

BUSINESS IS ABLE TO FIND SOLUTION

Removal of Legislative Drawbacks Necessary, However, Bank Holds

New York, Dec. 27—There is reason to warrant the belief that business is capable of working out the solution of its problems eventually if it is not subject to additional legislative drawbacks, the Treasury's finances are placed on a sounder basis, the taxes on undistributed profits and capital gains are revised, and the international political situation does not become a more serious deterrent, states the Guaranty Trust Company of New York in a review of the current year and the outlook for the beginning of 1938, in the current issue of The Guaranty Survey, its monthly review of business and financial conditions in the United States and abroad, published today.

Industrial progress during the next several years, however, will undoubtedly be conditioned on the extent to which the majority of our people realize that the fundamental factor determining real wages is the productivity of labor and that the only manner in which the standard of living can be raised is by increasing output per capita. The Survey continues.

While most competent observers anticipate that the recession will continue well into the coming year, many believe that there is nothing of a purely economic nature apparent at present to suggest that we are entering a depression of the magnitude and duration of the last one. But there are some who are confident that fundamental factors are unsound and that the country faces a drastic corrective movement.

Even though considerable recovery should occur during the coming year, several problems will still remain that must be solved before business may regard the longer-term future with assurance. Perhaps foremost among these is the need for the adoption of a long-range plan of relief expenditures at times of economic stress, as contrasted with the spasmodic, wasteful, and poorly planned disbursements in the past. Along the same line some definite plan for balancing the budget is needed, such as broadening the tax base and reducing expenditures. When a balance is achieved and conditions warrant, it is essential that a systematic program be adopted for reducing the huge public debt.

Japanese, Chinese Envoys Meet at White House Fete



Hiroki Saito and wife ... Japanese ambassador

Dr. Chengting Wang and daughters ... Chinese ambassador

The Japanese and the Chinese ambassadors to the United States come together under one roof—in the White House at the diplomatic reception. They are seen here in their full dress for the occasion.

With Ambassador Hiroki Saito of Japan is his wife. With Dr. Chengting Wang, Chinese envoy, are his three daughters, left to right, Yoeh, An Fu and An Hsiu.

"In respect to labor, there is an urgent necessity for some approach to industrial problems that will enable the government, business men, and labor to consider their differences in a spirit of cooperation. Underlying the foregoing and other problems is the danger in the political philosophy that man-made doctrines can bring greater good to the people of the nation than the operation of natural economic laws.

Several Factors Contributed to Recession

"In view of the fact that the gains this year were wide-spread and that the movement was strong enough to overcome seemingly insurmountable obstacles, many are at a loss to ac-

count for the sudden appearance and rapid growth of the recession. One of the causes frequently cited is the effects of the Government's credit policies, which, it is held, tightened credit to an extent that made it necessary for the banks to secure funds by selling government securities. The fact that the sale of these securities by reporting member banks during this year exceeded the increase in loans by about half a billion dollars and that excess reserves now aggregate more than a billion dollars indicates that member banks have been liquidating Government securities for reasons other than a need for additional funds.

"In the final analysis, business ceas-

ed to expand largely because of a loss of confidence. To the extent that this development was based on the belief that production was surpassing the level capable of absorption by the current level of demand, the recession may be regarded as cyclical or 'normal' in character. However, there can be no doubt that several other factors exerted a strong influence on the downward course of business. In fact, the confidence of many business men began to ebb as early as February when the growth of labor disturbances made the outlook for uninterrupted operations highly uncertain.

Business Retarded by Heavy Taxes "The effects of certain legislation in force this year, especially that which

increased the tax burden and called for heavy Government expenditures, acted as a constant harassment to business. These laws have had such a strong influence on business sentiment and the course of trade in the last few years that they cannot be excluded from any speculation regarding future prospects. Even under circumstances where the limited understanding of the factors governing the cyclical movement of business is alone required for guidance, it is always difficult to predict future economic trends. But prognostication under present conditions, with the Government exercising unprecedented control over private enterprise is particularly hazardous. Opinions based on the soundest scientific devices known could be nullified overnight by action on the part of the Government under its existing powers, to say nothing of the uncertainty of possible legislation that may be enacted in the future."

In \$800,000 Suit



Frederick H. Stinchfield ... sued for conspiracy

Frederick H. Stinchfield of Minneapolis, former president of the American Bar association, is one of the well-known lawyers named in the suit of Mrs. Katherine Rhea Stevens, who seeks \$800,000, charging "connivance and conspiracy" in divorce proceedings. The other lawyer is Pierce Butler, Jr., son of the supreme court justice. The suit rose from divorce proceedings of Mrs. Stevens against her railroad executive husband, H. E. Stevens.

—Central Press

Late War Chief and Wife



Newton D. Baker, 66, Secretary of War in President Wilson's World War administration, is shown above in a recent photo with his wife. The picture was taken at their home in Cleveland, O. Baker died of a cerebral hemorrhage on Christmas Day. (Central Press)

Ex-Congressman 100 Years Old



Judge Henry Richard Gibson, oldest living former Congressman, is pictured in his home at Washington, D. C., with his wife, whom he married eight years ago, and who says he is "the most remarkable and kindly man I have ever known." Judge Gibson served in Congress from 1895 to 1905 from the Second Tennessee District. He is a native of Maryland and served in the Union Army during the Civil War. (Central Press)

The Manassa Mauler's Brood



Here is the first picture of Jack Dempsey, his wife, and their two children, Joan, three and a half, and Barbara, 15 months. With his wife, the former Hannah Williams, the former world's heavyweight boxing champion, shown rallying 'round the Christmas tree after Santa paid his visit to their New York apartment. (Central Press)

REVIEW OF THE YEAR

Noah Numskull

DEAR NOAH=IF THE BOOKS ARE IN TIERS, IS IT BECAUSE THEY HAVE BROKEN BACKS?
MERRITT CUMMINGS MAYNARD, IOWA.

DEAR NOAH=IF FRANCE GOT HUNGARY, WOULD FRANCE CHASE TURKEY?
BOB McINTYRE TOLEDO, O.

DEAR NOAH=IF YOU WANTED CERTIFIED MILK WOULD YOU HAVE TO GO TO A BANK FOR IT?
MRS. J. A. STEUB WYANDOTTE, MICH.

POSTCARD ALL NOTIONS TO NOAH!

Noah Numskull

SHOO! BEFORE I PUT THE BOOT TO YOU!

DEAR NOAH=DO THE CHICKEN'S DRUM STICKS HELP THEM BEAT IT WHEN YOU SHOO THEM OUT OF THE GARDEN?
SUSAN MURPHY FULTON, ILL.

DEAR NOAH=IF YOUR HOTEL ROOM GETS TOO WARM, WHY NOT OPEN THE WINDOW AND SEE THE FIRE ESCAPE?
CURLLEY V. ALEXANDER SOUTH BEND, IND.

NOW'S THE TIME TO POSTCARD YOUR SMART NOTIONS TO DEAR NOAH!