American Economy Sets Records, Shows Signs of Shaky Health

By HARRY T. MONTGOMERY (Associated Press General Business Editor)

NEW YORK — (AP) The American economy set many peacetime records as it boomed through 1947, but at year's end there are increasing signs of possible trouble ahead.

For 1948 business leaders and economists predict at least a leveling off, and some see the recession which, though widely heralded, failed to develop in '47.

Mid-year now is the date most generally mentioned for the necessary readjustment. If it comes, its severity will depend on what happens between now and then, and in particular on whether the current inflation gets out of hand.

Inflation

This inflation was, in fact, among the problems of the greatest concern to American leaders, from President Truman down, as the year closed. Disagreement over methods of combatting it slowed concerted action, yet meanwhile the problem was growing more acute as the inflation spiral lengthened.

Prices of many things, including such essentials as food and clothing, are expected to rise further in 1948. On the other hand, further wage increases may be granted to industrial workers now getting roughly double what they did before the war.

Competition

The new year is expected to bring back in force for the first time since the war the real price competition which is a traditional characteristic of our capitalist economy. When it comes, perhaps for most business about midyear, it should force prices down.

The danger is that if they get too high beforehand, they will fall too fast and too much. Business failures will mount in any event; with a sudden plunge of prices they will be epidemic, and the unwanted depression will be under way.

Statistics for 1947 were dramatic, if not altogether comforting for the average citizen, who was being increasingly pinched by rising prices, high taxes and some continued shortages.

Dollar Value

The economists studied with interest the dollar value of the nation's output, hitting at the end of the year a rate of more than $230,000,000,000, compared with an average of $203,700,000,000 for 1946. Some predicted it would hit $250,000,000,000 in 1948, which would be double the $125,300,000,000 figure for 1941 and approaching three times the $90,400,000,000 rate of the last real prewar year, 1939.

The average citizen, however, was more interested in different figures in 1947: It took well over $1 to buy a dozen eggs, a pound of butter or a pound of beefsteak over wide sections of the country.

Prices Doubled

In general most goods became just twice as expensive as before the war; in other terms, the dollar was worth just about half what it was in 1939.

Business leaders studying charts of their own enterprises are aware that break-even points are getting too high, that is, despite today's high business income, costs are great, too, and margins of safety are narrowing. There is not too much room for the declines which must come from time to time.

Wall Street

The nation's traditional barometer of the business future, the stock market, throughout 1947 reflected the gloomier aspect of the economy, rather than the boom.

While nearly all charts of business activity showed a fairly steady upward curve, Wall Street virtually stood still. The Associated Press average of 60 leading stocks closed 1946 at 66.4 and then plodded through 1947 without going more than a few points either way from this figure. Through most of December it was a few points below the year's starting level.

The bond market was in solid depression. The Associated Press average of railroad bonds dropped about seven points during the year, industrial about three, utilities about five, governments about eight, and low-yield corporations about eight.

The average American as usual was leaving the charts for the experts. He knew he fared fairly well in 1947, despite high prices. Employment was at an all-time peak, passing the one-time "ideal" goal of 60,000,000 jobs in midyear, and unemployment was at a postwar low of 1,600,000. Compared to most of his brothers abroad, he lived in princely fashion.

Optimism, supposed to be characteristically American, is his keynote for 1948, and as the new year arrives the experts, despite their warnings, cannot prove that his view should be different.

BPA Man Tells Rotary Club Power Needed for Expansion

SPRINGFIELD — William E. Trommershausen, district manager for the Bonneville Power Administration, told the Rotary Club here that the continued development of the Columbia river basin as the Northwest's source of hydro-electric power is the key to the continued expansion of the Northwest.

He explained Friday that the Northwest does not have sufficient supplies of other power sources such as coal, oil, or gas. This, he said, leaves hydro-electric power as the only source for us to develop "because of transportation cost of the other sources of power would be too great," for this area to compete with other areas of the nation.

Potential

Trommershausen pointed out that the power potential of the Columbia basin is 25 million kilowatts, half as much as the total developed power supply of the entire nation at present.

He predicted that the area should be able to get through the peak loads this winter but emphasized that the power situation is "very tight."

He emphasized the importance of the energy source of an area (in the case of the Northwest, hydro-electric power) and pointed out that the area can develop "only as fast as the basic energy source."

Little Change

He said the power supply in the Willamette Valley has changed very little, though the growth in the valley has "been tremendous." He said private and public power has not brought enough transmission service into the area.

Trommerhausen declared that the BPA has asked Congress to appropriate funds to construct a 230,000 volt line from Goldendale, Wash., to Madras, Oregon, on to the Detroit damsite, and on to a proposed major sub-station in the Eugene - Springfield area which would distribute an additional 150,000 kilowatts to the Southern Willamette valley. The area now uses about 100,000 k. w. he said. The line BPA proposes would be a branch of the lines connecting Bonneville dam with Grand Coulee dam and would bring Grand Coulee power to the Willamette Valley—by-passing the Portland-Vancouver area which takes most of the output of the Bonneville dam.

He predicted that in the future the south Willamette Valley and Southern Oregon areas would be served by the proposed McNary, Detroit and Meridian damsites.

Must See Need

Trommershausen said he felt certain that the line the BPA wants for this area could be acquired if the people would realize the need and show that they would favor such a proposal.

He told the Rotarians that the harnessing of the Columbia basin power is of "prime importance to all of us" and asserted that private power companies are not at present able to finance such a program.

New Building Predicted Up

WASHINGTON— (U.P.) —Building materials will be more plentiful and construction costs are not likely to rise next year, J. W. Follin, assistant Federal Works Agency Administrator, said this week.

He predicted that new construction would be six to nine per cent above this year, for a total of $13,700,000,000. Follin forecast a "moderate" increase in home building, and a 20 to 25 per cent jump in public construction.

Federally-financed work will fall behind state and local work, he said .State and local projects will go up as much as 25 per cent for a total of $2,345,000,000, and federal works up to 20 per cent for a total of $1,355,000,000, he predicted.

Accidental Deaths Reach New Peak

NEW YORK— (AP) —The accidental death rate in the United States this year climbed some 2000 lives over 1946 to about 101,000 for a third consecutive annual peak, the Metropolitan Life Insurance Co. says.

But surprisingly enough, deaths in motor accidents declined nearly 1000 to about 32,500 in 1947 despite the increase in motor traffic and suggests, say the statisticians, that the highway safety program is more effective now.

Public, home and occupational accidents in the major classes, accounted for the increase. The mortality in the home and occupational classes reflects the jump in the national birth rate and the higher level of employment, the report said.

Town Takes Over, Rebuilds Business

NEW PARIS, Pa. — (U.P.) —When a $55,000 fire destroyed his place of business, Harry Findley was ready to give up.

It was the second time fire had caused him extensive damage and he felt he was through.

But his neighors didn't think so. They wanted Findley's farm machinery repair establishment in their community and they began work to rebuild it.

More than 500 pearsons donated labor, money or materials to help Findley see the brighter side again.

Washington Senator Decries Europe Status

PORTLAND — (AP) — A recommendation that Germany be rebuilt in order to reconstruct Europe came Saturday from Sen. Harry P. Cain (R-Wash.) who was a colonel in the Italy and eGrmany campaigns.

Cain declared that he found reconstruction almost at a standstill when he visited Europe two months ago.

"There has been but a single change in Germany since I marched out of there in 1945," he said. "The Germans have moved the rubble from the center of the street to the alleys. That is all. The rest of the country is the same."

The Washington Senator declared that "trying to build up the nations outside Germany and leaving Germany to the last won't work. Germany must be built up first, because it is the key to Europe's economy."

Texas Bank Promotes New Soil Conservation

HOUSTON, Tex.— (U.P.) —Banking and farming always have interlocked, but the efforts of the Second National Bank of Houston in leading a soil conservation campaign has set a precedent.

For several years, the Houston bank, headed by C. M. Malone, vice-chairman of the board, and O. Dooley Dawson, vice-president and agricultural manager, has sponsored trips, tours and lectures to the state's farmers on how to save the soil.

Dawson spends more than three weeks each month in lecturing and examining Texas farmers and farms.

Col. W. R. Bates, chairman of the board, Malone and Dawson admit that the bank realizes that unless agriculture is booming, banking and other businesses will not boom.

VA Faces Prospect of Losing 1500 Physicians by Next Spring

WASHINGTON—(AP)—The Veterans Administration faces the loss next spring of 1400 physicians, more than a fifth of its hospital staff, Maj. Gen. Paul R. Hawley said Saturday.

Hawley said replacement of those doctors will be the No. 1 problem of the man who succeeds him as medical director for the Veterans Administration. Hawley has resigned effective next Wednesday after two years of service.

The doctors involved are young officers trained in the wartime Army specialized training and Navy V-12 programs. The terms of 1400 expire in May, Hawley told a reporter.

The officers in many cases were assigned to the more isolated hospitals for which, frequently, it was difficult to obtain civilian personnel.

Not Satisfied

Considerable numbers are reported to have expressed their dissatisfaction, and their intention of leaving VA upon completion of their two-year terms.

Ninety-three members of the first contingent to enter VA service quit a month ago.

The Veterans Administration employs about 6700 physicians for its 126 hospitals and their 118,000 patients.

"My successor's second major problem will be certain fiscal considerations arising out of limitations on the appropriation this year, and the need of defending the 1949 budget," Hawley added.

Alcoholism Up

"Everything else is moving along pretty well, but we have not accomplished everything we have set out to do. It will be several years before the VA medical program is at the level we would like it to attain."

Hawley said the problem of chronic alcoholism among veterans still is increasing, and predicted that VA physicians will treat 10,000 cases of alcoholism this year, compared with 6459 last year and 3529 in 1945.