

# America Should "Cash" The Present

LOADING THE MORNING MILK AT AMSTERDAM, HOLLAND—THE FEEDING OF EUROPE IS RAPIDLY APPROACHING NORMAL CONDITIONS, AGAIN.

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FOR more than a year the American people have been discounting the future. The time has arrived when they should begin to "cash" the present. There is ample evidence that many of the readjustments which we have undergone in the last twelve months have practically been completed, and, although there will inevitably be further readjustment in other directions, we are rapidly succeeding in laying a foundation for the revival of business on a sane, sound and stable basis.

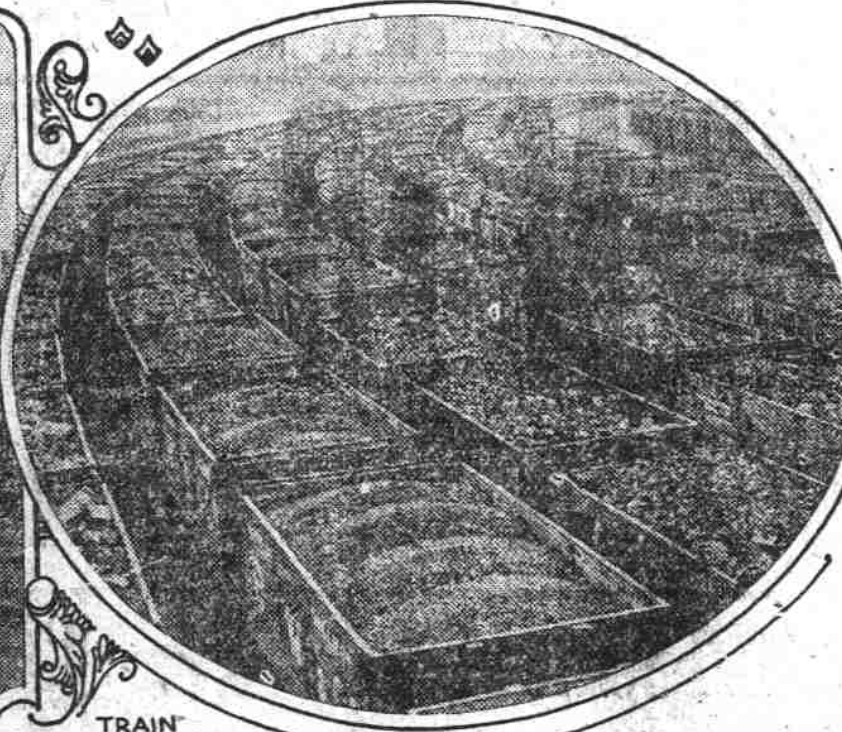
One of the most significant indices of that is improved credit. In the first place, the ratio of gold and other liquid reserves to deposits and notes outstanding held by the Federal Reserve banks is in excess of 60 per cent, whereas, a year ago it was less than 42 per cent. While it is true that this improvement is due largely to the inflow of gold from abroad, which has increased the gold holdings of the Federal Reserve System to more than \$2,400,000,000 and the total stock of gold coins and bullion in the United States to more than \$5,175,000,000—the largest amount in history. There has also been a reduction of more than \$1,000,000,000 in loans and invested assets of the Federal Reserve banks since November 5, when the peak was reached. And, as the low ratio of 42 per cent was a forerunner of the business de-



YARD OF A BIG FRENCH STEEL MILL—FRANCE HAS SO FAR RECOVERED THAT SHE AGAIN HAS A FAVORABLE TRADE BALANCE.



LOADING COTTON FOR EXPORT AT ONE OF OUR SOUTHERN PORTS—THE CLOTHING SITUATION IN EUROPE STILL DEMANDS LARGE SHIPMENTS OF TEXTILE MATERIAL FROM AMERICA.



TRAIN LOADS OF SOFT COAL ON AN ENGLISH RAILROAD—COAL RATIONING HAS CEASED IN MOST COUNTRIES OF EUROPE.

pression, so the higher ratio promises sounder conditions. There has followed a reduction in Federal Reserve bank discount rates on commercial paper, with a definite easing of the credit situation in general. While this reduction reflects the steady improvement in the reserve position of the Federal Reserve System, it is chiefly significant as indicating the extent to which liquidation has proceeded. The fact, too, that the current easing of credit is more or less general through the world, as is evidenced by reductions in bank discount rates in England, Sweden, Denmark, Switzerland, Belgium and India, increases the probability that the improvement in this country will be sustained.

But it should be remembered that the Federal Reserve rate is an effect and not a cause. A high discount rate ordinarily results from heavy demands for funds, and, obviously, a high rate does not create such a demand but results from it. Similarly, a low rate cannot directly create easy credit conditions, but merely reflects and is a consequence of such conditions. Another important development in the credit situation should be noted. I refer to the fact that during the last twelve months there has been a decided shift in the basis of our credit structure from Government obligations to business paper. In other words, there has been a marked reduction in the discounts at the Federal Reserve banks secured by Government obligations. And, despite a decline in total bill holdings, there has been an increase in discounts secured by commercial paper, which is altogether wholesome.

It is gratifying to observe also that, whereas in 1919 only slightly more than \$700,000,000 was extended by Reserve banks on agricultural and livestock paper, in 1920 more than \$1,980,000,000 was granted on that kind of paper. The farmers, in brief, are better financed than they have ever been notwithstanding that they have not been as freely supplied with credit as some of them desired for the purpose of trying to suspend the operation of irresistible economic laws by artificially sustaining prices for their products in a universally falling market. And that is one of the most encouraging indications in the present situation.

ductive purposes. This reaction is not altogether automatic, however, for the cost of borrowed money is only one of several elements in the general cost of producing goods. A downward trend of commodity prices and wages may wholly offset the stimulating effect of cheapened money, with receding interest rates accompanied for a time by further depression in business. Accordingly, it should not be expected that the decline in interest rates which has been recorded will suffice of itself to relieve business of the depression through which it is now passing. And it is better that the liquidation should be thorough than that a premature, partial revival, which could not be sustained, should engender false hopes respecting an immediate return of general prosperity.

Finally, let us not forget that a bank rate cannot create capital and credit. Only productivity and saving can do so. The chief obstacle to a general revival of business is the difficulty of developing an adequate demand for goods. Superficial consideration of that problem would suggest that the solution would lie wholly in the readjustment of prices. But lower prices in many lines have not aided materially in stimulating buying. As a matter of fact, in some instances, paradoxical though it may seem, the lower the price the less buying there has been. This curious antithesis has been due, of course, to the belief generally entertained that practically all commodity prices were certain to recede even more than they have, which has tended, naturally, to prolong the so-called buyers' strike.

rates will be provided for commodities that cannot be handled at the present rate levels, and not to effect a horizontal rate reduction which will take away from the railroads all that they hope to save through the forthcoming wage reduction and economies made possible by the abrogation of the national agreements.

While we can better our economic condition materially through putting our own house in order, we cannot achieve the full measure of possible prosperity until there is decided improvement in the European situation. If the remainder of the world is economically dependent upon us to a larger extent than any other country we are likewise economically dependent upon the remainder of the world to a larger extent than we have here tofore realized.

Our problem is not merely to extend long-term credit to sufficient to get our surplus products out of this country, but also, and rather, to aid in re-establishing the industries of other countries so that those countries can rehabilitate their general economic condition as quickly as possible.

Fortunately, Europe is no longer going hungry. The rationing of food has been abandoned among two-thirds of the continent's population. And, according to information received by the Department of Commerce, with the forthcoming harvest it is expected that the economic recovery of Europe will have proceeded so far, both in local production and ability to provide the full amount of needed imports, that the rationing of food can be abandoned in all countries, except possibly Austria. Coal rationing has ceased in every country except Germany, Italy, Poland, Austria and Hungary.

The clothing situation alone has failed to keep pace with the improvement of the other basic necessities. Imports of textiles have been insufficient to meet the urgent demand for an adequate amount of wearing apparel, and larger imports of textiles by Europe are sure to follow—which should help materially in moving our vast surplus cotton out of warehouses and reviving our textile industry.

Another important development which eventually should be far toward stabilizing European and world conditions is Germany's acceptance of the Allies' reparations demands and the measures she is taking to discharge her obligations. The reparations payments for the most part must in effect be made with commodities exported from Germany in excess of her imports. Still another encouraging feature is recorded in France's foreign trade figures. For the first time in years, the French Republic has, during the first quarter of this year, acquired a favorable trade balance, which bespeaks volumes for the economic recovery of the country that bore the brunt of destruction in the World War.

## Record Speculations Made In German Mark

(By Associated Press.)  
NEW YORK, Oct. 4.—Speculation in the German mark in the United States since the armistice has reached an unprecedented point, according to international bankers here. Thousands of persons in all walks of life, hoping to get rich quick, it was stated, have invested heavily in the German currency, which recently collapsed to a point below one cent for the first time in its financial history. The buying first started in the mid-summer of 1919, when the mark whose pre-war value was 23.8 cents was selling at 7 3/4 to 8 cents apiece. New York appeared to be the distributing center. Banks and foreign exchange houses were flooded with orders from small investors. Small foreign exchange houses sprang up on prominent corners, cheap stores and other business houses began to do a flourishing business in the mark.

While the wave of the mark buying was at its height, peddlers hawked the German paper on the streets and one distributor is known to have made a house to house canvass. Bankers said this buying continued as the value of the mark declined, when the German industrial recovery failed to materialize as quickly as the "get rich quick" investors had expected. Some weeks ago when the German paper began to hit new low levels, many of the small investors as well as other began to "cash in" and they are believed to have taken hundreds of thousands of dollars in losses.

## HARDING WANTS LLOYD GEORGE AT CONFERENCE

Stated That President Has Sent Special Invitation To British Premier

LONDON, Oct. 4.—President Harding has made a direct personal appeal to Premier Lloyd George to attend the disarmament conference at Washington, according to the usually well informed Sunday Chronicle. When and how the invitation was made is not revealed, but it is considered likely here that this is the basis for the reported anxiety of the Premier to go, even if only for a fortnight.

## UNEMPLOYMENT CAUSED HEAVY MONETARY LOSS

(By Associated Press.)  
WASHINGTON, Oct. 4.—Losses in earnings of workers throughout the country during the past fiscal year due to involuntary idleness were put at more than \$8,500,000 in an estimate prepared today by economic experts of the national conference on unemployment. This estimate, it was explained, covered the loss in wages because of unemployment of all the jobless in the country from July 1920 to August 15, 1921, and was based on an approximation of normal pay levels rather than on the scales at the peak of high wages. Efforts of the conference, it was said, would be turned toward a remedy for the economic loss to the country from such reductions of the earning power of its workers in the future by a more stabilized industrial plan.

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