

Today And Tomorrow

By WALTER LIPPMANN

The Forces of Deflation

In the argument about prices, which has been cooked up to celebrate the end of the legislative session and the opening of the presidential campaign, both Mr. Truman and Mr. Taft took the same main point for granted. They agreed that a year hence the country's chief interest will be prices, and who caused them. Mr. Truman would of course like to blame them on Mr. Taft and Mr. Taft would like to blame them on Mr. Truman.

But it would be interesting to know what they will be saying next year if the main point as the price comes along is no longer high prices and the high cost of living but falling prices, unsold surpluses and unemployment. This is not an idle question. For externally and internally there are powerful deflationary forces in operation which are of great significance to all who must look ahead and prepare for the future.

It is well known that Stalin, witness his interview with Mr. Stassen, is extraordinarily interested in the chances of an American deflationary slump. But there are others besides Stalin of London, which is very close indeed to the mainsprings of British governmental and private finance, was discussing the problem which Mr. Acheson broached in his Mississippi speech and Mr. Marshall

at Harvard—the problem of the balance of payment, and the impending shortage of dollars as the American credit is exhausted.

"The balancing of the British accounts," it said, "will some day be powerfully assisted by a turn in the world conjuncture. It has become a truism to say that the whole world is now a seller's market; but it is perhaps not fully realized how much this affects the British economy. There is every reason to expect before long a fall in the world prices of primary products—especially of foodstuffs, but also of many raw materials—that will be second in sharpness only to those of 1921 and 1931. Not only will Britain gain in relative prices but in the availability of supplies. This will not make low costs and high quality of British export goods, or aggressive salesmanship in disposing of them, any less necessary. But it will bring the solution of the problem of the balance of payments well within the range of possibility."

In saying that "there is every reason to expect before long a fall in the world prices of primary products," "The Economist" does not say that it expects this fall of prices next year. In fact it implies that the big readjustment may not come for two or three years. The British crisis, it says, "will be surmounted before the 1950s are far advanced."

Nevertheless by next year, at the present rate of expenditure, the exhaustion of Britain's capacity to pay in dollars will be near

at hand. The same will be true of almost all our customers. For the outer world as a whole is now incurring a deficit of one billion dollars a month. It is covering that deficit with loans, credits, and gifts from this country and it is using up its remaining gold and dollar balances at the rate of nearly five billions a year. Quite clearly, this cannot go on much beyond next year unless we supply new funds to keep it going. If we do not, our exports will be cut at least in half. This will be a powerful deflationary event. It would certainly cause not only untold misery in Europe but would go a long way toward causing that fall in the world prices of primary products which "The Economist" is predicting.

There are also powerful deflationary forces in operation here at home which, despite offsetting forces such as the expansion of real estate mortgages and personal loans and consumer credit, are likely in the end to prevail. Much of the discussion of the Federal budget obscures the magnitude of the deflationary impact of the government because for technical accounting reasons the budget figures of expenditures, receipts, and surplus do not tell the significant story.

As the monthly letter of the National City Bank of New York says: "The government's net drain on spending power"—its deflationary influence on the national economy—"has been a good deal heavier than is indicated by the amount of the budget surplus. This comes about, first, because cash income is regularly much greater than 'net receipts' under the budget, and, secondly, because actual cash outgo is frequently less than total budget expenditures." Thus in the first four months of this year (1947) the government cash income exceeded its cash outgo by 4.4 billions, which is at the rate of 13 billions a year.

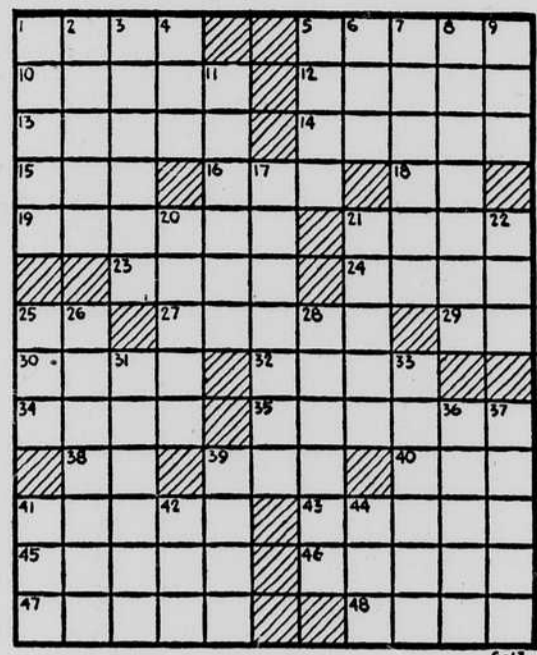
DAILY CROSSWORD

- ACROSS**
1. Out of
 5. Fragrant wood (E. Ind.)
 10. Mineral deposits
 12. Grove of small trees
 13. Deputy
 14. Loop of running knot
 15. Man's nickname
 16. Solemn wonder
 18. Music note
 19. Herb yielding oil (E. Ind.)
 21. Spirit lamp
 23. A son of Adam
 24. Localities
 25. Board of Ordnance (abbr.)
 27. Not fed
 29. Half an em
 30. Affected manners
 32. Birds, as a class
 34. Merriment
 35. Most infrequent
 38. Samaritum (sym.)
 39. Marry
 40. At the present time
 41. A ray
 43. Roman official
 45. Officers' assistants (mil.)
- DOWN**
17. Prosperity
 18. Missuse
 21. Senior
 22. Hebrew letter
 25. Sack
 26. Waterproof cloth
 28. Shunned
 31. Made over
 33. Characteristic of old age
 36. Find the solution
 37. A kind of woolen cloth

PAIR SHED
ONCE PAGE
ATLAS ORGAN
LEA SUN DO
ANCIENT JET
STERNE SORE
ADEPT
BOOK READER
GIVE BEGRIME
AN ROD GIT
FENOR BULGE
RIPE TOTE

Yesterday's Answer

39. Compass point
41. Cebine monkey
42. Thrice (mus.)
44. Moisture



CRYPTOQUOTE—A cryptogram quotation

EMM IADMOTEMO QRZX SOLUT EYO
MDDTO ELZ PSBOYGOVU—SDLUEPKLO.

Yesterday's Cryptoquote: EVERY FLATTERER LIVES AT THE EXPENSE OF THE PERSON WHO LISTENS TO HIM—LA FONTAINE.

When we remember that during the war the government inflated spending power by 35 to 50 billions each year, and that now it is deflating spending power at the rate of 13 billions, there can be little doubt that the main influence is deflationary, and that sooner or later we shall see its effects.

These things are all very complicated, but, as we look ahead to next winter, it will be useful to bear these two great facts in mind. We have an export surplus of a billion dollars a month. Which will come very near to being cut off entirely within a year unless new funds are provided. And we have in our government finance a net drain on spending power of another billion dollars a month. If you add the two together, assuming that Congress refused to support Secretary Marshall's proposals, we shall be operating our economy with a deflation of about 25 billions a year acting upon prices, profits, and employment.

That is a lot of deflation, quite enough to produce conditions altogether different from those which Mr. Truman and Mr. Taft have been talking about.

the Navy when it was first acquired by that branch of the service in November 1941. He remained in charge of Fort Caswell until June, 1943 and was then transferred to the Pacific. Dr. Brown attained the rank of Commander while at the base with Mr. Haskell and before being assigned to field service with the active forces in the Pacific.

Tired Kidneys Often Bring Sleepless Nights

Doctors say your kidneys contain 15 miles of tiny tubes or filters which help to purify the blood and keep you healthy. When they get tired and don't work right in the daytime, many people have to get up nights. Frequent or scanty passages with smarting and burning sometimes shows there is something wrong with your kidneys or bladder. Don't neglect this condition and lose valuable, restful sleep.

When disorder of kidney function permits poisonous matter to remain in your blood, it may also cause nagging backache, rheumatic pains, leg pains, loss of pep and energy, swelling, puffiness under the eyes, headaches and dizziness.

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Former Navy Officer Visits Caswell Beach

SOUTHPORT, June 12—S. B. Haskell of Cincinnati, Ohio and Mrs. Haskell have been spending a week at Caswell Beach, the guests of Dr. and Mrs. Landis Brown at their cottage.

Mr. Haskell as a commander in the Navy opened Fort Caswell for

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2. Chiffon makes dishes shine and glassware glisten! Dishes, glasses come clean fast in Chiffon's instant suds. They shine with less less polishing—so naturally you're out of the kitchen much quicker.
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No purer soap was ever made!

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