred dividends, amounted to \$5,329,535, or \$1.01 a share, as compared with \$7,181,578 or \$1.37 a share a year earlier after an identical provision for preferred dividends.

Long-Bell Lumber Corporation: Loss of \$2,664 for the June quarter, as compared with \$2,587 in the corresponding 1941 quarter. Long-Bell Lumber Company, the corporation's operating subsidiary, reported a profit of \$314,978 for the same period, after deducting quarterly federal and state tax provisions and a tax adjustment of \$336,310 for the preceding quarter. This compares with profit after taxes of \$433,487 in the June quarter of 1941.

Plymouth Oil Company: Consolidated net profit for the six months ended June 30 was \$798,729 equal to 77 cents a share as compared with \$628,176 or 61 cents a share a year earlier. No provision for excess profits taxes was deemed necessary on the basis of pending legislation.

Dome Mines Ltd.: Net profit for six months ended June 30 estimated \$1,494,010, equal to 77 cents a common share. A year earlier the company reported profit before depreciation, adjustment of surplus or contingent reserve accounts of \$1,816,710.

It looked very much as if Publisher McCormick might make the public believe that he was being persecuted unless the Government would loosen up enough to tell what real damage the *Tribune* story had done.