



IV. THE BUSINESS CRISIS

Washington, D. C., Apr. 21.—Autocaster.—I have written in these impressions, gathered during conversation with President Hoover, of the President's engineering of the mind which demands facts and all the facts as the basis for governmental action.

No better illustration of the effectiveness of this method can be found than the checking of the business crisis, which was precipitated last fall by the speculative crash on the Stock Exchange.

Everything was set for a business depression which, in the usual course of such things, would carry the hardship of unemployment of millions for two years or more as it did in 1920-21. As I write this the crisis is passed, business is definitely on the upswing, great programs of construction on both public and private account are under way, bank credits are easier, money is beginning to pass freely again from hand to hand, men are going back to their jobs—in six months the major part of the panic is over.

It is over because President Hoover called the business and industrial leaders of the Nation to Washington and demanded that they tell the facts about the situation in their respective industries.

Nothing of the sort had even been done before. In previous times of economic disturbance the public had been left to guess at the facts, and it has always guessed them as worse than they were. That is why it has taken so long, in the past, for recovery to set in. The patient wouldn't believe that he was getting well.

This time the facts were actually worse than the public imagined they were. But bringing the facts to light and assembling them, including with the facts of what had already happened, the facts about what was going to happen in the near future, had precisely the effect which President Hoover had anticipated and hoped for, the restoration of public confidence and the dispelling of "panic" talk.

If I were called upon to list the outstanding achievements of Mr. Hoover's first year in office, I think I would put this first, although I gathered the impression that the President himself regards the success of his efforts at better international relations, including the Naval Armament Reduction Conference, as of even greater importance. In the long run that is probably true, but the business situation at home touched us more immediately and directly than the foreign situation appeared to.

In passing, let me interject here the fact that Mr. Hoover never had the slightest doubt about the outcome of the London naval conference. He expected a three-power agreement, between Great Britain, Japan and the United States, and anticipated that the differences between Italy and France might prevent those nations from joining at this time to make a five-power pact. He is not at all concerned over the failure of France and Italy to come in, but is very well satisfied with the agreement arrived at. It is a long step toward permanent peace, as he sees it. But to get back to the business crisis.

It is revealing no secret now to say that the situation as it existed in the beginning of November, 1929, was far more serious than the public dreamed of. Employment had been decreasing for several months, industry was slowing down, production was falling off. The crash in the stock market threw nearly 4,000,000 men out of jobs, and had a definite reaction on the prices of farm commodities. Worst of all, bank runs had started in no less than twenty-four cities, and with all of the confidence possible in the soundness of the Federal Reserve Bank system, a money situation was developing which might easily have got out of hand and which the Federal Reserve banks would have been unable to cope with.

The response when the President called the business and industrial leaders into conference was complete. These men had done business with Mr. Hoover before. In his long service as Secretary of Commerce he had demonstrated the truth of his belief that any controversy can be settled, if all of the persons interested are got together in one room and kept there until all the facts have been brought out and discussed. Conferences with business leaders were no novelty to him. He knew them and they knew him and believed in him. That made the task in this instance easier, though none the less important.

He knew who the "key men" were, and they were the ones he called together in Washington. He asked them to undertake new programs of construction work and they promised them to him. When they had all been assembled they totalled the largest amount of money to be spent for labor, materials and supplies that American business had ever spent in the course of a year.

It did not make much difference then what had happened in the past. The assurance that these things were going to happen in the future, that these promises had been made to the President, was sufficient to stem the tide of panic and restore public confidence.

The electric light and power, gas and street railways promised to spend \$1,400,000,000 for new construction and extension of facilities in 1930. They have begun to spend it. The telephone company promised to spend \$600,000,000 in the same sort of work, and they are spending it. The

Class I Railroads agreed that they would spend \$1,247,792,000, and that promise is being kept. Manufacturers in every important line promised there would be no reduction of wages, and that promise is also being kept.

President Hoover is particularly gratified over this wage situation. He asked that there be no reduction in wages as had always accompanied these slumps hitherto. Wage reductions bring hardships and they decrease the consumption of goods including farm products. It is the first business depression in our history that had not been accompanied by drastic wage reductions.

Besides calling on business men, the President called on the Governors of states to do what they could to stimulate new public works, and the results has been larger appropriations for such purposes than ever before in American history. And this has been supplemented by the President's own initiative in enlarging the Federal Government's program of expenditures for construction for 1930-31.

All of that is, however, but a single step in President Hoover's program looking toward such a complete stabilization of American industry, and business as to make future situations of this sort unlikely, if not impossible.

The President is more keenly aware than are many men in public office of the scope and importance of the new economic laws which have been developed in the United States since the war. The old theory that labor is a commodity to be bought as cheaply as possible, if a business is to be successful, has been proved utterly fallacious, he is convinced. The experience of American industry so far with the policy of paying high wages, increasing them as rapidly as possible while at the same time shortening the hours of labor and giving the workmen the benefit of the savings which can be effected by the use of automatic machinery have resulted in making American labor into the largest group of consumers to be found in any nation in the world.

If the consumers—that is to say the workers—are out of work, they cease to be consumers, at least to the extent that they are when they are working and getting high pay and leisure in which to spend it.

It is the President's belief that at least ninety percent of the major industries of the nation are thoroughly committed to this general policy, which throws Adlai Smith and the other old political economists into the discard. Except in the textile mills of the South the tendency is steadily upward as to wages and downward as to working hours. Even the New England cotton mills are beginning to realize that high wages make the workers consumers and that a whole nation cannot remain prosperous unless labor is steadily employed at good wages.

President Hoover's hope, therefore, is that he will be able to bring about a coordination of Government activities with these recent changes in economic thought and practice. It is as much the Government's concern as it is that of industry. Government must learn to think in terms of the new idea and not try to legislate or administer on the basis of outworn economic theories. You cannot catch an economic force with a policeman; you can direct it if you have the cooperation of the whole community.

The logic of that is simple. The new era in industry is here, an established fact. It won its place on its own merits, without and material assistance from the Government. If the Government tries to run counter to the economic laws which make for continued prosperity, it will not be economic laws which will fall; it will be the Government. Therefore, if there were no other consideration involved, it is the duty of Government to align all of its powers with the forces which are carrying the sound economical policy into effect.

Unemployment of any serious fraction of able-bodied workers becomes a much more serious matter to the general prosperity, under a system which depends upon the consuming power of the wage-earner, than under the old system which looked only to the well-to-do and white-collar workers for its principal customers. Worse than this, it is the greatest human disaster that overtakes our people. The subject of unemployment, therefore, is one to which Mr. Hoover has given and is giving a great deal of personal thought and attention.

In his customary way, his first demand was for facts. He found that there were no really dependable national statistics on unemployment. The Department of Labor was doing the best it could under a system which projected the national unemployment situation from figures furnished at regular intervals by representative industries in every line. But there never had been a national census of unemployment, and he seized the opportunity which the decennial census to be taken in April offered, to discover for the first time exactly what proportion of persons usually employed regularly were out of work on April 1 of this year. Those figures, when compiled, to use the President's own engineering phrase, will constitute a "datum line," on which more accurate estimates than have been possible in the past can be based at frequent intervals. Thus there will always be available the actual facts about unemployment instead of irresponsible guesses, which ran during the past winter from the Department of Labor's estimate of 1,250,000

out of work to the Federation of Labor's claim that 3,000,000 workers were without jobs.

That information will serve as a guide to industry and business in many ways. It will be at once an index of changes in possible markets for commodities and a stimulus to remedial efforts whenever the figure falls below the normal range of variation.

Mr. Hoover's thoughts on unemployment do not stop there, however; after all, the person chiefly concerned is the man out of a job. He has delegated the Secretaries of Commerce and Labor to cooperate with employers and the American Federation of Labor to find out more about the whole subject.

The suggestion has been put forward that industry could be so organized that every worker could be guaranteed a minimum yearly income.

Perhaps not that program precisely but something of that general nature which would automatically insure a livelihood to every worker in the United States, I believe, the idea which is growing in President Hoover's mind. It is in entire accord with his conception of Government as an aid and ally of industry and business, a conception the value of which he demonstrated when he entered understandingly into the conference which averted what otherwise would have gone down into history as "the panic of 1930."

MILLINGTON

Mr. J. W. Gladding, of Franklin City, Va., spent Sunday with Mr. and Mrs. R. J. Taylor.

Miss Arlene Gale, of Salisbury Normal School spent the holidays with her parents, Mr. and Mrs. Leo Gale.

Mr. Richard Comegys of the University of Maryland, spent the holidays with his parents, Mr. and Mrs. Paul Comegys.

Miss Mary Walls, of Wilmington, Del., is visiting her parents, Mr. and Mrs. McCosh Walls.

Carlton Wallen, of Wilmington, Del., is spending some time with his parents, Mr. and Mrs. N. A. Wallen.

Paul Bowman, of Wilmington, Del., spent the week end with his mother, Mrs. Ruth Bowman.

Mr. and Mrs. Phillip Wood, and daughters, spent Easter with Mr. and Mrs. J. B. Ahern. Miss Martha Pennington, of Neversink, N. J., spent Easter with her parents, Mr. and Mrs. Liston Pennington.

Miss Clara H. Bryan spent the holidays in Philadelphia, Pa.

Miss Nellie Evert spent the holidays with relatives in Rummede, N. J.

Miss Leona A. Phillips spent the Easter holidays with relatives in Philadelphia, Pa.

Miss Irma Lawyer spent the week end at her home near Westminster, Md.

Mrs. Harry R. Rasin and little daughter, Jane, have been spending some time with Mrs. Rasin's father, Mr. Daniel Jefferis, at Chincoteague and Mr. Rasin joined them over the holidays.

Mrs. Leo Gale and daughters, Misses Arlene and Florence and Mrs. Hurlock Gale, spent Thursday in Wilmington, Del.

Mr. Victor Stevens spent the week end with his parents, Mr. and Mrs. James Stevens near town.

Mr. James S. Pennington spent the week end with his parents, Mr. and Mrs. Liston Pennington.

Jack Porter, of Wilmington, Del., spent the week end with his mother, Mrs. Eva Marvel.

Miss Mable Comegys of the State Normal School at Towson, Md., has been visiting her parents, Mr. and Mrs. Paul Comegys.

The Queen Esther Circle of Asbury M. E. Church met at the home of Miss Ethel Neal on Tuesday evening.

Wm. Feddeman, of Washington, D. C., spent the week end with his parents, Mr. and Mrs. Richard Feddeman.

Miss Emma Jones, of Sweet Air, Md., spent the holidays with her parents, Mr. and Mrs. C. P. Jones.

Miss Mildred Neal, spent the holidays with her parents, Mr. and Mrs. Hamilton Neal, near town.

Mrs. Francis Fitch and children, of Westport, Conn., are spending some time with Mr. and Mrs. J. B. Ahern.

Mr. John Edwards, of Wilmington, Del., spent the week end with his parents, Mr. and Mrs. Raymond Edwards.

Mrs. Marguerite Walker and little son, Noah, are visiting Mrs. Walker's parents, Mr. and Mrs. J. P. Ahern.

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