LOOKING AT WASHINGTON

...NCE 1934
...ND INCOME
...TS CONFER
... REFORM
...MARINE
... SILVER
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...ESPERATE

(... Sims, Washington Correspondent.)

...esident's efforts to balance ...nal budget will meet with ...ble opposition from con... who are reluctant to see ...of dollars cut off from their ...nts. Reviewing the fiscal ...f the past few years, we find ... Roosevelt began his admin... with deliberate pump-prim... ...ich resulted in a deficit of ...,000,000 for the fiscal year end... ...une 30, 1934. The deficits have ... reduced each year since that high figure, if we omit from consid...ation the payment of the Veterans' ...onus in the fiscal years 1936 and 1937. In 1935, the deficit was $3,-...00,000; 1936, $2,687,000,000; in ...7, $2,144,000,000; and in the fiscal ...r to end June 30, 1938, the estimated deficit is $1,088,000,000.

Next year, the President hopes to reduce the deficit below the billion dollar mark. This is predicated upon sharp reductions in expenditures for highway construction, the CCC, and in limiting the agricultural program to around $500,000,000. The plan is threatened by opposition to all of these retrenchments and by the threat of more unemployment and consequent necessity of spending more than the billion dollars now allocated for relief. Moreover, the preparedness program, will likely include materially enlarged sums for the navy.

Expenditures of the Federal Government, according to Mr. Roosevelt, are not likely to fall much below seven billion dollars a year, which is about twice the pre-depression level. The reduction in deficits has been brought about by a steadily rising income since the 1932 fiscal year when the Government collected barely $2,-000,000,000. For the present year, estimated receipts are six and a quarter billions, a new record for the nation. However, this is a billion dollars below what the President anticipated last January—the decrease ... attributed to the business re... Plainly, the balanced bud... ...pon increased tax col... ...ch, in turn, are tied up ...onal income. The Pres... ...oal of between ninety to one hun... billion dollars for the national income and expects that this will produce sufficient taxes to balance the national budget.

These figures explain the efforts of the President to bring about a more sustained economic recovery through cooperation between Government and industry. Before the holidays, the Chief Executive held a series of conferences with prominent utility leaders. Last week he talked with key industrialists, including some who have been pronounced adversaries of the Administration policies. While no public announcement was made as to the discussi... the industrialists reported "an ...sting and instructive talk" with t... ...resident and that "all of us agree... ...at we have a better understandin... of each other's problems out of which we are sure will come closer cooperation in meeting the difficulties of the moment."

The five major leaders of business included: Alfred P. Sloan, Jr., chairman of the board of General Motors; Ernest T. Weir, of the National Steel Corporation; Lewis H. Brown of the Johns-Manville Corporation; M. W. Clement, president of the Pennsylvania Railroad, and Colby M. Chester, president of the General Foods Corporation and chairman of the board ... the National Association of Manu...turers. Three of these men were ... members of the American Lib... League which, for a time, was a ...us critic of New Deal policies.

...n to these industrialists the President continued to see public utility executives. The utility men were interested in issues involving old PWA grants and the question of whether existing facilities should be duplicated. The President termed them questions of "local nature" and said that the Government could not occupy a position more participatory than that of amicus curiae, as the municipalities had the last word as to the use of Federal grants. He expressed the hope, however, that there would be no duplication of existing facilities.

In connection with the President's effort to secure the cooperation of the industrialists, it should be remembered that when the Administration undertook its reforms, there was general opposition on the part of industrial leaders. The Liberty League was a result of the massed opposition of certain business, financial and industrial leaders who were convinced that they could undermine the President and defeat the New Deal's objectives. The election of 1936 thoroughly exploded this opinion and strengthened the President's determination to insist upon basic reforms. Apparently, the present prospect of cooperation depends entirely upon the willingness of responsible industrialists to accept the inevitable, revise the rules of business and play the game under the new set-up.

The Maritime Commission has signed agreements with seven steamship companies for the immediate construction of twenty ocean-going vessels and the possible construction of twenty-three others. The total cost of the new ships will be $110,-000,000 and it is expected that fourteen will be begun in 1936. The seven companies will receive subsidies totaling $7,359,000 annually, with fifty-seven per cent. of the money being used for subsistence and wages of the operating personnel.

Another agreement is expected to provide nine or ten combination cargo and passenger vessels. Besides the above program, the Commission has called for bids on twelve cargo vessels, to cost around $20,000,000, and the Standard Oil Company will be aided in the construction of twelve high-speed tankers, at a cost of $37,-500,000, of which the Government will provide $10,500,000, to cover the expense of high-speed power plants. The new agreements are made under the Merchant-Marine Act of 1936 and the subsidies will replace 31 mail contracts which formerly cost the Postoffice Department more than twenty million dollars annually whether the ships carried much or little mail. The general idea of the program is to assure the nation of an adequate merchant marine in an emergency.

To prevent fluctuations in world silver prices, the Treasury Department has agreed to purchase 35,000,-000 ounces of silver from the Mexican Government at a price of forty-five cents an ounce. Secretary Morgenthau says the purchase was required under the Silver Purchase Act, which requires that the white metal constitute one-fourth of the Treasury's combined stock of silver and gold unless the world price of silver reaches $1.29 per ounce. The Secretary said that silver purchases are made from China, Canada and Mexico, because they are the only countries which have offered to sell silver. In Mexico City, announcement of the agreement was hailed with great satisfaction although officials there denied that the Mexican Government had entered into any bargain with the United States in regard to domestic legislation.

For more than twenty years the Supreme Court has stood by the reproduction cost theory as a valuation basis in establishing rates to be charged by public utilities, but the retirement of Justice Sutherland will assure a liberal majority which will probably lead the Government to attempt to persuade the Court to adopt the "prudent investment." theory which would exercise a powerful effect upon utility rates. Moreover, some Court dicta involving the "due process" clause will be reversed in future cases. It is a known fact that the Conservation Court has interpreted "due process" to protect much more than procedural rights and remedies.

The legal question involved in the TVA litigation is not the same as that recently determined by the Supreme Court when it decided that the utility companies were without standing to challenge the validity of loans and grants to municipalities for power purposes. In the TVA case, the utilities challenge the right of the Federal Government to use its money and directly engage in competition with the companies. Of course, the utility cases decided early this month recognizes the right of the Federal Government to release funds to municipalities to compete with power companies regardless of whether the Federal Government can directly engage in the production and sale of electric power.

The railroad situation, it is generally recognized, presents a picture so grave that it would be difficult to exaggerate it. With few exceptions, the railroads are "very sick" and only a "major operation" can keep them out of bankruptcy. President Roosevelt says that rehabilitation cannot be long delayed and that a national system of adequate, economic and solvent railroads, privately owned and operated, is a national necessity. He has asked Joseph B. Eastman, of the Interstate Commerce Commission, to draft legislation for presentation to Congress. One of the problems of the roads is "top-heavy" financial structure, with plenty of water. Whether or not the new legislation will attempt to squeeze the structures, involving losses to large investors in railway securities, is a question. Conceivably, consolidation of lines to end destructive competition, abandonment of uneconomic lines, readjustment of rate schedules and increased management control will be provided.

Use milk to remove wine stains, boiling the stains until they are gone.