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JOINT ECONOMIC REPORT

MINORITY VIEWS

OF THE

JOINT COMMITTEE ON THE ECONOMIC REPORT

ON THE

JANUARY 1949 ECONOMIC REPORT OF THE PRESIDENT

April 28 (legislative day, April 11), 1949.—Ordered to be printed

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JOINT COMMITTEE ON THE ECONOMIC REPORT

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81st Congress } SENATE { Rept. 88
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JOINT ECONOMIC COMMITTEE REPORT ON THE ECONOMIC REPORT OF THE PRESIDENT, JANUARY 1949

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Mr. Taft, from the Joint Committee on the Economic Report, submitted the following

MINORITY VIEWS

[Pursuant to Public Law 304, 79th Cong.]

Summary of the Minority Report on the President's Economic Report

We reject the basic philosophy of the President's Economic Report which, in effect, recommends that we set up in this country a planned and controlled economy and increase taxation for that purpose. The President's report ignores the broad powers already existing in the hands of the President, particularly in the control of credit and the determination of fiscal policy, and carries on a crusade for more Executive power, which we consider unjustified and dangerous.

The report of the majority of this committee accepts without criticism or reservation the philosophy of the President's report and his legislative proposals. We feel that under the Employment Act of 1946, our committee should have subjected the President's report to a detailed and discriminating criticism.

The President's Economic Reports threaten to become political propaganda rather than a scientific analysis. They deal in generalities and lay down economic principles without recognizing the possibility of sincere differences of opinion. They seek remedy in broad grants of legislative power, whereas we believe that Congress should only consider specific grants of power aimed at abuses or distortions which may arise in the economic structure of the Nation if they are supported by clear evidence of their necessity. The present Economic Report reads in many respects like a political argument. We see no reason why it should not be confined to economic discussions without entering into controversial political fields, or why it should not state the arguments on both sides where the economic issues are inextricably involved in politics. We believe the principal attention of this particular committee should be devoted primarily to solving the problem of full and continuous employment and not be diverted too much by social and political issues.

We disagree with some of the basic economic assumptions of the report. The chief argument advanced for added controls in the President's report is the need to combat further inflation. We see no justification for the claim that there now exists any serious danger of inflation. We believe that the economy has very largely adjusted itself through natural processes to a point where there is a reasonable balance between prices and wages, industrial prices and farm prices, savings and investment, consumption goods and capital goods. We believe that while business profits and investment are perhaps somewhat out of proportion, they will both be rapidly adjusted downward as the buyers' market takes effect.

We believe existing powers of controlling credit and Government fiscal policy are the best methods of preventing depression, but even these must be cautiously used only when dangerous trends have clearly developed because of the difficulty of forecasting economic conditions. The record of the President's Council of Economic Advisers in making predictions is no better than that of other Government economists.

We disagree with the President's report in one of its basic conclusions, namely, that the gross national product is divided in such a manner as to invite a depression because consumer expenditures are too low, corporation profits are too high, and private capital expenditures are too high—in short, that there is a lack of balance between production and consumption, and that too much purchasing power is going into investment and not enough into consumer goods. The evidence before our committee tends to show that, while capital investment may be slightly more than may be permanently maintained, there is more danger in the long run of underinvestment so long as our present tax structure remains in effect than there is in overinvestment. We believe corporation profits are likely to fall rapidly as the volume of business decreases, and that it will then be much more difficult to secure sufficient capital investment. In fact, we feel that the greatest threat to the stability of our economy and the prosperity of the United States lies in the constantly increasing burden of Government taxation and the difficulty of securing capital for the steady maintenance of employment in the capital goods industries so there may be a continued increase in consumption.

We recommend:

1. The reduction of Government expenditures so that there may be no necessity for an increase in taxation, and that there may be a reduction in the tremendous burden of taxation if the international situation improves. While subscribing completely to the idea that we should balance the budget and have something left to supply to reducing the national debt in 1950, the possibilities of doing this by expense reduction rather than entirely by tax increases should be more strongly commended.

2. That the Government continue its control of general banking and credit policies through the Federal Reserve Board in such a manner as to check tendencies which have developed toward inflation or deflation.

3. We recommend that the public-works program be varied also in relationship to the general economic situation, expanded if there appears to be too great a deflation, and restrained if other construction appears to be normal.

4. We see no need at the moment for further selective controls, but if any such need arises it should be dealt with by Congress in specific and limited fields with the greatest protection of liberty.

5. The Government should be constantly on the alert to prevent monopoly and the collusive fixing of prices. We are prepared to support additional antimonopoly measures if a careful study shows them to be necessary.

6. We still consider that a support-price program for farm prices is highly desirable to prevent the development of a depression through a complete collapse in agricultural prices. The administration of this program should be directed not as a relief measure or a guaranteed income equality for individuals, but as a major weapon against distortion between urban and rural incomes which could bring collapse to the entire Nation.

7. We renew our recommendation that the Government take an active interest in the development of housing, particularly in the stability of the housing industry and the reduction in cost.

8. We believe that within a short time American industry will face the problem of increasing imports at steadily decreasing prices which may interfere with full employment in the United States. The whole problem of exports and imports and their effect on a stable economy during the next 2 or 3 years is a serious one, and our committee should proceed the immediately to consideration of that subject.

MINORITY REPORT ON THE ECONOMIC REPORT OF THE PRESIDENT FILED IN JANUARY 1949

INTRODUCTION

The Joint Committee on the Economic Report was established by the Employment Act of 1946 in order that the Congress might have the benefit of an independent review of the recommendations of the President and the Council of Economic Advisers. When the committee was established, it was the hope of many that it would approach its task from a completely scientific and nonpartisan position, relying on expert economic advisers, and would not be a piece of machinery representing those temporarily in control of Congress, and functioning only to approve and praise the Economic Report of the President. In our opinion, the law requires the joint committee to make a complete study of the report and the facts on which it is based, and report its own independent findings and recommendations. One may search the present majority report in vain, however, for a single word of criticism, a single evidence of disagreement, or a single reservation, explicit or implied, directed toward the President's report or that of his advisers, or any 1 of the more than 30 legislative proposals contained therein. This is an amazing result, when the report on review deals with a subject so complex as the field of economics, and with many matters on which economists themselves are so often in disagreement. The use of our report as a political forum by an uncritical majority threatens the long-run usefulness of the joint committee, and of the Employment Act itself. This is the background which has prompted us to file a minority report.

The President's report describes in considerable detail what occurred in many areas of the economy in 1948 and relates these developments to the compelling forces generated during the war, and those of the postwar period. It assesses the current situation and points out what it considers to be disparities and developing problems. It touches upon the whole range of economic activity—industry, trade, finance, taxation, and Government spending, income and its distribution, social welfare, the development of natural resources, the maintenance of high-level employment, the dangers of inflation and deflation, and nearly every domestic problem which can affect the American people. It presents about 30 legislative recommendations covering a vast range of subjects, from credit, allocation, and price controls of broad economic nature, to many proposals relating to extension and expansion of social services. As stated in the majority report last year, the Economic Report furnishes extremely valuable data to all those concerned with and responsible for solving the problem of maintaining a stable economy at a high level of employment. We feel that every Member of Congress should read the entire report as a basis for consideration of the legislative problems. It is true that in some important areas, particularly that of the distribution of family income and the increase or decrease in real income, the statistical evidence is either lacking or not very reliable. The statistics attached to the President's report, and those which our joint committee obtains from the economic advisers and publishes monthly as Economic Indicators, give a basis of fact from which economic conclusions may be drawn and, to a certain extent, predictions made.

I. ECONOMIC REPORTS THREATEN TO BECOME POLITICAL PROPAGANDA RATHER THAN SCIENTIFIC ANALYSES

We desire to state first, that we agree with many of the ultimate goals laid down in the President's report, such as higher standards of living for all the people, a stable prosperity and full employment, and with some of the specific measures recommended. Our criticism extends rather to the underlying philosophy of an economy controlled in detail by Government, to certain of the economic theories advanced by the advisers, and to many of the specific legislative measures.

(1) *Frequent use of generalities and "virtue" words*

It is not easy, of course, to appraise a program relying as heavily as does the Economic Report of the President on virtue words. The report abounds in statements that the Government must take "proper" action, make "wise" and "needed" economic adjustments, adopt "salutary" policies, et cetera. No one can disagree with the purpose of programs so stated, or even with the programs themselves where they are not spelled out in greater detail. But such statements beg the questions with which we are concerned and do not help us to any clear solution. They presuppose easy, "right" answers, upon which, of course, everyone is supposed to agree, both as to means and as to ends. If such words admitted that they are only an expression of hopes, there would be no harm, but experience in other countries, as well as our own, teaches that such words often have a propaganda purpose in the hands of those who use them, designed to discredit anyone who may disagree. The only "wise" decisions are those which the speaker makes. The only "proper" action, the only "adequate" steps, are those which the proponent himself takes without even suggesting or admitting that there is any other remedy. Adjustments "needed" and the order of priority assigned to them, are inevitably limited to the desires and vision of their advocates.

(2) Continued crusade for more Executive power

The President's report assumes that a planned and controlled economy is essential to the carrying out of the purposes of the Employment Act of 1946. It carries on the crusade for more executive power initiated in previous reports of the President. It recommends additional and novel grants of power by legislation, and utterly ignores the broad powers already existing in the hands of the President. The minority report presented last year by members of the present majority of the committee draws the issue quite clearly. It sharply condemned those who—

> prefer to hold Government authority to a minimum * * * those who accept the theory that Government controls should be authorized only in extreme cases.

It fails to recognize the fundamental necessity of retaining liberty in this country and the constant danger of gradually establishing a completely totalitarian state.

We fully recognize the necessity of Government action to alleviate the recurrent depressions which have brought hardship and poverty to so many, and to restore prosperity quickly. But we do not believe that this necessity forces the granting of arbitrary powers to Government over every detail of the economy and the life of every American citizen. We believe that our present high production and prosperity is due primarily to the freedom which has existed in the American economy in spite of recurrent set-backs. We do not think Government controls should be extended to a point where they are likely to destroy that liberty.

We call attention to the broad powers already existing in the control of credit, which is certainly the most powerful single weapon for the control of inflation and deflation. We call attention to the broad fiscal powers, much greater today by reason of the huge Government expenditures and the tremendous debt. Other policies have been adopted, such as the support of farm prices, minimum wages, social-security payments, which tend to cushion the shock of any deflation. But in granting additional powers to the Executive in these fields or others, we believe that each proposal should be carefully examined, clearly justified, and limited in such a way as to preserve the utmost freedom and elasticity for the national economy. If Americans have learned anything in recent decades, it is that the government which governs most is almost certain to be a government that governs with the least regard for the ideals of liberty and justice.

We, therefore, oppose broad grants of power to fix all prices, to fix all wages, to impose compulsory allocations in every field, to impose production controls on farmers indiscriminately, and to modify the adjustments occurring from natural forces of demand, supply, saving and investment, by economists claiming omniscience. The economic advisers seem to feel that someone in the Government should decide that the price of food is a little too low, that the price of lead and copper is a little too high, and assume the responsibility of directing from an ivory control tower the operation of all commodities into a union station of prosperity. With due respect to the President's economic advisers, we believe that most minor maladjustments in the economy tend to correct themselves, that economists are much more likely to make mistakes than the natural forces of economic adjustment, that Government economists are often moved by political considerations which affect their economic judgment, that economic forces are so uncertain that it is difficult to predict them long in advance, that Government action had better be along broad general lines and taken only when the economic trend is clear.

We believe that Congress should always consider specific grants of power aimed at abuses or distortions which may arise in the economic structure of the Nation, if they are supported by clear evidence of their necessity. The burden of proof for greater powers than the Government already has must, however, rest wholly on the sponsors of any such measure. We call attention to the provisions of the Temporary Voluntary Control Act of 1947, which read as follows:

(a) Whenever the President shall determine that there is or threatens to be a critical shortage of any raw material, commodity, or product which jeopardizes the health or safety of the people of the United States or its national security or welfare and that there is no prospect that such critical shortage may soon be remedied by an increase in the available supply without additional governmental action and that the situation cannot be solved by voluntary agreement under the provisions of this Act (section 1911–1919 of this appendix), he may prepare proposed measures for conserving such raw material, commodity, or product which he shall submit to the Congress in the following form:

(1) A statement of the circumstances which, in the President's judgment, require the proposed conservation measures.

(2) A detailed procedure for the administration of the proposed measures including the additional budget and additional personnel required for their enforcement.

(3) The proposed degree of curtailment in current and prospective use of each such raw material, commodity, or product by each processor and/or user thereof, including the specific formulae proposed for such curtailment with respect to each class or classes of processors or users and the criteria used in the establishment of such formulae.

(4) A complete record of the factual evidence upon which his recommendations are based, including all information provided by any agency of the Federal Government which may have been made available to him in the course of his consideration of the matter.

(b) Within fifteen days after the submission of such proposed conservation measures, the Joint Committee on the Economic Report shall conduct public hearings thereon and shall make such recommendations to the Congress for legislative action as in its judgment the recommendations of the President and any additional information disclosed at the public hearings may require (December 30, 1947, ch. 526, sec. 6, 61 Stat. 947).

(3) Use of Economic Report for political propaganda

We feel that the report of the economic advisers shows quite a few signs of political influence. Repeated attacks made on the tax reduction of 1948 adopt not only such economic arguments as can be brought into play, but rely heavily on the political arguments made against that reduction. The reduction in Government surplus in the second half of 1948 is repeatedly emphasized (cf. pp. 29 and 33) without pointing out that surplus during the first half of any year is always much larger than the second half because of the manner in which taxes are collected. The statement is made (p. 15) that under the Revenue Act of 1948 percentage increase in income after tax is greatest for upper-bracket married persons. This has no real bearing on the fairness of a tax reduction. Those who pay very little tax and whose tax is already a very small proportion of their total income will always have less percentage increase in income from a reduction or abolition of that tax. On page 28 the argument is made that Federal public works have been held to a low level, although the current budget document on page 1353, shows that they increased from $2,015,000,000 in fiscal 1948 to $2,715,000,000 in fiscal 1949, and to $3,261,000,000 in the President's 1950 budget. To support rent control legislation, the advisers claim, without evidence (p. 47), that the incomes of landlords, in spite of increases in cost, are as good as or better than earnings before the war, without any indication as to whether this is supposed to be an average figure, or whether there are thousands of exceptions. On page 48, the advisers repeat the campaign arguments that the Commodity Credit Corporation was denied necessary storage facilities, a charge which has been completely refuted as far as any effect on 1948 prices or marketings were concerned. The report completely fails to criticize the tremendous increase in Government expenses in the last 2 years, and utterly ignores the tremendous burden of such expense in the development of a free economy and full employment. We assume that the excessive emphasis on the desirability of increase of consumer income as opposed to capital expenditures is based on a sincere economic theory, but it bears some of the earmarks of a popular campaign appeal.

We see no reason why the report should not be confined to economic discussion, without entering into controversial political fields, or why it should not state the arguments on both sides where the economic issues are inextricably involved in politics.

(4) *Inclusion of welfare and social objectives obscures the economic problems of full employment*

We call attention again to the majority report of this committee on May 10, 1948, in which we suggest that the main task of the Economic Report and of this joint committee is to maintain full employment in the United States and avoid the recurrent economic depressions which have brought unemployment, hardship and suffering to its people. We suggested there that the principal attention of this particular committee should be devoted to solving that problem and not be too much diverted by the study of all the important but complicated problems of social welfare, health, and education, which have many social and political aspects more important than their economic influence or significance.

II. ECONOMIC ASSUMPTIONS AND CONCLUSIONS

The President's report cites many evidences of the social consequences of inflation and other disruptions, and poses many problems calling for attention: housing, education, health, social security, conservation of natural resources, and others. We agree that some action in these fields is desirable from a social standpoint, but prefer to devote our attention in this report to the economic basis of the President's recommendations.

(1) *Chief economic concern of the President's report continues to be inflation*

We disagree with some of the basic economic theories upon which the President's report seems to be based, with particular relation to the danger of inflation, and the economic effects of an alleged maldistribution of the national income between capital expansion and consumer income. We question whether there was such further danger of inflation at the time of the report as to justify increased arbitrary powers. We question whether there are any serious distortions in the distribution of national product and national income which will not correct themselves without the intervention of Government at this time. Our conclusion from the facts is that the economy today is fairly well balanced, and that until new forces develop there is no serious danger of further inflation. Prices and wages are in more reasonable adjustment with each other. Industrial prices and farm prices have been adjusted to a relationship which is more nearly normal than it has been for several years. Savings are ample and appear to be finding their way into permanent investment. Distribution between consumption goods and capital goods seems to be one which assures full employment and would be desirable if it could be maintained. It is true that business profits and perhaps business investment are larger than can be permanently maintained, but both will be rapidly adjusted downward as the volume of production and demand come into better balance.

The chief economic concern evidenced by the President's report (as distinguished from its social objectives) is nevertheless to combat inflation. The prevention of further inflation is thus advanced, both as a matter of short-run urgency and as the principal longer-run economic measure for warding off possible unemployment. Many of the other findings are based on this fear of further inflation, including powers requested to allocate materials so that investment in capital and capital goods alleged to be excessive and inflationary may be restrained. Power to control increases in credit and rents is partly based on this thesis. We somewhat doubt whether the economic advisers are really confident of their ground in this respect, for the report states on page 9:

> Curbing inflation is a first step toward preventing deflation. In times like the present when the economic situation has mixed elements, the Government needs both anti-inflationary weapons and anti-deflationary weapons so that it will be ready for either contingency. It may be necessary to employ both measures concurrently in some combination for some prices and incomes could rise too rapidly, while others could be falling dangerously.

Nevertheless, the public appeal is largely based on the claim that inflation is our real danger. We see no immediate evidence of further serious inflation.

Inflation and deflation are terms which are used (and misused) in a variety of ways. To suggest, as does the President's report, that the Government may find it necessary to employ anti-inflationary weapons and antideflationary weapons concurrently, certainly adds nothing to the clarity of economic understanding which ought to be a first responsibility of the Economic Report. The words inflation and deflation are only meaningful if restricted in their use to describing a general rise in prices, and a general fall in prices. While nonmonetary factors may contribute to price movements, such a general rise in prices usually results because disposable purchasing power exceeds the supply of goods available at current prices. In connection with any anti-inflationary proposal, it is significant, as the Council of Advisers report, that during 1948 there was no net increase in the money supply.

Precision in the use of the terms "inflation" and "deflation" is important far beyond mere words. It is essential to an understanding of the current economic situation and the governmental policy appropriate to it.

The first question is whether the current situation should be diagnosed and treated for asserted inflationary tendencies. As we have pointed out, even the President's report refers to the present situation as "mixed," containing both inflationary and deflationary elements. The economy is going in two directions at once. On the deflationary side are falling farm prices and particular levels of manufactured goods in which supplies have caught up with demand, such as radios, tires, textile products, and others.

On the inflationary side were said to be the metals. Since the report was rendered this trend has been reversed; even at the time o the report it was greatly overemphasized.

The majority report stresses the past rise in metal prices, as follows:

	Average price		Percentage increase, December 1947 to December 1948
	December 1947	December 1948	
Lead, per pound	$0.150	$0.215	43.3
Zinc, per pound	.111	.182	64.0
Tin, per pound	.856	1.030	20.3
Copper, per pound	.215	.235	9.3
Aluminum, per pound	.150	.170	13.3

It further states:

the rise in prices was greatest precisely in those items most vital in a program of economic preparedness, * * * moreover, these enormous price increases have not in general stimulated any perceptible increase in production.

The direct impact of the price increases of the ferrous and nonferrous metals on the economy as a whole should be noted. By taking the difference in average prices of each listed metal between 1948 and 1947 and multiplying by the domestic consumption, a rough measure of price effect on the economy may be arrived at. Thus calculated the increased prices for all the nonferrous metals listed contributed only about $148,000,000 in 1948 out of a $21,000,000,000 increase in gross national product from $232,000,000,000 in 1947 to $253,000,000,000 in 1948. Calculating the increase in finished steel prices on a similar basis, the aggregate increase for 65,700,000 tons produced cost users about $640,000,000 more on 1948 average prices than 1947 prices. The sum of steel and nonferrous metals increase thus amounted to slightly more than three-fourths of a billion dollars, compared with an increase in gross national product of $21,000,000,000.

The statement contained in the majority report of this committee that "many of the metal items closed the year at levels not only strong but rising * * *" is hardly borne out by the facts. The Chicago price of steel scrap was $41.75 from August 1948 until January 1949, when it dropped to $39.75. Succeeding drops have brought this down to $33.50 at the beginning of March 1949, and to $31.50 on April 1, 1949. Similarly, pig-lead prices have dropped beginning with 2 cents per pound in the week of March 7. Four further reductions brought lead prices down to 15 cents a pound in early April 1949, wiping out in 1 month the entire 1948 increase of 6½ cents per pound. From 18.2 cents per pound at the end of 1948, zinc prices have likewise been reduced several times to 14.7 cents on April 14. Subsequent to that date a further cut in zinc prices of 1 cent has occurred in the East St. Louis market, bringing the total reduction during recent weeks to 4½ cents per pound. In fact, the price of zinc today in the East St. Louis market is less than the OPA ceiling price, plus Government subsidy. Copper prices have declined from 23.5 cents per pound, noted in the majority report, to 21.5 cents, the level of December 1947, thus wiping out the entire increase during 1948. Further price decreases are now being reported in copper sales of custom smelters. Certainly, these are indications not of "strong and rising" prices, but of a weakening of price pressures.

The majority report also refers to the—

> particular staircaselike movement * * * characteristic not of flexible competitive prices but of relatively inflexible administered prices—

of the metals. In its preoccupation with prices the report fails to give proper weight to the continuing abnormal demand for metals in the manufacture of goods to catch up with backlog demands, as well as the progressively increasing costs of production during each of the postwar years, through 1948.

While the report makes much of asserted inflationary prices of the metals, it says little or nothing concerning the cost factors behind these or other prices. The increasing costs and prices of metals are reflecting more and more the depletion of ore bodies and the decrease in grade of ore. The lead and zinc concentrates produced in the tri-State district increased in metal content from 2.70 percent in 1916 to 6.71 percent in 1920, due to new mines and improved techniques for recovery. During the Second World War the reverse has been true—the average metallic content falling from 5.68 percent in 1941 to 3.51 percent in 1947. Many of the mines are now so marginal as to be operable only at high prices.

Nor is any comment made of the enormous drafts now being made on these nonferrous metals compared with any prewar levels. The report makes no reference to the dearth of new discoveries of nonferrous mineral deposits. The report does not take into account in the "inflationary" prices that the domestic production of lead, for example (390,000 tons in 1948), had to be augmented by imports of 360,000 tons, and reclaimed scrap lead of 475,000 tons. The high price levels attained were needed to bring these imports and scrap lead into the market. These are illustrative of factors behind current price schedules which need to be more thoroughly comprehended by those who discuss the "inflationary metals."

Review of United States Steel Co.'s annual figures for 1947 and 1948 throw light on steel prices from the cost side. The company's finished steel shipments were only 2 percent larger in 1948 than in 1947. Dollar sales nevertheless increased from $2,123,000,000 to $2,481,000,000, or $359,000,000 (17 percent). Of this increase, 36.7 percent reflected increased wages and salary costs, and 47.4 percent increased materials and services costs, again largely reflecting higher wage and salary payments. Therefore, 84 percent of the sales increase went for increased direct operating costs, and another 6.3 percent for taxes. Therefore, over 90 percent of the increase in that company's prices represented increased costs for personal services, materials, and taxes; a further 8.9 percent represented provision on an accelerated basis for depreciation of facilities; less than 1 percent (0.7 percent) of the dollar sales increase was carried through as increase to net income.

The decline in wholesale prices, in new construction, in department-store sales, and farm income, though passed over lightly in the reports of the President and the economic advisers, are too well known to need recounting. The excess of exports over imports in 1948 was one-half that of 1947, making for increased goods and services available for domestic markets. While disposable personal income in 1948 was $16,800,000,000, or 9.6 percent higher than in the preceding year, personal-consumption expenditures were only $12,000,000,000, or 7.2 percent higher. Governmental purchases of goods and services increased $7,300,000,000, or some 26 percent in the same period. Private domestic investment for all replacement and expansion of plants, machinery, dwellings, and the expansion of inventories, etc., likewise increased some 25 percent. For only the second time in nearly two decades, maintenance and business investment for the future production equaled the Government's stake in the gross national product, surpassing it by about 10 percent. The demands of government and investment, of course, kept up the pressure on the supply of goods, but this ought not obscure the really significant fact that consumers did not respond to increased disposable income with a corresponding increase in consumption expenditures. A basic shift in consumer attitude which this suggests is not to be ignored.

The majority report states that all witnesses appearing before it, whether from within government or otherwise, agreed "that 1949 was likely to come certainly within 10 percent and more likely within 5 percent of equaling 1948 levels." It further observed that the witnesses giving careful consideration to publicized but localized "soft spots," in no case regarded them as symptomatic of impending depression. If this leveling-off or mildly downward forecast is correct, and we have no particular disagreement with it, the conclusion hardly warrants concern about "inflation" in any proper sense of the word. Inflation is a dynamic upward movement of prices and costs generally. Certainly the presently mixed economic situation cannot justify the degree and type of controls proposed in the President's report.

(2) Prospects for inflation do not support present demand for controls

It is fairly obvious that the request for complete economic control powers is based not on inflation but on the desire to impose a controlled economy on the United States. We have already stated our belief that the Government must attempt, particularly through its extensive powers, to direct fiscal and monetary policies and control credit, to correct distortions which arise in the economic structure. We are willing to consider other specialized controls as we have indicated.

This is quite a different thing, however, from saying that government should or can successfully deal with divergent price trends by selective regulation. It is not necessary to dwell upon the incompatibility of detailed controls with the concept of a free society, or a free-enterprise economic system. The important thing is that any attempt to regulate specific prices at this time would be to thwart the very shifts in resources which divergent prices call forth. The fact that many prices have already gone down, while, as the President observes, there are in the economy a "few sectors" where "inflationary forces" continue ought to be recognized as evidence that the economy is rapidly bringing about its own adjustments. Except as a temporary expedient, as in the case of rent control or the handling of agricultural surpluses, we do not believe that government can properly or successfully undertake to hold certain prices or costs down, while encouraging others to go up. This is nevertheless what a proposal for the concurrent use of inflationary and deflationary weapons contemplates. Such a proposal would, at best, return the economy to the artifically controlled wartime era of repressed adjustments, at a time when the economy is in the process of adjusting itself and curing its own war-born maladjustments.

The Council of Economic Advisers in some parts of its report clearly recognizes the tremendous difficulties which face anyone who tries to direct the complicated economic life of the United States. They say:

> A condition which has given the Council great difficulty is the lack of criteria by which to determine the relationships among prices, wages, and profits which are workable, in the sense that they contribute on the largest possible degree to economic stability. * * * The principal limitations are imposed by the fact that no collection of data can comprehend the enormous variety of economic relationships and no technique of analysis can forecast with assurance the actions and reactions of a free people. * * * [1]

The difficulties which face economic forecasters may be illustrated from the Council's own experience. In establishing goals for 1947 the Council suggested that the purposes of the Employment Act would be substantially achieved if employment were sustained at about the 1946 levels, or slightly higher. A year later they were called upon to report that employment during the year in question had actually averaged some 2½ million more than in the earlier year. Similarly in respect to 1948, the Council pointed out that the economy was operating at a level of employment which might be regarded as a practical maximum, though at the end of the year it was required to note that job opportunities had been ample to provide employment for more than 1 million additions to the labor force during the year. Freed of wartime restrictions, the American economy during both of these years substantially outperformed the expectation of the President and the Council, both in furnishing employment and in furnishing goods and services.

Agricultural output is, of course, notoriously subject to unpredictable conditions of weather, with the result that total agricultural output increased 9 percent in 1948, although at the beginning of the year the Council had stated that it appeared doubtful that agricultural production for 1948 could surpass that of 1947.

These examples are cited with no suggestion of criticism of the Council's efforts at prediction, but simply to illustrate the difficulties inherent in economic planning, even at the most general levels.

(3) *No dangers in the current high rate of investment in production facilities*

A further premise upon which the President's report is based is that the gross national product is improperly divided, that consumer expenditures are too low, corporation profits are too high, and that private capital expenditures are too high. It is not entirely clear whether the advisers are more concerned about the injustice of this distribution, or the economic results which may flow from it in the form of a depression.

[1] Third Annual Report to the President by the Council of Economic Advisers, December 1948, pp. 31, 32

We quite agree that a proper balance between the expenditures of consumers and the share of the gross national product going into capital expenditures is necessary, and that a relationship which is abnormal may lead to a distortion, the correction of which could throw the country into a depression. Our committee is about to undertake a comprehensive study to determine more exactly the extent to which capital expenditures can properly be made, and how money may be obtained from investors. We strongly favor the making of such a study.

But the economic advisers seem to assume that all depressions arise from undue curtailment of consumer expenditures and an excessive investment of capital. This may have been one of the causes of the 1930 collapse, but it seems equally true that underinvestment throughout the thirties prevented recovery and kept unemployment at the 10,000,000-man level. The depression of 1938 also appeared to arise from the collapse of the capital-goods industry such as it was. Full employment in the United States can only result from the maintenance of the capital-goods industries at a fairly high level. Undoubtedly the level could be too high, resulting in excessive investment at one time while cutting investment to a negligible figure at another time. We see no evidence, however, that the fears of the economic advisers are presently justified. Capital expenditures are likely to be revised downward somewhat in the natural course of events, and there is no evidence of such an excessive capital expansion as took place at the end of the twenties. The point of view of the report is set forth in the following:

(*a*) Maladjustment exists in the share of gross national product represented by personal-consumption expenditures. This represented 71 percent in 1947 and 70 percent in 1948. "Thus we have moved further away from the prewar relation between consumption expenditures (about 75 percent in 1939)" (p. 15). And "The proportion of consumer expenditures on the total national product has never been lower in any peacetime year for which statistics are available" (p. 7).

(*b*) The level of profits threatens economic stability. "Profits in 1948 again surpassed all previous records and were rising throughout the year. * * * Such profits are in excess of the levels needed to furnish incentives and equity funds for industrial expansion and to promote sustained economic health, * * *" (p. 4).

(*c*) Concern is expressed over high-level capital expenditures. "At present, private capital expenditures are running at 15 percent of the Nation's economic budget, reflecting in part the need to make up for wartime and some prewar deficiencies. The shift to more sustainable long-run patterns will require a relative decline to about 11 or 12 percent of the Nation's economic budget, * * *" (p. 62). Mr. Clark, a member of the Council of Economic Advisers, amplified on this in hearings before this committee, saying: "Corporate profits * * * of 12.8 billion dollars after taxes in 1948 caused American corporations to institute a tremendous campaign of investment in new plant and equipment. Similarly, corporate taxes of 18.1 billion dollars after taxes in 1947 was large enough to induce corporate managers greatly to expand new investment in plant and equipment in

1948." Since a large increase in corporate taxes is recommended, it is assumed that some decrease in level of capital expenditures is desired.

(*d*) Contrariwise, the report indicates that expansion programs in steel, power, nonferrous metals, and other areas are failing to meet requirements, and that therefore the Government should have "additional authority to deal more effectively with inadequacy of capacity and supply" (p. 12).

The President's report also expresses some concern about the price-wage relationship. The report admits, however (p. 13), that as compared to prewar, there has been an improvement in the real purchasing power of families in all income ranges, and that percentage-wise, the lower-income groups have the larger gains. But there is a tendency to compare "real" wages in the postwar period with those which existed in 1945, which comparison is distorted as the result of a Government deficit for several years, and a controlled economy. Our Economic Indicators show that in terms of 1948 dollars, hourly earnings have increased 22 percent in manufacturing industries, about 16 percent in retail trade, 24 percent in coal mining, and 16 percent in building construction by 1948 over 1939. This increase is almost more than can be justified by the increase in productivity.

The main thesis of the Council is that there is a lack of balance between production and consumption, or that too much purchasing power is going into investment and not enough into consumer goods, and that as between 1947 and 1948 the situation in this regard has become worse. Personal-consumption expenditures in 1947 are given as 71 percent of gross national production and 70 percent in 1948. The report adds:

thus we have moved farther away from the prewar ratio between consumption expenditures and other expenditures (about 75 percent in 1939).

It should be pointed out that this ratio was 76 percent in 1929, 84 percent in 1932, 83 in 1933, and was never lower than 74.4 (1937) in the whole decade of the 1930's. It is obvious that the ratio of personal expenditures must vary in accordance with widely fluctuating segments in the gross national product, namely, the volume of private investment and Government purchases of goods and services. While ratio of consumption expenditures declined slightly from 1947 to 1948, the ratio of disposable income increased from 75 to 75.6 percent, and personal savings ratio increased from 3.8 to 5.9 percent. Certainly, the implication is that consumption is failing and, therefore, high-level economic well-being is threatened. It is questionable whether the use of the aggregate shares of gross national product as used in the Economic Report are significant indexes of balance or lack of balance in the economy.

In 1939 personal consumption expenditures were $67,500,000,000, and were nearly $177,000,000,000 in 1948, an increase which completely dwarfs the total of all other increases in the gross national expenditure. For another comparison, per capita disposable personal income (in 1947 dollars) increased from $859 in 1939 to $1,209 in 1948. This increase reflects all the factors producing the current conditions—high wartime savings and accumulated demands, high capital expenditures and Government expenditures of all kinds. By whatever means achieved, these facts of increased per capita personal income tend to become obscured or undervalued on their real importance by attributing to a slight change in consumption-expenditures ratio, a significance which they may (but probably do not) have. This statement may be illustrated by testimony of Mr. Martin Gainsbrugh, of the National Industrial Conference Board, before the joint committee. He pointed out that—

> personal expenditures for durable goods in 1948 accounted for 9 percent of gross national expenditures as compared with 7.3 percent in 1939. Expenditures for nondurable goods have risen to about 41 percent, as against 39 percent prewar. The two combined account for 50 percent of gross national expenditures, as against 46 percent, prewar.
>
> It is only in the service field that a lower percentage emerges—28 percent prewar contrasted with 20 percent currently. Rent control accounts for much of this difference; the shortage of labor in the domestic and personal service fields is also an important contributory factor. Against this background the great importance attached by the Council to the reduction on the consumption ratio may be open to serious challenge.

The report further contends that capital investment is too high. The report is clear in calling for a decrease in the proportion of national output going into business investment, maintaining and building up the stock of tools, equipment, and plant to be used for further production. After noting that private capital expenditures are running at 15 percent of the Nation's economic budget, the report states that a more sustainable long-run pattern "will require" that private investment in replacements and expansion decline relatively to about 11 or 12 percent of the total current production of goods and services. The President reiterates that, in his opinion, profits—

> are in excess of the levels needed to furnish incentives * * * and to promote sustained economic health.

It is interesting to note that the British are spending today 20 percent of their total current production in capital investment, although it has already more than made up the destruction resulting from the war. This includes Government-capital expenditures which amount in this country to 2 or 3 percent, so that the President's proposal for this country is at least 5 percent below the British figure today.

The premise and conclusions are given implementation by the proposal that the principal source of the recommended increase in taxes should be a levy on corporate profits which can be applied with—

> the assurance that profits after dividends and such added taxes will be sufficient for investment and contingencies.

That the volume of business investment and planned outlays for early 1949, judged by physical standards, have already shown signs of falling off, instead of disturbing the President and his economic advisers, must be accepted by them as a welcome omen.

While the President specifically states that he does not regard it as an immediate problem, he does point out that consumers' share in the total national product—

> has never been lower in any peacetime year for which statistics are available.

On the same subject the advisers note:

> In 1948 consumers were receiving about 70 percent of gross output compared with 76 percent in 1929, and 75 percent in 1939.

The comparison suggested is only one part of the story. It is made even more interesting by considering the disposition of the entire gross national product in the respective years to which the

Council refers. (See accompanying table.) Some other shares must have been enlarged by the amount which consumers are not getting.

Disposition of gross national product (selected years)

[Percentage of total]

	1929	1939	1948
Personal consumption expenditures	75.9	74.6	69.7
Domestic private investment in added inventories, new capital goods including new dwellings, and the replacement of capital goods used up during the year	15.2	10.0	15.6
Net foreign investment	.7	.9	.6
Government purchases of goods and services (excludes governmental payments for interest, subsidies, loans, etc.)	8.2	14.5	14.1
Total	100.0	100.0	100.0

Comparison of 1948 with 1929 is particularly striking. The decrease between these years of 6 percent in the proportion received by consumers is precisely offset by the increase in the proportion taken by Government bodies. From 1929 to 1939 expansion of Government purchases was made possible by an equivalent contraction of business and private investment. During the war years, private investment was, of necessity, still further drastically curtailed. Replacement and expansion deferred during war years meant that either Government or consumers had to feel the postwar pinch.

The contention that no problem exists so long as the sum of Government expenditures, business expenditures, and foreign investment do not turn down, coupled with the repeated position that business expenditures are now too high, can mean only one thing. The President, in the economic program which he proposes for the country, would dampen and limit private investment in tools, housing, plant and machinery, in order to give consumers the same share as in an earlier year, while maintaining, if not expanding, the levy of Government on the total product.

Curtailing the share of national output going to investment is always a tempting "out" when Government for good (or insufficient) reasons is taking a large segment of the total output. Since few peacetime governments want or dare press for curtailment of personal consumption expenditures there are only three remaining shares that can be made the subject of goals or manipulative efforts. These are (1) the governmental segment, (2) the portion used for domestic investment in plant replacement and expansion, and (3) net foreign investment.

Respecting the last of these, the report notes the decrease from $8,900,000,000 in 1947 to approximately $1,800,000,000 in 1948, and expresses the conclusion that substantial foreign investment will be needed in the future to avoid a painful readjustment in certain areas of domestic agricultural and industrial production.

The noteworthy thing is that the reports, while prescribing a percentage decrease in private investment and an increase of similar magnitude in consumption expenditures, set no such quantitative goals for Government, though it is suggested that governmental expenditures be kept at the lowest levels consistent with our "needs."

As long as the size of the national pie is increasing, it may not be necessary to trim private capital expenditures. If expansion in the size of the pie is temporarily slowed, or perhaps the size is decreased even moderately, the place to force cuts, according to the report, is on the maintenance and improvement of the facilities which have contributed to America's greatness and make for a tomorrow richer in output of goods and services.

Private capital investment has, it is true, been one of the more cyclical elements in the economy, but that does not seem sufficient reason for attacking and discouraging it at any time (except possibly in 1929 and in time of war). One of the reasons deflation is always harder to deal with than inflation is that democratic society has no way to drive people to invest their funds when and if they are unwilling to do so. It is far easier to discourage investment than it is to encourage it. The only test to determine "reasonable investment incentives" is the pragmatic one of whether or not the incentives bring forth the desired investment. The only criteria by which to judge whether profits are or are not too high is whether or not they are bringing out the investment which the society at the time desires. If the country now or later should be faced with a recession in employment it would be unfortunate if a considered governmental policy directed at curtailing investment should then be proving its one-way effectiveness.

In discussing the quality and condition of our present productive facilities, the Council of Economic Advisers comment:

> Whether they are now in better or worse condition than at some previous time, they are less modern and less efficient than they could be. The newest and best types of facilities in any industry are superior to the bulk of those in use, and still better types are generally in the offing awaiting development and introduction. This situation is a normal and a necessary consequence of the progress of technology and the durability of capital goods. Technology is always in the lead.

Acceptance of this situation as a "necessary" consequence of the progress of technology is apt to obscure the essential fact that there is no fixed or necessary lag in either the time factor or the amount of capital which could be used to bridge the gap. It seems to us that the hope of avoiding unemployment in the future lies in governmental policies to narrow this lag rather than in policies which can only serve to widen the gap between technology and investment. Involved as the President's report is with combating further inflation and with desirable but noneconomic consideration relating to welfare, it offers little help on this score.

Commenting on investment requirements derived from a study by McGraw-Hill Co., Mr. Dexter Keezer, economist, testified before the joint committee:

> * * * the results of this survey seem to indicate that relative to total investment in manufacturing, the rate of expenditure for new facilities is low. Relative to needs, the rate of investment in new facilities is low. This appears to be the case, whether the need is measured by direct estimate of financial requirements to put our industrial establishment in first-class condition, by estimate of prospective capacity requirements, or by returns which our industrial corporations expect to get with the limited funds they have available for investment in plant equipment.

Speaking before the joint committee of need for new investment funds, Mr. Howard Greer, executive vice president of Kingan & Co., meat packers, said:

> It won't help wage earners to have more money to spend unless there are more goods to spend it on, and there won't be more goods unless the Nation's factories can be rebuilt and reequipped as they wear out.

Prof. Sumner H. Slichter, economist, Harvard University, stated the need for more business investment, as follows:

At present there is a great need for more industrial capacity because (1) there has been an abnormally slow increase in the quantity of plant and equipment per worker for the last 20 years due to depression and war; (2) there has been a rapid increase in the labor force; (3) wage demands of organized labor will be greater than ever, which will require a much more rapid rise in productivity than in the past in order to avoid a steady rise in prices; to achieve this faster increase in productivity, more and better capital per worker is required; (4) a large and growing public demand for goods is superimposed upon the rapidly growing private demand for goods. If we were to be in a position to achieve the same increase as occurred in the preceding 20-year period, the plant and equipment of industry should have been increased by about $70,000,000 more than they have been.

We conclude that capital investment is not too high today and is likely to be adjusted downward in the normal course. If this adjustment is gradual, there should be no distortion sufficiently great to precipitate a depression. We feel that in the long run there is more danger of underinvestment as long as our present tax structure remains in effect than there is in overinvestment. Nor do we see any evidence that the total consumer income is too small or that it has not kept pace with the increase in the cost of living. Unquestionably, there is some bad distribution, but such evidence as there is seems to show that it is not as bad as before the war. Those who have a right to complain against the distribution of income today are those living on the income from savings or pensions. They, in effect, have replaced the low wage earners as the underprivileged group. This result seems almost inevitable from any war, certainly as long as the war is financed by huge increases in the national debt.

(4) We see no reason for Government to create additional capital facilities in steel

In direct contradiction of the general criticism of capital investment, the President's report without adequate evidence finds that the deficiency in capital investment in the steel and power industries is so great that the Government must be granted the right to go into these businesses itself and create more capacity. We see why the Government should develop water power when no one else can do it, and express no opinion as to the other incidental developments; but we see no reason why it should enter generally into the steel or power field.

The President's report recommends—

immediate legislation to deal with the problem of capacity and supply * * * provide the funds to make careful surveys of future supply needs and productive capacity. * * * To the extent that facts reveal the need, it should provide additional authority to deal more effectively with inadequacy of capacity and supply.

We agree that studies should be made relating to any and all basic commodities where the critical nature of supply in relation to national defense and economic well-being are of concern. It is felt that no factual or analytical case has been presented to the committee in respect to steel, nonferrous metals, power, and other items that would justify the proposal in the President's report, or in H. R. 2756, designed to implement the program. In connection with discussion of steel and nonferrous metals prices, some areas for analysis and study have been pointed out. Other aspects should be explored, such as ore reserves, foreign sources, current exploration and development work, expansion programs in mining and metallurgical operations, ECA, and stockpile requirements.

In connection with investment levels, the report refers to areas in which further investment is needed—electric utilities, mining facilities, steel, railroads, etc. However, no detailed analyses are given of what has been accomplished or investment in process, the added production from which is due to make itself felt during 1949 and succeeding years. Much of the investment in the so-called shortage areas takes considerable time from blueprint to production stage. In steel, for example, testimony of Mr. Sawyer, Secretary of Commerce, indicates that ingot capacity increased from about 93.9 million on January 1, 1948, to 95.8 million on January 1, 1949, and is expected to be increased to 98 million by next January. If operations can continue at 97 percent of capacity, production of finished steel should increase from 65.7 million net tons in 1948 to 69 million tons in 1949, and 70.5 in 1950.

(5) *Report ignores the deadening effect of taxation*

The writers of the report seem to lack any comprehension of the danger of excessive taxation. They fail to point out the manner in which it must necessarily increase prices and thereby reduce the standard of living of millions of workers. They fail to suggest the deterrent on investment in risk enterprise resulting from high rates of personal taxation and high rates of taxation on corporate profits.

Federal taxation together with State and local taxes already amount to nearly 27 percent of the national income. Much of this taxation is added to costs and interferes with the success of those conducting independent enterprises, particularly the small-business man. The high rate of personal taxation deters many individuals from investing their money in risk enterprise. Enterprise is further deterred if the rate on corporate profits is constantly increased. If, for instance, the 38-percent tax is raised to 50 percent, it means that any man contemplating a new venture is faced with the fact that if he is successful the Government takes 50 percent of his profits, and if he is not successful he loses all his money (and a majority of new ventures are unsuccessful).

Profits are large today by reason of the extraordinary volume of business growing out of the accumulated needs of wartime, but they will be rapidly adjusted downward as these needs are satisfied and volume falls off. The break-even point is now much higher than it has been in the past, and the demand for increased wages is constantly pressing. Up to this time profits have been effectively used for the benefit of the Nation, as shown in this committee's recent study of profits. As we have stated, we feel that capital investment is highly beneficial. However equitable it might be to take some part of the existing profits, the deterrent effect on industrial expansion is infinitely greater and more dangerous.

Our general conclusion is that the general level of taxation is as high as we can afford if we desire to secure a constantly expanding economy. As the wartime demands catch up, we must substitute additional production for domestic consumption and export and establish new industries producing new consumption goods. Any increase in the present burdensome rate of taxation will certainly interfere seriously with such expansion.

Conclusion

We call attention to the report of the majority of this committee filed on May 18, 1948, and we reaffirm the recommendations and findings of that report. We find that since that report was made many adjustments have occurred tending to increase the stability of our economy and remove abnormal factors. We see nothing to justify the granting of increased arbitrary power to Government to regulate details or limit the freedom of our economic development. We feel that the greatest threat to the stability of our economy and the prosperity of the United States lies in the constantly increasing burden of Government taxation and the difficulty of securing capital for the steady maintenance of employment in the capital-goods industries so there may be a continued increase in consumption. We recognize that other distortions may develop which might lead to a depression, but we do not regard them as serious at this time.

In particular, we recommend:

1. The reduction of Government expenditures so that there may be no necessity for an increase in taxation, and that there may be a reduction in the tremendous burden of taxation if the international situation improves.

While subscribing completely to the idea that we should balance the budget and have something left to apply to reducing the national debt in 1950, it seems to us that the possibilities of doing this by expense reduction rather than entirely by tax increases should be more strongly commended. In this connection we must not only criticize and correct the wastefulness of the armed services, we must also vigorously examine the Hoover Commission reports and see what can be done for the entire category of Government operations. Furthermore, the administration's program of social benefits which, on the face of it, adds up to expenditures of a staggering total must, we would feel, be approached sympathetically, but experimentally and cautiously.

Finally, in view of the overwhelming importance of the budget this year we should concentrate on reducing and controlling it and leave final tax legislation until the budget has definitely been determined. It is proper that this procedure should be recommended in the report.

2. That the Government continue its control of general banking and credit policies through the Federal Reserve Board in such a manner as to check tendencies which have developed toward inflation or deflation.

3. We recommend that the public-works program be varied also in relationship to the general economic situation, expanded if there appears to be too great a deflation, and restrained if other construction appears to be normal. In this connection we desire to point out that it is probably too much to expect that the dollar rate of national income and gross production set in 1948 can be maintained constantly during the next 2 or 3 years. The effort to maintain the economy at that figure in dollars would probably require artificial stimulation, which sooner or later must come to an end. We should

attempt to maintain employment and production at a rate which can be permanently maintained and steadily increased from year to year as productivity increases. The attempt to maintain a rate higher than justified by productivity through too great an increase in credit or too great Government expenditures can only end in disaster.

4. We see no need at the moment for further selective controls, but if any such need arises it should be dealt with by Congress in specific and limited fields with the greatest protection of liberty.

The establishment of stand-by controls is so serious a thing that it should be left for national emergencies such as would warrant the President's calling the Congress in extraordinary session. To grant them in an offhand manner is to accept the principles of a managed economy in a totalitarian state. The gradual breaking down of such controls in the latter years of the war, the growth of maladjustments and injustices, the expansion of black and gray markets, all should be warnings that such powers are not to be casually asked for or lightly granted.

5. The Government should be constantly on the alert to prevent monopoly and the collusive fixing of prices. We believe that the present laws are sufficient to secure competition under the buyers' market conditions which are now developing if the Government will enforce them, but we are prepared to support additional antimonopoly measures if a careful study shows them to be necessary.

6. We still consider that a support-price program for farm prices is highly desirable to prevent the development of a depression through a complete collapse in agricultural products. We do not feel that it is our function at this time to discuss the various plans for such price support, but we recommend that a full trial be given to the Aiken-Hope Act and its plan of sliding scale support recommended by the leading agricultural associations. The administration of this plan should be directed not as if it were a relief measure or a guaranteed equality of income for individuals, but as a major weapon against distortion between urban and rural incomes which could bring collapse to the entire Nation.

7. We renew our recommendation that the Government take an active interest in the development of housing, particularly in the stability of the housing industry and the reduction in cost.

8. We are not prepared at this time to make any recommendations on the general subject of foreign trade, but we believe that our committee should make a comprehensive study of this subject. We believe that within a short time American industry will face the problem of increasing imports at steadily decreasing prices which may interfere with full employment in the United States. The whole problem of exports and imports and their effect on a stable economy during the next 2 or 3 years is a serious one, and our committee should proceed immediately to the consideration of that subject.

Members approving minority views:

Robert A. Taft.
Ralph E. Flanders.
Arthur V. Watkins.
Jesse P. Walcott.
Robert F. Rich.
Christian A. Herter.

In general this minority report and the earlier one signed by Congressman Herter and myself will be found to be in agreement. I am therefore glad to add my signature. In so doing I would make clear, however, that I do not desire to be put in the position of having prejudged the results of the investigation of investment practices which is to be undertaken shortly by the joint committee.

RALPH E. FLANDERS.