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THE TOWN HALL

Is the State of the Union Still Good?

Moderator, **GEORGE V. DENNY, Jr.**

Speakers

HUBERT H. HUMPHREY — **MERRYLE S. RUKEYSER**

ROBERT NATHAN — **ARTHUR G. DREFS**

(See also page 12)

COMING

April 19, 1949

Should the Senate Ratify the North Atlantic Pact?

April 26, 1949

How Can We Find Personal Peace and Security in Today's World?

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Town Meeting

BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

GEORGE V. DENNY, JR., MODERATOR

APRIL 12, 1949 VOL. 14, No. 50

Is the State of the Union Still Good?

Moderator Denny:

Good evening, neighbors. I promised last week to tell you about our response to last week's Town Meeting on the subject, "Is Modern Woman Failing Her Responsibilities?" I regret to tell you, ladies, that, up to last night, 60 per cent of those responding felt that modern women have failed to meet their responsibilities!

Now let's turn very quickly to tonight's subject, "Is the State of the Union Still Good?" On January 5 of this year, President Truman, speaking to the 81st Congress, said, "I am happy to report that the state of the Union is good."

He gave a bill of particulars marking our progress as a Nation to date, and then set forth a program recommending action by the Congress to further improve our situation and to correct our shortcomings. The Congress, however, has been slow to enact the President's program, the greater part of which is still being debated in committees and on the floor of both houses.

In the meantime, we've been reading headlines about increasing unemployment, decline in prices, and the return of what is known as a buyer's market.

Since our economic and political doctors appear to disagree, your Town Meeting thought that the time had come for a consultation of the specialists, since we, the people, after all, are the patients. Our specialists this evening will be two well-known economists, a businessman, and a United States Senator. So, Doctors Nathan and Rukeyser, Dr. Drefs, and Dr. Humphrey, we would like a diagnosis from each one of you about the state of our health, and then a consultation together. Is it still good?

Can we continue our competitive games, or is our blood pressure too high? Is our weight properly distributed, or do we need to go on a reducing diet?

Are we in condition to undertake a stiff cross-country race, or do we need a rest and relaxation?

We're a bit worried about world conditions, gentlemen, having just agreed to spend another five billion dollars to help our neighbors recover, and we realize that the state of our own health is extremely important.

Although our first speaker is a freshman Senator, he had an active part in drawing up the platform on which President Truman was elected last November. Hubert Humphrey started business as a practicing pharmacist in 1933, but it was not long before he found his way into government service, first as State Director of War Production Training and Reëmployment in Minnesota. In 1944, he became a radio commentator, and not long after that he was elected Mayor of Minneapolis. Last fall, he was elected to the United States Senate, replacing the Senator who spoke on this program last year from this platform when we were here in Springfield. Senator Hubert Humphrey of Minneapolis, speaking to us from Washington.

Senator Humphrey:

Thank you, Mr. Denny. The state of the Union, Mr. Chairman, is good. It is good because the state of the American people is good. Their judgment is good. Their wisdom is good.

Now there are some disturbing signs, as economists have pointed out, but I do not speak as an economist tonight. I speak as a United States Senator. It is my judgment as an observer and a participant in government, and as a supporter of the Truman Administration, that the readjustments that have recently taken place in our economy are no cause for alarm, but rather an indication that our economy is leveling to a period of healthy stability.

The health of the economy can be demonstrated by the real confidence that business has in the economy, and not in the newspaper comments and rumors about disinflation, depression, and recession.

The April report of the Joint Committee on the President's Economic Report, for example, states that in the last quarter of 1948 business expenditures for plant and equipment were at a rate of two billion dollars more than for the same period of 1947. Furthermore, in the first quarter of 1949, American business was planning an expenditure at a rate of more than two billion dollars over the first quarter of 1948.

Now what does this mean? This means that business people believe that the future of business is good.

Now what about that price decline? Well, this within itself can be a sign of economic health. Everyone knows how we have suffered from inflation. Production is still at a high level. Production is only six points below the November of 1948, which was the all-time high, and at the same time, the all-time high for inflation.

Now why the price decline, we may ask? Well, because we are entering a buyer's market. But the price decline is moderate and it is slow. Likewise, it is compelling greater production, efficiency, and economy. This is good for the state of the Union.

Now let's take a look at agriculture. Prices received by farmers in February, 1949, had the index figure of 258. Prices paid by farmers, 245. In other words, farm prices were on the average 105 per cent of parity.

Well, let's take a look at stock prices. Stock prices have declined by only two points since November, 1948—the high peak of inflation.

Then, too, the cost of living is slowly going down. The April report of the Joint Committee shows that personal savings for the fourth quarter of 1948 are at a rate of nearly nine billion dollars per year more than the fourth quarter of 1947. The estimates for the first quarter of 1949 show no major change.

Well, then, what is the danger sign? The rise of unemployment and the signs of growing weakness in the price of agricultural commodities.

What can be done about this? Well, first of all, American industry must squeeze out inefficiency and waste in production, and reduce prices. Now this may necessitate a reduction of corporate profits—a reduction, I say, which can well be absorbed.

Secondly, reduced prices for the goods we need will release purchasing power which is still high, but not high enough to meet the monopoly-administered prices of some of our basic industries.

Thirdly, we must remember that approximately 31 per cent of our families earn under $2,000 a year. Millions of our potential buyers are living on social security payments that provide no actual purchasing power.

Now what to do about this? Well, let's raise the minimum wage in line with the productivity and the profits of industry. This means purchasing power. Let's extend the coverage and increase the benefits of the social security system. This means increased purchasing power.

Now, how about the farmers? The present Administration is now preparing a basic farm program to guarantee reasonable farm income without raising consumer prices.

So I say the state of the Union is good. It needs to be improved and it needs to be given a guarantee of future productivity and prosperity. This gives confidence to investors and buyers. We now know that depressions are manmade. We know that depressions can be controlled and that economic conditions can be controlled. This is not 1929.

Price supports for farmers, minimum wage laws, social security, and a strong labor movement; also, regulation of the stock market to prevent excessive speculation—all of these things combat what we call a depression.

Regulation of credit facilities so as to promote a free flow of money and credit, and a council of economic advisers which is a watchdog of the economy—these are tools that we fight with against a depression.

Add to this a vast planned program of public works, public works amounting to over 30 billions of dollars, one-half of which amount has already been authorized. This does not even include a vast program for housing, both private and public.

So, you see, I say that the state of the Union is still good. Yes, Mr. America is in good physical and economic condition. Only the jitters—yes, the nerve jitters—can hurt him. (*Applause.*)

Moderator Denny:

Thank you, Senator Humphrey. One disadvantage of not having the Senator here with us was that we didn't have him present at our speakers' conference, and I'm afraid the Senator's pulled a surprise on the next two speakers, because they expected him to say a few things a little differently.

Nevertheless, we're going to turn to an American businessman and manufacturer, Mr. Drefs, who may change his speech and ad lib as he wishes. He's the president of the McQuay-Norris Manufacturing Company of St. Louis. He's been in business ever since he graduated from the University of Pennsylvania in economics forty years ago. He's the national vice president and member of the Executive Committee of the National Association of Manufacturers, a director of the Automotive and Aviation Parts Manufacturers, a trustee of the Navy Industrial Association, and a trustee of Southern Methodist University, and a director of several St. Louis business concerns.

Well, Mr. Drefs, what do you think of the present state of the Union. Mr. Arthur Drefs of St. Louis. (*Applause.*)

Mr. Drefs:

My answer, too, is that the state of the Nation is still good. There has been deterioration. Virtually all production indexes, except steel, electric power, and automobiles, are down. So are department store sales, employment, wholesale and retail prices, and finally, the Bureau of Labor Statistics Cost of Living Index has dropped.

Furthermore, all the indexes continue to move downward. The exception is the last Census Bureau on unemployment which claims that on March 12 unemployment was not only checked but moved downward by 50,000.

The recession has been long enough and sharp enough to remove it from the seasonal category. On the other hand, to date it has been orderly and entirely devoid of panic characteristics.

It is now clear that the inflation threat is at least temporarily ended, provided: (a) we avoid war, (b) fourth round wage demands are shelved, (c) federal expenditures are at least kept within the presidential budget.

While the President still publicly demands inflation controls, the need for them has long since ended. As a matter of fact, various branches of the Government are gradually removing inflation controls. Note the following changes: (a) relaxed retail selling restrictions, (b) lowered stock purchase margins, (c) eased steel allocations, (d) relaxed export controls.

The Federal Bank has great additional powers it can use should they be required. It could ease bank reserves requirements, and its open money policies are very potent.

What's causing the present recession? Here are some of the more important factors:

1. The inventory pipelines at all levels are now filled, and in some cases overflowing.

2. Inventories are being adjusted downward. Delivery is more rapid, reducing stocking requirements.

3. Price decline makes buyers more cautious.

4. The threat of war. Everybody listening has his own idea about that. The best information I could get is "Possible, but not probable."

5. Demand for fourth round wage increases. In the declining economy we are now in, higher wages would be disastrous. Let us see what has happened. In 1940, the average manufacturing wage was $.661 per hour. The work week was 38.1 hours. The take home pay $25.20. This February, the average hourly earnings were $1.377; average hours, 39.4; take home pay $54.25. These figures do not include fringe wage payments. In our company, these amount to $1.1693 per hour.

Of the utmost importance is the fact that the real hourly earnings (actual hourly earnings adjusted to the cost of living) have moved higher month by month since May, 1948. They reached an all-time high in February, 1949 — again without fringed wages.

6. The threat of the repeal of the Taft-Hartley Labor Law, and the substitution of the unsatisfactory Wagner Act with amendments. The changes in the law should be taken out by politics. I repeat that: The changes in the law should be taken out of politics. Nothing would lift business confidence more than a sound labor law.

7. The steady increase of government costs at all levels—city, state, and federal — is alarming, especially when the government revenues are threatened with serious shrinkages.

8. The persistent unfair attacks on the profit and loss system by the uninformed, and by those who would destroy it.

We are admittedly in a transition period from a seller's to a buyer's market. There will be rough spots, plenty of them. Profits will decline, so will employment. But business is confident that the recession will be moderate and short-lived unless we are delivered into the hands of the planners who will put us in the economic strait jacket such as prevails in England today, and with the same disastrous results. (*Applause.*)

Moderator Denny:

Thank you, Mr. Drefs. Now may we hear from an economist who is not given to optimistic statements, and who has in the past had the courage to make unpleasant prophecies when such prophecies were very unpopular. He is a former Deputy Director for Reconversion of the Office of War Mobilization and Reconversion, and is the author of *Mobilizing for Abundance*. Mr. Robert Nathan of Washington, D. C. (*Applause.*)

Mr. Nathan:

Mr. Denny, fellow participants, and friends, I am inclined to agree with Mr. Dref's diagnosis of the current business picture, but I completely disagree with him on what to do about the future.

Today, the state of the Union is not as good as it was at the beginning of the year. But, the picture is not one of chaos and despair. There has been some deterioration, economically and politically.

Despite the drop in business activity to date, to which Mr. Drefs refers, the total number of people still at work in this country and our level of production, consumption, and flow of incomes are still very high.

If business conditions in America were never worse than at present, we would have little cause to worry. The real question is: What is in prospect for tomorrow, the day after, next month, and next year? The signs are not yet clear.

The change-over from the seller's market to a buyer's market has many healthy implications. For the first time in many years, we are witnessing competition in the fields of production and distribution. This is normal and desirable for our competitive system.

The declines in inflated prices and the narrowing of swollen profit margins are not in themselves to be feared nor abhorred. Most businessmen agree that profits have been too large, and they will not be panic stricken because of smaller markups.

The monopolists at heart will not greet this new period of competition with outstretched arms, but consumers and the businessmen with the spirit of enterprise and venture will welcome it.

The current decline in business is serious to those businessmen who are going through the wringer in increasing numbers, and to those workers who have lost their jobs, and to those farmers whose incomes have fallen sharply.

But of greater importance to all of us is the question: Can we continue this adjustment without mass unemployment, widespread bankruptcies, and serious loss in living standards. I believe unequivocally that we can.

Business, labor, and the farmer all have important contributions to make in keeping our economy on an even keel. Increased productivity, greater efficiency, and prices low enough to attract consumer buying are necessary. It is encouraging to see most businessmen cutting prices today rather than cutting production.

Let business price consumers back into the market. Reduced prices have tended to keep sales rather high and that's very encouraging.

Now, whether or not we can have sustained employment in the future depends, however, primarily on government policy. Therefore, I agree with Senator Humphrey that in appraising the state of the Union we must think in political, as well as economic, terms.

Most important at this moment is the attitude of the people of America and of the Executive and Legislative branches of our Government as to what will be done in case we continue to slide off and experience the kind of bankruptcy and chaos which characterized the years between 1929 and 1932. Or, what would the people and the leaders of this country do if the present downward trend in business were reversed and we entered into a period of further inflation?

If the philosophy of this Congress turns out to be the same as that of the 80th Congress, then I say the state of the Union will not be good. If wrong or inadequate policies prevail, surely sooner or later we will suffer from alternate periods of irresponsible inflation and deflation.

All of us do not want the transition from postwar inflation to peacetime competition to take the form of mass unemployment and mass bankruptcies. If these painful circumstances are to be avoided, then intelligent and flexible government policies are needed.

In boom times, taxes must be increased, government spending reduced, and credit restricted. In times of stress, we must cut taxes, relax credit controls, and increase public works.

In other words, our Government, with its large budget and its recognized and accepted economic powers, should use its authority, not to socialize or regiment business, but to insure an economic environment within which prosperity and full employment can be provided by business.

Mr. Drefs recognizes these powers, but he seems to run away from their use. As an illustration, he says the Taft-Hartley Law ought to be taken care of and taken out of politics. Well, I don't know how that can be done if we live in a democracy and legislation is enacted by our representatives. I'm not sure who he would have change the Taft-Hartley Law. If it was the N. A. M., I would certainly rather have the Congress of the United States.

Basically, although the behavior of this Congress to date is hardly a source of great encouragement and confidence to the American people, I sincerely believe that the good sense and the sound judgment of the American people, as evidenced on November 2 last, will make its voice heard and that a positive economic program will emerge, which will permit us to say that the state of the Union is not only good, but excellent. (*Applause.*)

Moderator Denny:

Thank you, Mr. Nathan. Our next speaker is a nationally syndicated, economic columnist for International News Service, and an editorial writer for the Hearst newspapers. Mr. Rukeyser became a financial writer for the *New York Tribune* at the age of 23, and he's been writing about our economic system ever since. He, too, is the author of several books in this field, among them, *Financial Security in a Changing World.*

Well, Merryle Stanley Rukeyser, will you give us your opinion on the state of the Union now? Mr. Rukeyser. (*Applause.*)

Mr. Rukeyser:

Good evening, ladies and gentlemen. I can't go along with Mr. Nathan's remark that there has been deterioration politically as well as economically.

By "deterioration politically," does Mr. Nathan perchance refer to last week's Republican sweep in Michigan over the C. I. O.-supported candidates for state offices? Or does Mr. Nathan castigate as political deterioration the newly revived Senate coalition?

This bipartisan bloc in the Senate with a balance of power has been turning thumbs down on the "Fair Deal" legislative proposals to perform radical surgery on the national economy.

Like Senator Humphrey, Mr. Nathan sneers at the philosophy of the 80th Congress which, incidentally, operated under conditions of full employment. These two gentlemen seemingly favor revival of the very patent medicine prescriptions, in terms of federal controls and more government spending and taxing, from which the national economy is now seeking assurance of relief.

Differing with the philosophy of these two gentlemen, Mr. Drefs has suggested that the patient will recover if not stifled with harmful and debilitating drugs proposed by the centralized economic planners and their adherents in Government and in the pressure groups.

As we approach the zero hour of mid-April, there is happily less jitteryness around the country. Two of the three worries of the winter have abated. The Senate

coalition is taking care of political fears, and the calendar is remedying the seasonal downswing.

Only the third trend, relating to the economic readjustment from postwar inflation, remains for analysis.

What indeed has occurred in recent months to retard the supersonic speed at which business has been rushing headlong during the boom?

Were actual conditions last November as favorable as propaganda indicated? To avoid second guessing after the event, I have reviewed my own preëlection notations.

Believing that readjustment was necessary and inevitable, I pointed out on September 21 last, that if perchance a new executive group should come into power, it would have an obligation on Inauguration Day to disclose the "need for a readjustment to correct the accumulated errors of the New Deal manipulators."

Thus, I did not share the view that, as of November 2, economic fundamentals were so favorable that political change was inadvisable.

The November 2 confidence was like that expressed by the man who fell off the roof of a New York skyscraper. As he passed the 40th floor, he shouted out, "I'm all right so far."

It was sheer illusion to assume that we could remain permanently frozen at the crest of an inflated boom, which depended on abnormal and nonrecurring factors. Thus, early in September, when meat prices soared spectacularly to unprecedented heights, with steak being measured by the carat instead of by the pound, this economic pulse-taker in a series of articles alerted the public to an impending reversal of trends.

Accordingly, I was not panicky in February. On the eleventh of February, in the midst of the panic in livestock prices, in a speech which I made at San Francisco before the Western States Meat Packers Association, I referred to my September survey, saying: "Now in February when the shoe is on the other foot, I don't feel like becoming a calamity howler toward the bottom. This is the time to get a little sanity and to begin to analyze the figures."

Now in April, after the cost of living has been declining for five successive months, one may ask, "Is that good or evil?" Certainly it is good for those living on pensions and other fixed incomes.

Nevertheless, those in the executive branch at Washington, who benefited from the coincidence of being in office during a boom, seem disturbed. In February, the President intimated at a press conference that business had nothing to worry about.

To an onlooker, it appears that the need for worrying about the impact of proposed Fair Deal economic laws has abated. Eyes should now be focused on the purely economic phase, the exploration for a price level on which future prosperity can be built. If the 1948 peak was too high, it is silly, on the other hand, to look wistfully to prewar prices.

Prewar prices would be hope-

THE SPEAKERS' COLUMN

ARTHUR GEORGE DREFS — President of the McQuay-Norris Manufacturing Company of St. Louis since 1945, Mr. Drefs is also Regional Vice President of the National Association of Manufacturers. Born in Buffalo, N. Y., in 1888, he has a B.S. in Economics from the University of Pennsylvania.

Associated with several companies from 1909 until 1921, Mr. Drefs joined the McQuay-Norris Company in 1921 as vice president and director. Since then he has served as secretary-treasurer and vice president and treasurer. In addition to being president of McQuay-Norris, Mr. Drefs is also president of King Quality Products Co.

Mr. Drefs has been active in N.A.M., the St. Louis Chamber of Commerce, and the U. S. Chamber of Commerce. He is a member of the senior advisory committee of the St. Louis Chamber of Commerce, and is active in many civic groups, both local and national in scope.

MERRYLE STANLEY RUKEYSER — Mr. Rukeyser, financial writer and economist, was born in Chicago in 1897. He received a B.Litt. degree from the School of Journalism at Columbia University in 1917, and an M.A. degree in economics from the same university in 1925. He has worked as reporter on the *Rockaway News*, Far Rockaway, N. Y., and as assistant sports editor and correspondent for the New York *Morning Telegraph*. He was financial editor of the *New York Tribune* from 1920 to 1923, and of the *New York Evening Journal* from 1923 to 1926. From 1918 to 1935, Mr. Rukeyser was a member of the teaching staff of the School of Journalism of Columbia University. Since 1931, he has been an editorial writer for the Hearst newspapers, in addition to contributing a daily financial column to the Hearst newspapers and the International News Service since 1927. Mr. Rukeyser is the author of several books on finance and investments, and of many magazine articles on finance, trade, and national affairs.

ROBERT R. NATHAN—Chosen one of the ten outstanding young men in the United States by the Junior Chamber of Commerce in 1940, Mr. Nathan is also a former deputy director for the Office of War Mobilization and Reconversion.

Young in years, Mr. Nathan, who was born in 1908, has a wide background of economics. He has taught at the University of Pennsylvania, been an economist with the U. S. Department of Commerce, and assistant director of research for the Pennsylvania State Emergency Relief Board.

From 1937 until 1940, Mr. Nathan was a consultant on state income studies made by the National Resources Planning Board. For two years, he was chairman of the Planning Committee of the War Production Board. He was acting director of the United States-United Kingdom combined Production and Resources Board. In 1945, he was made deputy director for reconversion, Office of War Mobilization and Reconversion.

In 1943, Mr. Nathan became a private in the United States Army. He has written several books, including *Mobilization for Abundance*, and many magazine articles.

HUBERT H. HUMPHREY—A Democrat from Minnesota, Senator Humphrey is a member of the Senate Labor and Public Welfare Committee. As Mayor of Minneapolis, he was one of the youngest men ever to hold that office. Born in Wallace, South Dakota, in 1911, he studied for a year at the Denver College of Pharmacy and was a pharmacist with the Humphrey Drug Co., in Huron, South Dakota, for four years. Enrolling at the University of Minnesota, he received an A.B. degree in 1939. He became an assistant instructor of political science at the University of Louisiana, and also studied for a master's degree which he received in 1940.

After a year of teaching at the University of Minnesota, Mr. Humphrey became a member of the administrative staff of W.P.A. and later was head of the state division. He was assistant state supervisor of adult education and assistant regional director of the War Manpower Commission. He has taught political science at Macalester College in St. Paul.

In 1945, Mr. Humphrey became Mayor of Minneapolis and was also chosen Outstanding Young Man of the State. He has been active in politics and in many fields of civic betterment. He was elected to his seat in the Senate last November.

lessly out of balance with the trebling of the money and credit supply since 1939. With the new wage rigidities and the stratosphere level of federal spending and indebtedness, it is immature to assume that, in the spirit of oriental fatalism, the coming sequence of events has been rigidly foreordained.

The dynamic goal should be balanced relationships. It is reasonable to look for humane dividends from the resultant increase in efficiency and productivity in the form of giving the customer *more for less*, including better and more courteous service. Thank you. (*Applause.*)

Moderator Denny: Thank you, Mr. Rukeyser. Now, gentlemen, let's have a little doctors' consultation up here around the microphone, and we'll start with Senator Humphrey in Washington. Senator?

Senator Humphrey: Well, I seem to be very much in a quandary here as to just what Mr. Rukeyser and Mr. Drefs have in mind. First of all, they're very happy about the general business condition, and yet both of them seem to take great delight in condemning the very Administration which is giving them a reasonably good business condition.

Then, on the other hand, they point with alarm and view with alarm to some of the tendencies which we do witness, such as unemployment—and we have some unemployment in this country—and yet they do not want any kind of government regulation, any kind of government planning.

I'd like to remind Mr. Rukeyser and Mr. Drefs that one of the reasons today that I think we have not gone into a precipitous decline, one of the reasons today that I say that the condition of the Union, or the state of the Union, is still good, is primarily because of the government tools that we have fabricated during the period of the 1930 depression and in the period of the war and the postwar days. Such tools as price supports for farmers—believe me, without price supports for farmers, the American farmer would have found himself in a disastrous depression.

And I talk about such tools as the regulation of the stock market, because in all the flurry on the stock market, without governmental regulation we would have had ourselves some trouble.

And I talk about regulation of credit facilities. Surely the Government of the United States has something to say about that.

I also say that the Government of the United States in some of its public works programs, and in the Marshall Plan, if you please, has stabilized this prosperity and this productivity that we've had.

Now, I find myself in the position, then, of saying that the state of the Union is still reasonably good. Yes, as I pointed out, there are some signs that are a bit disconcerting, but the state of the

Union is basically good, not only because of what we see on the economic horizons, but because the people of this country—investors and buyers, consumers and producers—know that the Government of the United States is not the Government of 1929. It is the Government of 1949, where there is a President and where there is a Congress that is willing to take the action to prevent any disastrous decline in the market or in our productivity, or a general depression. (*Applause.*)

Moderator Denny: Thank you, Senator. Both Mr. Drefs and Mr. Rukeyser are ready to reply here. Mr. Drefs?

Mr. Drefs: Well, Senator, I've been frankly very disappointed at your conservative attitude tonight. I frankly expected you to use that "turn on the spigot" term of yours which is so general in Washington and among certain economists, but you restrained yourself and so you take a certain amount of wind out of my sails.

But, the fact of the matter is that we are now on a 42 billion dollar federal scale. Picking up the Springfield paper this morning, I found where Mr. Altmeyer figured a social security program, and that social security program looked like to him 15 per cent of the pay roll ultimately. While he talks about it being seven billion dollars, I did a little figuring and with my figures I ran up to something like 15 to 17 billion dollars as the ultimate cost. So that what we, in business, are worried about is when are you going to stop spending, and is the only cure pouring out more government money? (*Applause.*)

Moderator Denny: Thank you, Mr. Drefs. All right. Let Mr. Rukeyser get in on this.

Mr. Rukeyser: This is no time for mussing it up between politicians. This is a very serious time, for the health of our economy is of interest not only to 140,000,000 of our own people, but to the entire world, and I understand that the ex-comrades in the Politburo are waiting patiently for an American bust.

Now one of the things that disturbs me at this time is that when the needs are so great we've entrusted the affairs of the Senate to a man who uses statistics as loosely as Mr. Humphrey, who said tonight there's statistical evidence of the fact that the state of the Union is pretty good, and that the stock market is down a couple of points since November.

Well, that's a strange type of comparison to make. Doesn't the Senator remember that in November the stock market fell out of bed because it was surprised by the election news? (*Applause.*)

I'm inclined to agree with the Senator that depressions are man-made, and I hope that the Senator recognizes that Senators are men, too, and that they sometimes make mistakes, political miscalculations, mistakes in excessive spending and federal indebtedness and taxation, and mistakes calculated to please large pressure groups. (*Applause.*)

Moderator Denny: Thank you, Mr. Rukeyser. I think we'd better have a word from this other economist here. Mr. Nathan?

Mr. Nathan: Well, two or three points I'd like to emphasize briefly. First of all, the stock market didn't fall out of bed only on November 2. The stock market fell out of bed about two or three years ago when OPA was killed. And I think most of the people who had a part in the murder realized that it was an unsound situation, and the result was that, interestingly enough, the stock market in this country hit its peak just about the same time OPA was on its last legs, and we had a declining stock market in the whole period of the 80th Congress.

The second point I want to raise is about this matter of spending. Mr. Drefs, I think every American is against inefficiency and waste, whether it's government spending or other kind of spending. But there isn't any doubt that the vast majority of American people would much prefer to have spending as an alternate to mass unemployment. I don't think that's the choice that we have, however.

It seems to me that with intelligent, constructive government policies in terms of, say, taxation—and that brings me to the 80th Congress, too, in terms of taxation—we can help stabilize the economy.

It seems to me that the 80th Congress made a terrible mistake when it cut taxes in the spring of 1948, when we were in the midst of inflation. That was not the time to cut taxes. That was preferably the time to raise taxes, but when business tends to decline and increased buying power is needed, then let's cut taxes.

Let us have government policy that's geared to meet the economic situation, and I agree with Senator Humphrey that the prospects are that this Congress will do a much more constructive job. (*Applause.*)

Moderator Denny: Thank you, gentlemen, for your very forthright and clear statements. Now our audience here in the Field House in Drury College in Springfield, Missouri, will be interested in the following message.

Announcer: You are listening to the 555th broadcast of Town Meeting of the Air, coming to you from the Field House at Drury College.

You may obtain a complete transcript of tonight's program by writing for the Town Meeting Bulletin, enclosing 10 cents to cover the cost of printing and mailing. The addresss is Town Hall, Box 56, New York 46, N. Y. Please do not send stamps, and allow at least two weeks for delivery.

When you write for tonight's Bulletin, remember the plan we announced earlier to have your Town Meeting to go around the world representing you, our listeners. We wish you could share with us the thousands of wonderful letters we have been receiving from listeners everywhere.

For example, a German girl in the British Zone of Germany heard about our plan and sent an American dollar bill. From San Francisco, California, a foreign student from Tel Aviv, in the new state of Israel, sent her dollar.

Members of the North Salem Discussion Group at Brewster, New York, sent ten dollars. Mrs. Jack M. Messer, of Jackson Heights, New York, sent 15 dollars with the message, "Here is a dollar for each country and one for good luck."

We know that the warm hearts of American people are eager to share their democracy with the well-being of the people of other lands. If you have not sent your dollar or dollars yet for democracy, won't you send your contribution tonight to Town Hall, Box 56, New York 46, N. Y.

Now for the question period we return you to Mr. Denny.

QUESTIONS, PLEASE!

Mr. Denny: Thank you. I believe Senator Humphrey had a comment to make when we had to close off there for the station break. Senator, did you have a comment?

Senator Humphrey: Yes, I surely did, Mr. Denny. I wanted to comment on the remarks of Mr. Rukeyser and Mr. Drefs. I seem to find that these gentlemen are just unhappy that the Senator who is on the other end of the line happens to be a Democrat, and a Fair Deal Democrat and a New Deal Democrat. They don't seem to be unhappy with the economy. They don't seem to be unhappy with the economic situation.

What they're primarily concerned about is that the control of the Administration happens to rest with the so-called Democratic party even though they do not want to bring in the issue of politics.

Now, let's get back to the facts that Mr. Rukeyser was talking about. I have before me the economic indicators of April, 1949, prepared by the Joint Committee on Economic Reports by the Council of Economic Advisers, and I quote from page 5 of that report on the matter of stock prices. Here we had Mr. Rukeyser telling us that after the November election things just dropped out—the whole country literally went to pot. Well, what's the fact?

In November, 1948, according to this report, the combined index of stock prices reveals the figure —the index figure—of 120.4, and in March, 1949, the stock price figure, the index figure, is 118. I would remind Mr. Rukeyser that is a reduction of only 2.4 points.

Now, going back to what Mr. Nathan had to say. He is absolutely true. Let's take a look at the figures. While OPA was still in,

that is up to 1946, the stock market was 139.9. That is the index figure based on the 1935-39 average.

What happened, however, let us say, just one year later, after price control had been scuttled? The stock market was down to 123—in other words, a drop of 16 points. But under the 81st Congress, may I say, and not the 80th Congress, the stock market has only dropped 2.4, and that's a fact—that isn't a political prognostication—that is a fact from the figures of the United States Government. (*Applause.*)

Mr. Denny: Thank you, Senator. Now, Mr. Rukeyser.

Mr. Rukeyser: I only want to say with great brevity that I wasn't questioning the statistical fact that stock prices were down a little more than two points from November. I wanted to call attention to the lack of the Senator's economic competence in making a yardstick out of a period when there had been a decline.

Now as for Democrats and Republicans, I think there are some mighty fine Democrats in Congress, and if you want me to name a few, I'll start with Byrd of Virginia, and George of Georgia, and many others. (*Applause.*)

Mr. Denny: Thank you. Now, let's get on with this question period. The next question from the gentleman over there. Yes?

Man: My question is directed to Mr. Drefs. In my hands, I have a copy of tonight's *Leader Press*, and it says here in blackface type that department store sales for the two weeks before Easter are eight per cent higher than the comparable weeks of last year. Now, how do you reconcile that with the statement you made in the early part of your talk?

Mr. Drefs: That one's a cinch. This year, Easter is three weeks later than it was last year.

Man: All right, it's the "comparable two weeks."

Mr. Drefs: No, they've taken that into consideration. It's the "comparable two weeks." I spent a good deal of time examining into that. You'll find that the week before last you had an upward change. But the week before that comparable sales were off 16 per cent, and they were off 16 per cent because Easter buying was three weeks earlier. Now, the Easter buying of last year has ended, but we're in the Easter buying of today. So that your sales of department stores are definitely higher.

Mr. Denny: Thank you. Just a minute, the gentleman wants to talk back. All right, let's have a discussion. Go ahead, sir.

Man: I don't think I made myself clear. These are the two "comparable weeks." Not the same weeks according to the month and the day, but these are the corresponding weeks before Easter—the comparable weeks. Incidentally, this is the I.N.S. Report.

Mr. Drefs: All I want to tell you is that I examined in the St. Louis Federal Reserve District the department store sales for all of this year and they've been continuously downward until the last two weeks, and they are not now comparatively as good as they were in the Easter period of a year ago.

Mr. Denny: Thank you. Maybe we'd better stop arguing about statistics now and get on to the next question. The gentleman on the third row here.

Man: My question is directed to Mr. Nathan. By what methods can we soundly measure the success of our expenditures abroad?

Mr. Nathan: Well, obviously, our objectives in terms of foreign expenditures with respect to ECA and, prior to that, to Lend-Lease and UNRRA, were not only humanitarian in terms of helping these people overcome the very great devastation of the war and in helping them recover, but also in terms of keeping them in the sight of the democracies.

I, personally, feel that in France, in Italy, and in many other countries in Western Europe and including England, we have helped those countries to achieve a degree of economic recovery which will permit them to really be on their feet before long.

I might just say one thing with respect to that in addition and that is this: In my judgment, it is economic chaos, economic frustration, unemployment, which leads people to accept dictatorships on the one hand or communism on the other hand. Therefore, I feel that by helping these people abroad and by seeing their production and employment and consumption index rise as we have that we're keeping them inside of the democracies and it's a very, very worthwhile investment. (*Applause.*)

Man: My question is to Mr. Rukeyser. What is the correlation, if any, between the spiritual values of our Nation and its economic condition?

Mr. Rukeyser: That's not one for me—the correlation between the spiritual and the economic. Economic things are measured by tangible bookkeeping reflecting the availability of goods and services. There may be other things such as psychical income—that is, mental and spiritual enjoyment—which count, but they're not included in the indexes—certainly not in the indexes that the Senator from Minnesota quoted to us tonight.

Mr. Denny: Just a minute, Mr. Nathan wants to comment on that. He's an economist.

Mr. Nathan: Why, I just wanted to sort of push that question a little further and make one comment. Mr. Rukeyser, wouldn't you agree, however, that economic conditions and the level of production and consumption and prosperity is a very important factor in terms of maintaining democracy and maintaining the morale of our people? When we have situations like we had in '29-'32, the people are inclined to turn away from

what we generally regard in this free society of ours as good, high, sound values and are inclined to turn in any and all directions. Therefore, the level of economic activity is a very important factor in terms of the general morale and spiritual well-being of our people. Wouldn't you agree with that?

Mr. Rukeyser: Mr. Nathan, I agree with you that it's desirable that we have prosperity, good health, and happiness. I'm in favor of all of them, but I am dead against political pressure-group seekers going around and telling the public, "It ain't goin' to rain no more"; and that "We'll always be on top of a boom"; and that "You don't have to exert yourselves, you can take it easy and Mama Government will take care of you." (*Applause.*)

Mr. Denny: Thank you. This next question is coming to Senator Humphrey.

Man: My question is directed to Senator Humphrey. You mentioned industry should squeeze out inefficiency. Don't you think that it's just as important that inefficiency be squeezed out of Government? If you agree, what has the present Congress done about it?

Senator Humphrey: I certainly agree that inefficiency should be squeezed out of Government, and I recognize that it is a great problem in our governmental administration. The Hoover Commission Report, for example, has brought to the forefront a number of areas where inefficiency, or, at least, according to the Commission, some waste and some extravagance exists. I might say for the benefit of my colleagues that are on this program that the junior Senator from the State of Minnesota is on the committee for executive expenditures and that the junior Senator from Minnesota is one of those who are in support of many of the measures which have been advocated by the Hoover Commission.

I, personally, like to see our Government operate as efficiently as possible. But I do want to say this—that in the monopoly industries of this country, in the industries where there is little or no competition, that is where you notice the greatest exorbitant profit. It is also, may I say, in those same areas of industry where you notice the least amount of price decline. Those are factors that cannot be ignored. American industry is going to be compelled, under the impact, may I say, of the lack of consumer buying power, to meet high prices, to tighten up its efficiency in terms of its production, and to produce a product that can meet the consumer needs and the consumer income. (*Applause.*)

Mr. Denny: Thank you, Senator. Now, the question over there for Mr. Drefs.

Man: I'd like to ask Mr. Drefs what is the labor law that the National Association of Manufacturers proposes?

Mr. Drefs: They haven't proposed a law. They have made suggestions for the amendment of the Taft-Hartley Act, but they haven't proposed major changes. As a matter of fact, when they appeared in the Senate Committee, the N.A.M. representative was told that only the sons of the workers won the war and that the sons of the manufacturers all got very rich. Consequently, as a result, in my opinion every Selective Service Board in the United States was insulted. (*Applause.*)

Mr. Denny: Thank you. The gentleman over on the other side.

Man: Mr. Nathan, how do you propose that our government, or any government, can give economic assurances of stability without control and regimentation of business?

Mr. Nathan: Well, I am convinced in my own mind that we can achieve economic stability without government ownership or regimentation. I'm convinced that there are certain areas — let us take one or two as an illustration.

Let us take taxation and the expenditure power of the Government. The Federal Government today has a budget of over 40 billion dollars. I would like to see it cut, maybe it can be cut two, three, four, five million. I'd like to see it cut a lot. But with that kind of a budget and with that kind of a tax program, the Government can undertake major changes which will affect the economic situation, and I just give you the illustration of taxes. Let us say we're in a period of rising prices, inflation, boom conditions. The Government, under those circumstances, can increase taxes and increase them very materially, and that reduces buying power.

If, for instance, we're in a period where it seems we're having too much investment, then Government can direct its taxation to absorb incomes at the higher levels or in the corporate level, draw down the volume of savings, and reduce the volume of investment.

If it feels there is too much consumption or too much demand for consumer's goods, it can assess more taxes on the lower level and take away buying power.

On the other hand, when we have a real decline in business, let Government cut taxes five billion, ten billion, fifteen if it's necessary, in order to increase buying power.

In boom times, let them reduce spending, hold back public works; and in bust times, let them really spend public funds for public works. In those two areas alone, of expenditures and taxation, I think Government can engage in compensatory fiscal policy that will help materially to stabilize our economy. (*Applause.*)

Mr. Denny: Thank you. There is a lady who has a question for Senator Humphrey.

Lady: Senator Humphrey, with each man, woman, and child in the United States saddled with approximately $2,000 as his proportionate share of the public debt,

and with definite financing in the offing, explain how the state of the Union can still be good.

Senator Humphreys: Why, I explained that the state of the Union is still good by the very fact of the economic picture. I point out also that this budget that you're talking about and this debt wasn't incurred, by the way, by the junior Senator from Minnesota. I've only been here about four months.

I think we ought to recognize that we expended about 450 billion dollars to win a war, and of that amount of money about 250 billion dollars was left as a public debt. Besides that, prior to the war we had a great major depression, and I would remind at least two of my colleagues in this discussion—Mr. Rukeyser and Mr. Drefs—that that depression wasn't brought on by any kind of New Deal finagling. That depression was brought on by the lack of any kind of government action, by the failure of any kind of government planning, by the unwillingness of the Government to step into the breach and to recognize that the duty of government is to serve and to protect the welfare of the people.

Surely, I would make this observation, that the tax program is high and that the requirements for servicing the public debt for veterans' benefits; for national defense, over 15 billion dollars—I'm sure you wouldn't want that curtailed—and our requirements for foreign aid, all of which are necessary, all of these things are high. That indicates to me the imperative necessity of maintaining a high, productive, prosperous economy. That may require, as Mr. Nathan has so ably pointed out, some very effective government planning, some effective use of government weapons, such as the taxation program, as he pointed out; such as government public works in a period of deflation; and, any time during our economy, government regulation, such as I pointed out, of the stock market; regulation of our credit facilities to promote free flow of money and credit. These things are normal governmental activities in this day and age. (*Applause.*)

Mr. Denny: Thank you, very much. Mr. Rukeyser has a brief comment.

Mr. Rukeyser: Well, if you haven't good use of statistics, you have a lot of breath control. I'd like to say that in 1930 and right after the panic of 1929, there wasn't inaction. There was a considerable action by Government, most of it misguided, and much of it calculated to delay the depression. Senator Carter Glass, Democrat of Virginia, castigated Hoover for the RFC as a financial socialist.

Mr. Denny: Thank you, Mr. Rukeyser. Now while our speakers prepare their summaries of tonight's discussion, here is a special message of interest to you.

Announcer: While our speakers prepare their summaries, let us answer a few of your questions about our Town Meeting Around the World.

Q: Will the programs be in English?

A: Each program will be in English. In case any of the speeches or questions are in the language of the country in which the program is originating, there will be instantaneous translations using the method now followed by the United Nations Assembly.

Q: How can we be sure of clear transmission of programs from all parts of the world?

A: Each program will be recorded a few days earlier than you will hear it and will be flown back to the United States and broadcast over most of these stations at our regular time.

Q: What do you mean by the term "people-to-people"?

A: The principal purpose in taking Town Meeting around the world is to promote understanding among the people of each country visited and the people of the United States. We are, therefore, inviting you, our listeners, to help send your Town Meeting to 14 world capitals to enable us to bring you discussions between the people of our country and the people of the countries we visit.

A scroll containing the name of each person who contributes one dollar or more will be presented to the Mayor of each city we visit in recognition of this people-to-people principle.

Now for the summaries of tonight's discussions here is Mr. Denny.

Mr. Denny: Now, here first is Mr. Rukeyser.

Mr. Rukeyser: In facing the risks of the future at home and abroad, we know that the constructive approach is to solve problems, not dodge them. It is sheer psychological escapism to look to government alone for our salvation. Mr. Justice Holmes gave us a slide rule for a free society when he said, "There's a natural longing in every human heart for security and repose. But security is generally an illusion, and repose is not the destiny of man." *(Applause.)*

Mr. Denny: Thank you, Mr. Rukeyser. Now, Mr. Robert Nathan.

Mr. Nathan: We all seem to agree that the country is not going to the dogs. We are against depressions and we're for free enterprise. Mr. Rukeyser is also against sin. Mr. Drefs and Mr. Rukeyser are for sustaining prosperity, but they refuse to face the realities as to how this can be achieved.

I am against government regimentation and against government ownership, but I'm convinced that government planning and government policies must be developed and implemented in such a way as to prevent unsound inflation and devastating deflation.

I reiterate that within the realm of taxation, spending, social security, minimum wages, antitrust

activities, credit controls—all of which are accepted government responsibilities—there is a power in the authority to keep our country sound and strong and free. Let us not put our heads in the sand and deny ourselves the great fruits which our free system is so readily making available. *(Applause.)*

Mr. Denny: Thank you, Mr. Nathan. Now, Mr. Arthur Drefs.

Mr. Drefs: To restore business to a full employment level is a nonpolitical job. It can't be done overnight. Some additional adjustments must be made, probably lasting through the greater part of 1949. These adjustments need not be too severe, and won't unless political or economic controls and regulations are imposed, handicapping the operation of a free economy.

Mr. Denny: Thank you, Mr. Drefs. Now a final word from Senator Humphrey in Washington.

Senator Humphrey: Well, Mr. Denny, it seems to me that a clinical examination of Mr. America shows that he still is pretty healthy in body. Yet, there are the pollsters and there are the commentators and there are the cynics who are going from head to foot over the economic body of our Nation in a frantic effort to find something wrong.

Every scratch on the tough skin of our economy is viewed as potential infection. Every sneeze of temporary unemployment is painted as the beginning case of a fatal economic disease. These prophets of despair, I say, are helping talk America into trouble, and I would like to advise them to accentuate the positive and eliminate the negative. The state of the Union is still good. *(Applause.)*

Mr. Denny: Thank you, Senator Humphrey, Mr. Drefs, Mr. Nathan, Mr. Rukeyser. I'm sure we're all glad to see that the speakers unanimously agree that the state of the Union is still good. That's something for Town Meeting.

Thanks, also, to our host, Drury College; our local sponsor, the Southern Missouri Trust Company; and station KWTO.

Before I tell you about next week, let us thank and congratulate the citizens of New York, California, Illinois, Pennsylvania, and Ohio, who have responded so promptly to the support of our Town Meeting around the world. While the citizens of nearly every state in the Union have contributed so far, these five states are at the head of the list.

If our scroll is to be truly representative of the American people, every town and every state should be represented. One dollar will place your name on the Town Meeting World Tour Scroll under the name of your city and state.

If you haven't sent in your contribution, we hope you'll do so tonight to help in this great venture of spreading this democratic ideal around the world.

If you've already sent in your contribution, be a modern Town

Crier and remind your friends and neighbors to send theirs. The address is Town Hall, Box 56, New York 46.

Now, next week our program will come to you from Des Moines, Iowa, where we'll be the guests of our local sponsor, the *Des Moines Register and Tribune*. Our subject will be "Should the Senate Ratify the North Atlantic Pact?" Our speakers will be Senator William E. Jenner, Republican of Indiana; George Fielding Eliot, columnist; Senator John J. Sparkman, Democrat of Alabama; and Dr. Curtis P. Nettels, professor at Cornell University. So plan to be with us next week and every Tuesday at the sound of the crier's bell.