

More Confidence, Not More Currency, Country's Need

Babson Explains Inflation and Says Currency and Budgetary Inflation Will Be Disastrous; Credit Inflation Can Bring Unbounded Prosperity Here

BY ROGER W. BABSON.
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Babson Park, Fla., Jan. 12.—"How do you feel about inflation, Mr. Babson?" If I was asked this question once, I was asked it twenty times on my recent trip South. Bankers and publishers, farmers and manufacturers, retailers and professional men asked the same question. While volumes have been written on the subject, I would like to discuss what inflation is, how it comes about, and its advantages and disadvantages.

Some Type of Inflation Inevitable

First, what is inflation? Stated simply, inflation is an increase in the quantity of money. "Money" includes credit as well as currency. "Quantity" includes velocity of circulation as well as amount in circulation. Hence, inflation means a speeding up of the velocity of money and or credit. What good does this do? Theoretically, it is supposed to make money cheaper and easier to get. This in turn increases public buying power, retail sales, industrial production, jobs and wages, dividends, and around the circle again. In other words it starts the wheels of industry moving. In fact, some kind of inflation or expansion is necessary to boost business.

What are the three main types of inflation?

1. Currency Inflation: Through increasing the number of coins and bills by reducing the gold content of the dollar, by the monetization of silver, or by printing more paper money. This is commonly known as "printing press" inflation.

2. Budgetary Inflation: Through the government spending more money year after year than it receives. It goes heavily into debt and sooner or later makes up the deficit by printing bonds or paper money.

3. Credit Inflation: Through expanding the volume of bank credit. Remember each dollar of credit does just the same work as each dollar of currency.

Currency Inflation Disastrous

The first type is utterly disastrous. Numerous European countries tried it in the past fifteen years and are still swallowing in economic chaos as a result. Callable mortgages, life insurance, and bank deposits are smashed under this type of inflation. Only those who can afford to hold non-callable mortgages, and the owners of real estate equities, common stocks and goods weather the storm. The biggest objection to this type of inflation is that it takes from the worthy and gives to the unworthy. Hospitals, colleges, "widows and orphans," and all others who depend

upon their investments for existence pay the piper's bill. It is not necessary to print additional money now. We have a larger money supply than at any time in our history.

The second method of inflation is merely the first type under a false cloak. Because this is true, it is all the more insidious. The government is today easily floating bonds at a very low interest rate. But remember only the banks are buying these bonds and paying for them with depositors' money. The government then distributes bank depositors' money in its huge spending program. A large part of the funds find their way back to the banks as new deposits and more government bonds are purchased. This same cycle goes on and on.

Bank deposits have jumped about \$3,000,000,000 in the past year, while gross government debt has increased \$4,600,000,000 to a new all-time peak. We must watch our step very carefully for we are slowly slipping toward budgetary inflation.

Budget Inflation Ends up with Printing Presses

Finally, when all hope of ever balancing the budget has passed the second type of inflation merges into the first. The government can no longer borrow money at safe rates. Confidence in public bonds fails. There is a mad rush to exchange bonds and currency for tangibles. Prices of land and commodities skyrocket. Business booms for a brief instant. The printing presses run faster and faster until finally the crash comes. And the prickling of the inflated balloon ushers in another period of deflation far more drastic than the preceding era.

The third method, credit inflation, is the type which we hope for today. It would be similar to the inflation we had from 1926 to 1929. It can be controlled the other types cannot be controlled once actually under way. In recent months we have laid the base for \$230,000,000,000 of credit expansion which compares with \$55,000,000,000 in 1929. Business men, however, are not yet using this latent credit. While bank deposits have jumped \$3,000,000,000 in the past year and are almost back to the level of 1929, their speed of turnover, as measured by bank debits, continues to slacken. During 1929 each dollar of deposit turned over seventy times; in 1933, only twenty-eight times; and today it is only turning over at the rate of twenty-four times per year.

Credit Expansion Depends on Confidence

Our great problem now is to use our huge bank credit reserves and to speed up the turnover of money—not to increase the number of currency dollars in banks or to pile up government debt. But before we can hope to have any real credit expansion, confidence must be reestablished among business men. If this is done and we use our tremendous facilities for credit expansion, America will see the biggest boom in history. But whether or not confidence will return under the present administration is a question. A change of government or a coalition government may be necessary to bring back prosperity.

But prosperity cannot be delayed indefinitely without bringing on radical inflation. Relief expenses are mounting very rapidly. Unemployment today is at about the same level as a year ago, but there are 3,000,000 more people receiving doles. On the other hand, business has been moving upward since September and the advance is gaining momentum. From here on is going to be a grand race between rising business activity in one lane and a rapidly mounting dole in the other. It now seems almost certain we will have some kind of inflation. Which kind depends on the government.

Business, as registered by the Babsonchart, is now 12 per cent above a year ago, but still 25 per cent below normal.

Today is the Day

By CLARK KINNAIRD
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JANUARY						
SUN	MON	TUE	WED	THU	FRI	SAT
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Saturday, Jan. 12: 192nd day, 159th year of U. S. Independence. Morning stars: Mercury, Mars, Jupiter. Evening stars: Venus, Saturn. Moon: first quarter.

HISTORY UP-TO-DATE

Jan. 12, 1628—Charles Perrault was born in France. He immortalized in literature the most widely known stories in the world, next to those of the Bible; yet his name is virtually unknown.

He put into literary form "Little Red Riding Hood," "Puss in Boots," "Cinderella," the children's form of "Bluebeard" and other well-loved tales that came in time to be erroneously identified with "Mother Goose."

Jan. 12, 1746—Johann Heinrich Pestalozzi was born in Switzerland. He is destined to become a world wide influence in improvement of the wass mind. "He had the deepest effect on all branches of education, and his influence is far from being exhausted," says a modern authority.

When Pestalozzi went to Paris and did his best to interest Napoleon in a scheme of national education, the great conqueror said he could not trouble himself about the alphabet!

Jan. 12, 1874—The original "Siamese Twins" died.

They were Chinese, not Siamese. Chang passed on of brain hemorrhage at 63. Eng of fright 2 1/2 hours later. Post-mortem examination disclosed Eng could have been separated and saved.

They had married sisters, daughters of a Virginia clergyman, and some of their offspring are alive today in North Carolina and Oklahoma.

Jan. 12, 1919—The so-called Peace Conference convened formally in Paris, and sanctified ward politicians in frock coats sat down to make decisions directly affecting the future of 1,000,000,000 living persons and the lives of their descendants.

It continued a year, succeeded only in generously sowing the seeds of another war.

NOTABLE NATIVITIES

Joseph Jacques Joffre, b. 1852, French marshal who erroneously gets the credit for devising the winning strategy of the Marne and saving Paris.

John Singer Sargent, b. 1858, American artist.

Jack London, b. 1876, American novelist whose stories are read around the world.

John Hancock, b. 1737, first signer of the declaration of Independence.

John Winthrop, b. 1588, first colonial governor of Massachusetts.

Edna May Oliver, cinematress.

SUNDAY IS THE DAY

Sunday, Jan. 13: 193rd day, 159th year of U. S. Independence. Full moon Saturday. Zodiac sign: Capricorn.

HISTORY UP-TO-DATE

Jan. 13, 1691—George Fox died.

His works live on. He was founder of the Society of Friends, or Quakers of which there are 110,000 adherents in the U. S. today, including Ex-President Hoover, and Maj. Gen Smedley Butler. Son of a Weaver, and 19 went forth to preach in England a religion which resulted in the establishment—without his intending it—of a new church. His insistence upon the personal aspect of religious experience made it impossible for him to counteract the organization of an elaborate clergy and the setting apart of palatial edifices for divine worship, and caused the continued imprisonment and persecution of his followers for "blasphemy."

In Massachusetts in the 17th century, persons found to be quakers were flogged.

Jan. 13, 1733—Georgia's first permanent settlers arrived in South Carolina.

The ship Ann, Capt. John Thomas, with Gen. James Oglethorpe, Rev. Dr. Henry Herbert and 35 families, anchored in Rebellion Roads, S. C., whence the 121 persons proceeded to the present site of Savannah.

YOU'RE WRONG IF YOU BELIEVE

That there is anything unlucky about the 13th of the month, or the 13th of anything.

Mrs. Glen Ousley, Rockefeller Institute, Princeton University, asks us

to explain the origin of the superstition concerning the number 13.

Precisely how it began, no one can say. In Scandinavian mythology there are 12 Demigods, and legend has it that Loki came among them, making 13. Loki was evil, and among the Demigods, he became "the chief author of human misfortunes." Because of him, 13 came to have an evil significance to Scandinavians.

Another popular explanation is that there were 13 persons at the Last Supper, Judas being represented as the 13th guest.

The superstition regarding 13 is universal, as Lillian Eichlor shows in her excellent book, "The Customs of Mankind."

And H. G. Wells remarks, "And Neolithic man was counting, and falling under the spell of numbers, and wondering why some quantities like 12 were easy to divide in all sorts of ways, and others, like 13 impossible."

That Vice Presidents of the United States always are elected by the people. They aren't.

(XII) Amendment to the Constitution provides that a candidate must receive a majority of the whole number of electoral votes in order to be elected. In 1836 the vote was split between four candidates so that none had a majority; consequently, the Senate exercised its power in choosing Richard M. Johnson of Kentucky!

Celebracy was decreed for the Roman Catholic clergy in 385 A. D. But some Eastern churches under the nominal jurisdiction of Rome still have a married priesthood.

Perhaps, you too, have a query concerning some popular superstition. Ask Clark Kinnaird, care this newspaper, enclosing stamped, addressed envelope.

Attorney-Gen. Brummitt Dies At Raleigh After Battle With Pneumonia

(Continued from Page One.)

to 1914 he was chairman of the county executive committee. In 1909 he started four years of service as mayor of Oxford, refusing to run again in 1913, at which time he became a councilman.

In 1915 Mr. Brummitt came to Raleigh as Granville's representative in the House. He served in the general assemblies of 1917 and 1919, being unanimously chosen speaker of the House in 1919.

He again became chairman of the Granville Democratic Executive Committee in 1922, and in 1927 he was named chairman of the State Democratic Committee, a post he held about a year.

In 1920 he served the State as presidential elector. He was elected attorney general in 1924 for his first term. In 1928 and 1932 he was re-elected.

On June 25, 1912, he married Miss Kate Hayes Fleming of Oxford, who survives. There were no children. Mrs. Brummitt is herself well known for her activities in women's circles.

Mr. Brummitt was a lifelong Baptist. He also was a member of the Masons, Odd Fellows, W. O. W., M. W. A., and Junior Order.

He was born on a Granville county farm on February 7, 1881, a son of Thomas Jefferson Brummitt and Caroline Bradford Brummitt. His family name of Brummitt has been a familiar one in Granville county since Colonial days when the territory was the grant of the Earle of Granville.

He was educated at the common schools of Granville county and at Wake Forest College, being graduated from there in 1907 with an LL.D. degree. He taught school for a year and then began the study of law. He soon won his license and entered upon the practice of his profession at Oxford, which has since been his legal residence, though he also kept quarters here.

Always an ardent worker for educational progress, Brummitt served as trustee of N. C. State College from 1923 to 1925 and in 1925 became a member of the board of trustees of Wake Forest. He was a member of the executive committee of the Wake Forest board.

CLARKSON PAYS TRIBUTE FOR THE SUPREME COURT
Raleigh, Jan. 12.—(AP)—Senior Jus

WORLD COURT MOVE ON AGAIN



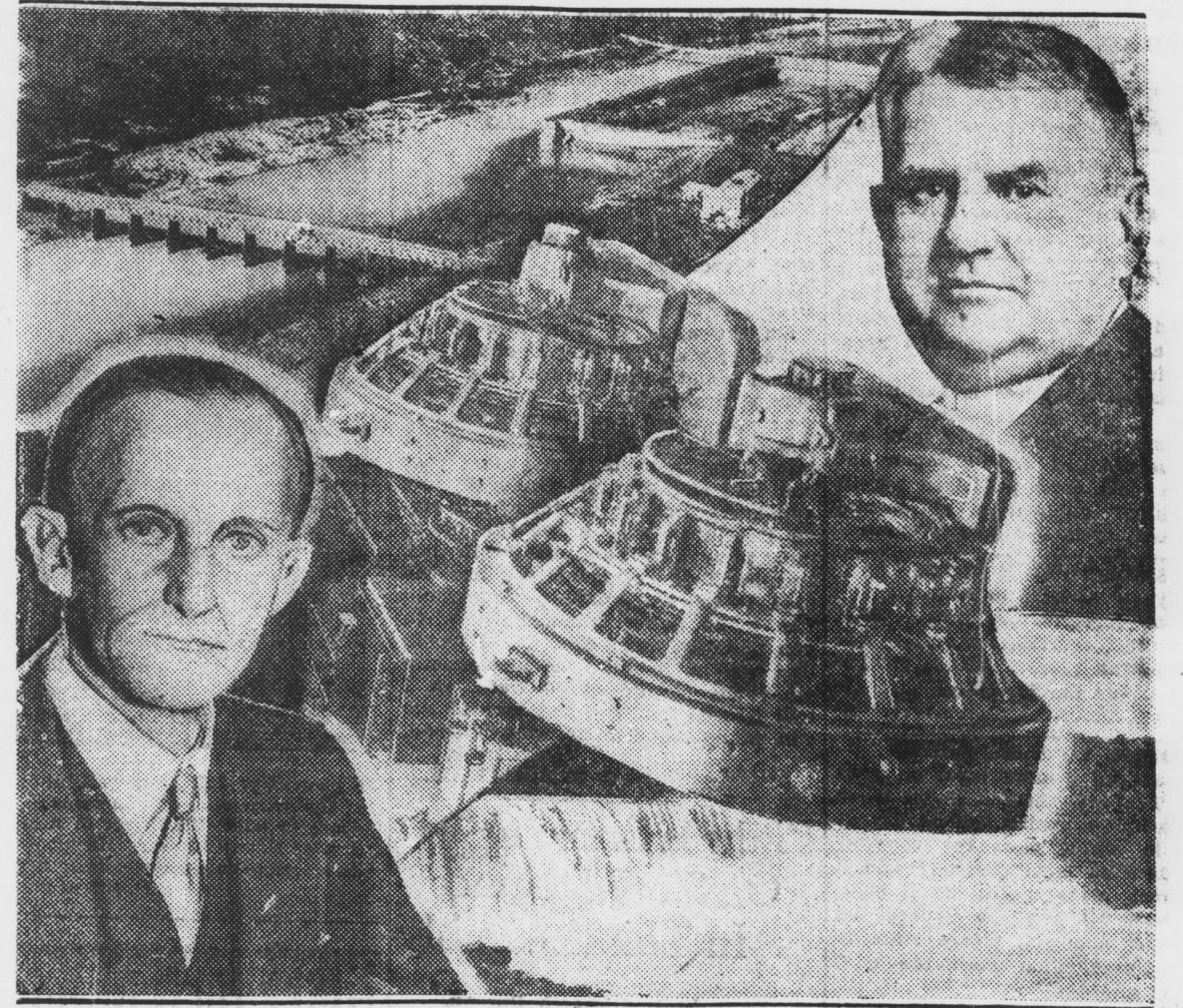
Senator Pittman

Senator Robinson

Senator Key Pittman, left, chairman of the senate foreign relations committee, is shown conferring in Washington with Senator Arthur Robinson, Democratic

leader. The picture was made just after the committee voted, 14 to 7, in favor of bringing the United States into the World Court under certain conditions.

Power Fight Takes Center of Washington Stage



Frank R. McNinch (below), chairman of the Federal Power Commission, and Thomas McCarter (above), president of Edison Electric Institute, commercial power industry organization, have become leading figures in power fight that is taking center of Washington stage. Privately exploited power developments such as Niagara Falls (below) vs. publicly owned enterprises such as Norris Dam, in Tennessee (above) has become a dramatic issue, with unification of the entire production of all the nation's generators recommended to the President by the Mississippi Valley committee of the PWA.

tice Heriot Clarkson, speaking for the Supreme Court, today said:

"The Supreme Court feels a keen sense of loss in the untimely death of Attorney General Brummitt."

Doing Nicely.

Mrs. J. W. Pulliam, who underwent an appendicitis operation Tuesday at Maria Parham hospital, was being doing very nicely today. She was formerly Miss Rena Abbott.

The problem facing us today is that of finding consistent direction for a mass of alert and insistent energies.

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