

ARE WE REALLY COMING BACK?

Recovery Was Steady in 1936, but Puzzlers Like Unemployment, Recurring Deficits and Farm Surplus Must Be Solved.



1929—One of the busiest spots in the world as stocks soared to unbelievable heights in the great boom was the New York Stock Exchange, where a man could become a millionaire (on paper) one day and a pauper (not on paper) the next.

By WILLIAM C. UTLEY

FACTORIES are sm o k i n g again, carriers are busy, and we have just passed a Christmas season which may have been the biggest holiday business spurt of all time, even including the height of the pre-depression boom.

As we enter the new year, we find industry at its highest point since 1929, national income having risen to an estimated 60 billions of dollars or more, the largest in five or six years, and a general relieving of the tension which holds men's nerves during an extended stretch of hard times.

For one thing, in the past year the nation was not temporarily hoaxed by business flurries which seem to indicate that recovery had set in, only to subside again and leave the populace disappointed. The movement toward normalcy has been pretty steady, and seems to have at last spread over the base of the entire economic structure until it has touched every part of it.

Only time will tell whether, as some close observers believe, the revival is inflationary and beyond the measure created by demand. At least there are three major problems still confronting us.

There were in September, according to the National Industrial Conference board, nearly 9,000,000 persons still out of work.

Production Indexes Rise.

The deficit of the federal government is increasing at the rate of three or four billions a year.

Under normal weather conditions—if we should enjoy them during 1937—we will be faced with the agricultural surplus resulting from the cultivation of 30 or 40 million acres more than we need.

The production index of the Federal Reserve board for October shows that industry has reached a level nearly equal to the average for 1928, making the necessary allowance for normal seasonal trends. It does not, however, take into consideration the fact that we have a population greater by 9,000,000 today than we had in 1928. If allowance is made for this, the production index is about 92 per cent of the level of 1928. But in 1932 and 1933 it was only half that of 1928.

It said that the heavy industries, which make "capital goods," are far behind, but even they are picking up. Steel, the barometer of these industries, climbed from 41 per cent of production capacity in June, 1935, to 70 per cent capacity for June, 1936, or only about 12 per cent under the boom figure.

Absorbing the Unemployed.

The "semi-durable" industries which make goods requiring some considerable investment by the consumer led the upswing. Among

How Reserve Board Looks at Recovery

The following indexes, supplied by the Federal Reserve board, show how conditions today compare with those of 1932, at the bottom of the depression:

| | An'l avg. | Oct. '36 | 1932 |
|-----------------------------|-----------|----------|------|
| Industrial Prods. | 109 | 64 | |
| Construction | 56 | 28 | |
| Factory emplmt. | 94 | 66 | |
| Factory payrls. | 89 | 47 | |
| Car Loadings | 73 | 56 | |
| Dept. Store Sales | 90 | 69 | |
| Common Stocks | 119 | 48 | |

The above figures indicate the degree of recovery through last October. When November and December figures are released it is virtually certain that they will show a continuation of the upward trend.

these are the automobile industry which, it is estimated, produced 4,500,000 cars, more than in any year except 1929, and the electric refrigerator industry, whose sales reached a new all-time peak.

The consumption goods industries, producers of leather, foods, textiles, etc., are experiencing what might be called almost boom times.

Employment is not without hope. There are today at least 7,000,000 less unemployed than there were at the low point of March, 1933. They are the victims of an ever-increasing population as well as increased efficiency in industry.

The consumption goods industries offer little in the way of increased employment, although they will absorb a few in the mild expansions which are forthcoming.

Semi-durable consumption goods industries—the automobiles, refrigerators, etc.—are working at just about peak now to supply a demand which has accumulated over a few years. They can be expected to contribute little toward the relief of unemployment.

The one avenue of hope seems to be the heavy industries, where there is still room for a good deal of expansion. Especially cheering is the progress which is apparently being made in the building industries, which will sooner or later have to begin correcting the large housing shortage.

Since 1929 there had been little modernization and renovation of factories and plants. This cannot keep up forever, or even for very long, for replacements would be needed even to keep up the restricted production of depression business and to meet the added needs of an increased population.

34 Billion Debt.

Of real concern is the part of recovery artificial in character because it is based upon the extraordinary spending of the government. Five per cent of the national income today is coming out of government bonds, a situation which, if continued, is hardly sound. This brings us to the problem of reducing the federal deficit.

The national debt of about 34 billions is some 8 billions over the old-time 1919 high. Interest rates are lower, so that today the cost of carrying this debt is actually about 20 per cent lower than the cost of carrying the smaller debt in the years after the war.

Despite the fact that the debt could be raised to 40 billions without necessitating greater interest payments than the post-war debt, difficult credit conditions eventually face governments which do not bal-

1932—One of the aftermaths of the great crash of 1929, the "jobless army," bound to fight for a meager existence against terrific odds and discouraging circumstances. 1937—Manufacturing plants once more boom as a new recovery gets under way.

ance their books. When credit collapses, prices go up quickly; conversely, savings, investments, insurance, and real wages hit the skids.

It is true, however, that as employment conditions improve, the necessity for government spending decreases, while, on the other hand, the added recovery brings higher tax collections.

Farmers Face Surplus.

The farmer, from the point of income, is better off than at any time since 1929, if the fall of prices in the things he must buy is considered. Income from farm products for 1936 is estimated at \$7,850,000.

There is an improving demand for farm products, but it is not enough to take care of the surplus which would occur should there be a cessation of the summer droughts. The production of American farms is based upon an export market which has disappeared and a feed market which is disappearing with Old Dobbin.

If the nation were to allow common economic forces to work until they had eliminated the surplus farmers, the fall in prices would be so disastrous to all farmers that it would seriously hurt industry and recovery.

New experiments in crop control, such as the defunct AAA, seem the only answer to the possible surplus. And they are sure to bring problems of their own, as we have well seen in the last year or two.

What If War Breaks Out?

What can be done to recoup some of the vanishing export markets remains to be seen. It appears at this time that a return to high tariff policies would be disastrous to cotton, fruit and tobacco farmers, as well as to certain manufacturers and producers of mineral products. Mr. Hull's reciprocal trade treaties, with which we are now experimenting, have so far effected but slight improvement.

It may be that the present boom will continue and get out of hand as the past booms have, resulting in a new depression. The two checks ordinarily effective in curbing the momentum of a boom after real demand has been fulfilled are tightening credit and soaring interest rates. But today we have a new situation. With half the world's supply of gold, we have the base for unlimited credit expansion, and the government is succeeding in keeping interest rates down in order to carry the huge national debt as cheaply as possible.

The last boom and the depression which followed it are largely traceable to the World War. Should another great war break out—and this seems not unlikely, in the face of conditions in the Eastern hemisphere—it will take all the brains and courage of the government and of business leaders to prevent another vicious business cycle.

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How ARE YOU TODAY

Dr. James W. Barton TALKS ABOUT

Overweight and Heart Failure

A PHYSICIAN treating a case of high blood pressure and beginning or early heart failure is naturally anxious not to have too much work put on the blood vessels and the heart muscle. And one of the discouraging things he has to face in many patients is overweight.

Overweight in itself is not believed to be the cause of high blood pressure and beginning heart failure but it adds to the burden of the already overburdened blood vessels and heart muscle.

Naturally it is desirable to rid the body of this excess fat, and to do so as quickly as possible so as to lighten the burden.

However the first thought in every ailment now is to try to maintain or increase the strength of the patient and as this is best done by the proper diet, reducing weight must be done slowly from the standpoint of safety.

The withdrawal of body building foods and trying to give the patient a "full" feeling by the use of cabbage, cauliflower, lettuce, celery, may leave him weak and faint. And the use of foods such as onions, turnips, cabbage and beans may cause gas formation and digestive disturbances that embarrass heart action.

Dr. Thomas Lewis, physician in charge of the department of clinical research, University college, London, tells us in his book "Diseases of the Heart"; "Overweight (in heart ailments) should be treated by withdrawing first of all any excess of starch foods—potatoes, bread, sugar, pastry—or fats—butter, cream, fat meats, nuts, egg yolks—from the ordinary diet, and later by a general reduction in the amount of food to about half the amount required by a normal healthy adult. Rigid dieting is not often well withstood by the patient as it causes undue weakness. Sudden reductions in weight should not be attempted. Regular exercise tends to reduce weight; so does massage. Turkish baths are not advised."

Heart Must Be Spared

You can readily understand that if the food intake is to be reduced to one-half or perhaps a little more than one-half of the amount previously eaten, the reduction should not be too sudden or great at first, and the food that is eaten must be most carefully selected.

In fact there are what are known as cardiac (heart) diets, just as there are stomach or intestinal ulcer (peptic) diets. Their purpose is to give the body the necessary food or nourishment without putting too much work upon the heart. The diet is what physicians give their patients when they have come safely through an illness and are on their way to recovery. Eggs, milk, dry toast, strained fruit (seeds may irritate), jelly.

In these cases of high blood pressure and early heart failure it is believed that, generally speaking, stimulants, tea, coffee, and tobacco should be used in but small amounts. Beer in excessive quantities or fluids of any kind should not be drunk.

Sleepiness and Infection

It is indeed fortunate that when infection attacks the body, one of the first symptoms is a feeling of weariness and tiredness. The patient is usually ready and willing to rest. Thus it is found that an individual with infection in the teeth feels about as tired when he wakes as when he went to bed.

Sleep or complete rest often becomes necessary during infection because the fighting forces of the body are using up their energy in fighting the infection and there is little strength left for the work of the day.

Thus any tendency to sleepiness in an individual who is usually alert should make the individual or the examining physician suspicious of infection.

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One of the Best Things in Life Is Moral Victory

To demand victory without an antagonist is to demand something with no meaning . . . If you take all the evil out of the world you will remove the possibility of the best thing in life. That does not mean that evil is good. What one means by calling a thing good is that the spirit rests permanently content with it for its own sake.

Evil is precisely that with which no spirit can rest content; and yet it is the condition, not the accidental but the essential condition, of what is in and for itself the best thing in life, namely, moral victory. — Archbishop Temple.

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