

National Emergency

PRESIDENT TRUMAN has not yet "proclaimed 'national emergency in the" US. As the Acting White House Press Secretary, Stephen T. Early, said, "You can't just get a piece of paper and write 'national emergency', 'There must be preparation." And the preparation, no doubt, is already afoot. The President is meeting the Congress leaders of both the parties to discuss his plans, and national emergency might be proclaimed within the week.

This would inaugurate a defence economy, imposing new controls on production and distribution. As Dr. Malcolm P. McNair says, in the conversion from a peacetime to a war-time economy a lag is inevitable, and a certain amount of unemployment can be expected. But with the regular inflow of military orders, "the conversion recession" will be stemmed. The public, when they are fully possessed of the gravity of the situation, might indulge in scare buying. Despite controls, prices might soar. America should beware of further inflation. The dollar today is worth only 58 cents in comparison with that of 1935-39; with a swelling defence expenditure, it might sink lower.

Not a War Budget

President Truman's demand for an additional appropriation of \$16.8 billion for defence and \$1.05 billion for the Atomic Energy Commission raises the defence total for fiscal year 1951 to \$40.1 Billion and the overall total to approximately \$75 billion. " 'This,'" President Truman says, "is not a war budget. That would obviously require more money." Nevertheless, this exceeds the last war-time average, 1940-44, by more than \$5 billion. In the last year of American preparation for the last war, 1940-41, the total budget was only \$ 13.76" billion. Even the 1943 figure was only less than \$ 5 billion above what has already been asked for this year. But in view of the fall in the value of the dollar it would not be too much to expect defence spending to be stepped up, before long, to around \$90 billion. The present demand is only to finance present partial mobilisation and to lay the foundation for a rapid and fuller mobilisation.

Over the last decade the non-defence part of the budget has grown

to more than three times the old level. In the initial budget of 1950-51 it stood at \$22.6 billion as against the, 1941-42 average of a 'little"over \$7.4 billion. The so-called civilian expenditures have now been raised to \$25.85 billion. The people should be prepared for tax increases.

Excess Profits T A X

The excess-profits tax bill passed by the House of Representatives has now gone to the Senate. In its present form it calls for a 75 per cent levy on corporation earnings, classified as excessive, and is expected to produce at least \$3 billion annually in new revenue. Democrats believe that with a rise in profits hereafter, EPT would produce \$4.6 billion annually. According to the primary formula the 75 per cent rate would apply to the income, before taxes, in excess of 85 per cent of a corporation's average earnings during its most profitable three years in the four year period 1946-49. To prevent undue hardship publicly regulated telephone, electrical power, gas, water and intra-state, transportation companies are allowed 5 per cent return on equity and borrowed capital and retained earnings. A similar 5 per cent return is allowed to regulated railroads and airlines. Provision is also made for infant companies with low base-period earnings or losses, though "insufficient" in the eyes of the affected parties. The bill sets 67 per cent of a corporation's earnings as the maximum to be paid overall in regular and excess profits taxes.

Most of the organisations represented at the Senate Finance Committee hearing urged the abandonment of the excess profits tax idea and recommended other methods like a special defence tax on all corporations and a Federal sales tax on everything but food, coupled with an increase in regulate corporation rates.

Since the drafting of this bill the world crisis has deepened and a global war is not so remote now as before. The war budget, when it is presented would ask for more money and the country might have to raise about \$10 to 15 billion* in the next two years by way of additional taxes. The public debt, now more than five times as high as it was in the early stages of preparation for the Second World War, might swell further.

scared Materials

Prime Minister Attlee drew the attention of: *the president to the* shortage of raw materials threatened the British Economy the rearmament effort, and the two chiefs agreed that all efforts should be made to 'accelerate production both for military and essential civilian uses in the US and the UK and the entire free world. They agreed, to expand production, including the development of new sources of supply, and to control the distribution of raw materials in long demand and short supply, such control presumably to be achieved through combined allocation boards. Among the critically short materials Britain needs to maintain her economy and defence efforts are US cotton, sulphur, wool, rubber, copper, zinc and tin.

At present the National Production Authority has no definite estimate of defence requirements before them, to base their actions on. The use of aluminium, cobalt, copper, zinc and nickel has already been restricted. The NPA authority emphasised that defence and defence support programmes were requiring increasing quantities of steel and gave the hint that pending increased production, there was a need for steel conservation measures and for restricting the use of steel for non-defence purposes. Chlorine is in short supply and its civilian supplies may be reduced by 10 per cent. The demand for cotton textiles is expected to rise by 50 per cent, and the industry is confident of pushing up production to fully meet the increase in demand.

Auto Prices Rise

The prices of General Motors and Ford Cars have been raised. The rise in prices of copper, zinc and tin and the increase in wage bills are put forward as an excuse and (the automobile producers have called for controls on the basic materials and wages, But the United Automobile Workers' Chief Reuther called this rise in prices shameful and unjustified, for, according to him, the industry could absorb an increase in the price; of steel and other materials and still make a tremendous profit. The Economic Stabilisation Agency has intervened to halt the scheduled price increases. The Agency Administrator has called upon General Motors and Ford Companies to suspend price increases until the Agency could examine and determine the entire question of prices.