

## SENATOR SAM ERVIN ★ SAYS ★



Washington—The state of the nation's economy is emerging as a chief issue before the Congress.

**Halt The Depression**  
Congressional concern is focused on the rapidly developing recession and toward measures to halt this downturn. Paradoxically, of last year the major economic concern was inflation. Consumers, as you will remember, were then urged to curtail their spending. Now a sharp reversal to recession has occurred and more consumer buying is needed. Industrial production is off and, according to official estimates, close to five million people are jobless. Wise action is mandatory to stabilize the economy and to prevent a deepening of the recession.

**Presidential Optimism**  
The President has spoken hopefully of a business upturn beginning next month. On the basis of present information, I believe that this is a far too optimistic view. Certainly no one would encourage a "gloom or doom" attitude, or a panic reaction, to the current recession. Conversely, the easy optimism that speaks of the situation as just a "breather" or an "adjustment" is unwise and is of small consolation to those who bear the hardships of the recession. What is needed is information and realistic evaluation of the economic state, from which adequate corrections may be made.

**Proposals Offered**  
Various proposals have been offered in the attempt to bolster the economy. The Administration has offered higher defense outlays, an easing of credits, and a post office building plan. There is question whether these measures are adequate and whether they can be made operative in time to effect relief.

Congressional leaders have suggested other plans which are broader. These consist chiefly of expansions and speed-up in public works projects such as highway construction, dam and flood control programs, and federal building. Consideration of these plans have not reached a conclusive stage but they will receive a priority treatment by the Congress.

**Tax Cut**  
A possible tax cut has also been suggested. In the first session of this Congress it had been hoped that some reduction in taxes

might be made. With the advent of the Russian satellite last October and the further evaluation of defense needs, all such hopes seemed to have vanished. Again the tax reduction issue appears, this time proposed as a means to encourage consumer purchasing. While all of us most earnestly desire tax relief, such proposal must be measured against the facts of our great defense needs and our already swollen federal debt. Any tax cut at this time would seem to call for further increase in the federal debt since defense spending must be maintained. Unless a tax cut is felt to be the only means to reverse the recession, Congress, in my opinion, will not vote to cut taxes this year. In the event that the recession deepens and other measures do not improve the economy such cut may be made.

**Traffic Jams**  
While Washington offers many attractions to the visitor, it offers him as well extremely bad traffic jams. This is especially true during the morning and evening rush hours when government workers make their entrances and exits. With the records now of last week most government offices were at a standstill because of traffic difficulties. Capitol Hill did manage to function without losing time.

Arguments have continued for years in regard to an additional bridge across the Potomac to ease the traffic situation. At present the argument concerns whether to build a bridge or a tunnel. Meanwhile the traffic problems worsens and tie-ups are a frequent event. To motorists who drive to Washington I would advise arriving during non-rush hours.

### Record Production Of Milk In 1957

A record of 1,790,000 pounds of milk was produced in North Carolina during 1957. The record output, exceeded the previous high (revised 1956 production) by 68,000,000 pounds. The 1957 production was attained from an estimated 358,000 milk cows, 3,000 more than were on farms in 1956. Milk production per cow averaged 5,000 pounds during 1957, an increase of 50 pounds over the 4,850 pounds reached in 1956.

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### Husbands Guests Of Byrd Club



Above is pictured a few who attended a meeting of the Byrd Home Demonstration Club held at the home of Mrs. George Smith at Hayes, when husbands were special guests. In the picture, left to right, are: Mrs. George Smith, George Smith, Earl White, M. T. Barrington and Haywood M. Phittisic.

### The National Outlook The Federal Reserve Steps In

By RALPH ROBEY

The Federal Reserve System has finally made important news. To appreciate its action one needs to refresh his memory on a few elementary facts.

By law all national banks in this country must be members of the Federal Reserve System. State banks may be members if they comply with the same standards as national banks. We have about 13,500 commercial banks of which close to 6,500 are member banks. These member banks hold over four-fifths of all loans and investments in our commercial banking system.

Also by law, each member bank is required to keep on deposit with its Federal Reserve Bank a stipulated reserve against its deposits. This requirement can be altered, within certain limits, by the Federal Reserve Board of Governors. Since 1954 the requirement for central Reserve cities, New York and Chicago, has been 20 per cent; for Reserve cities—about 59 of the next largest centers—18 per cent; for all others, known as country banks, 12 per cent.

Purpose of these reserve requirements is to limit the lending power of the member commercial banks. For example if a New York bank made a loan and gave the borrower the proceeds as a deposit, which is customary, it must have an amount equal to one-fifth of the loan on deposit with the New York Federal Reserve Bank. If the commercial bank did not have this reserve it must obtain it. It could do this by borrowing from the Reserve Bank, by selling securities and depositing the receipts with the Reserve Bank, or by borrowing a part of the excess reserve of another commercial bank.

There are three ways by which the Federal Reserve authorities may influence the reserve position, or lending attitude, of the member banks. First, and the method used most frequently, is by buying and selling government securities in the open market. When the Reserve Bank buys se-

curities the amount of the purchase always ends up in the deposit account of member banks, thus giving them additional reserves. Conversely, when securities are sold the accounts of member banks are debited by the amount of the sale, which reduces their reserves and tends to make interest rates rise.

The second method by which the Reserve authorities influence commercial bank policies is by changes in the rediscount rate. Actually, this does not either increase or decrease the reserve position of member banks, but it does change the price at which commercial banks may replenish their reserve position through borrowing from the Reserve Bank. As a rule, open market operations are used to meet temporary elements in the demand and supply position of credit, and variations in the rediscount rate are used to indicate a basic change in the credit situation.

The third method is by changing the reserve requirements. This is by far the most powerful instrument the Reserve authorities have and it is used only at rare intervals. But it was this instrument which the Reserve System has just used. Specifically the reserve requirements for all banks were reduced one-half of a percentage point. The aggregate effect of this change is to add approximately \$500 million to the reserves of member banks.

The reason for this action has been generally interpreted as a desire to help business recovery. And it is probable that this desire did enter into the decision. However, it appears that a more powerful factor was the desire to facilitate borrowing by the U. S. Treasury.

Primary reason for assigning this greater weight to Treasury borrowing is that, through open market operations and two recent waves of rediscount rate reductions, the commercial banks are in a position to take care of business needs. But with the Government currently operating

at a deficit it will be necessary for the Treasury to come to the market before long for additional funds.

By adding \$500 million to the reserve position of member banks there should be no question of Treasury offerings being taken without difficulty, and at reasonable rates of interest.

### Mack Forehand Dies In Richmond Hospital

James Alvin (Mack) Forehand, 27, died at 9 o'clock Wednesday morning of last week in a Richmond hospital following a brief illness.

Surviving are his parents, Mr. and Mrs. W. G. Forehand; two brothers, Gurney Forehand and D. C. Forehand, both of Edenton; five sisters, Mrs. Kenneth Copeland, Mrs. David Goodwin and Miss Paige Forehand, all of Edenton; Mrs. Henry Wills of Suffolk and Mrs. Edwin Byrum of Carrsville, Va.

Funeral services were held Thursday afternoon at 3 o'clock at the Rocky Hock Baptist Church with the pastor, the Rev. B. L. Raines, officiating. Burial was in Beaver Hill Cemetery. Pallbearers were J. D. Peele, William Bunch, Wallace Peele, Leon Bunch, Melvin Bunch and Kermit Jordan.

### Mrs. Hattie Rice Died Last Week

Mrs. Hattie Haste Rice, 92, died Wednesday afternoon of last week at 6:30 o'clock at the home of her nephew, Henry Haste, near Edenton after an illness of about a year. She was a native of Chowan County, the widow of the late Captain D. Rice, who for many years operated tug boats, and a member of the Rocky Hock Baptist Church.

Surviving are three stepsons, William D. Rice of Portsmouth, George A. Rice of Washington, D. C., and Bruce B. White of Windsor; two nephews, Henry Haste of Edenton and Cecil E. Haste of California. Seven grandchildren and five great grandchildren also survive.

Funeral services were held at the Williford Funeral Home Saturday afternoon at 2 o'clock. The Rev. B. L. Raines, pastor of the

### Art Chairman



Mrs. James A. Leggette (above) of Williamston, has been named art chairman for the North Carolina Congress of Parents and Teachers, according to the state president, Mrs. J. Z. Watkins of Charlotte.

Mrs. Leggette has studied art at the Art School of Chicago and with Frith Winslow of Plymouth. At present she conducts art classes for children in Williamston.

As art chairman for the state PTA, she will plan a program of art appreciation and advise with local units as to how to integrate it with all phases of parent-teacher work.

Rocky Hock Baptist Church, officiated and burial was in Beaver Hill Cemetery.

Pallbearers were John M. Elliott, Willie Morris, Fred Tuntall, Horace Bunch, L. C. Bunch and W. W. Byrum, Jr.

### Center Hill 4-H Club Holds Meeting

The Center Hill Local 4-H Club met Tuesday night of last week at the home of Joey Asbell with Sunny White presiding. Joey Asbell read the Scripture and Emmett Jones, Jr., led the group in prayer.

Following the business session the meeting was turned over to Robert S. Marsh, assistant county agent. He discussed things the club members could do in observance of National 4-H Club Week, March 1-8. He also discussed

ways and means of increasing club membership. Mr. Marsh told about the Fat Stock Show, and Sale which will be held March 26 at the American Legion Building.

Those attending were Tommy Parker, Sunny White, Frances Smithson, Emmett Jones, Jr.,

Joey Asbell and Jimmy Turner. The meeting was adjourned by the members saying the pledge, after which games were played and refreshments served.

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