

NO HOPE OF LOW PRICES IN NEAR FUTURE, SAY EXPERTS AT INDUSTRIAL CONFERENCE

O. P. Austin, Commerce Specialist, Tells Business Publishers' Association That Enormous War Debts Will Prevent Material Reductions in the Near Future.

(New York Herald.)

Optimists who may have been cherishing the belief that, with the return of peace, the high cost of living and soaring prices in general were going to drop to something like a normal plane may just as well dismiss that pleasing illusion. The grim facts fail to warrant the happy dream.

That is the conclusion that must have been reached by thoughtful men who listened to the papers read yesterday on vital topics of the moment by leading authorities. They had been brought together in an industrial conference held in the Hotel Astor under the auspices of the New York Business Publishers' Association, and their contributions formed a notable symposium.

"Prices Yesterday, Today and Tomorrow," was the theme of the address delivered by O. P. Austin, chief statistician of the National City Bank.

Mr. Austin is a specialist of the highest standing in commerce, industry and finance. For many years he was the chief of the Bureau of Statistics of the Department of Commerce and Labor.

Cause of Price Advances.

"The chief causes of the world advance in prices," he said, "appear to be the inflation of the world currency, coupled with the 'scarcity' demand and the consequent advance in labor costs. The prospect of material reductions in the near future, therefore, would depend upon the possibility of the removal or modification of the 'scarcity' demand."

"Stated chronologically, the chief cause of the advance seems to have been, first, the 'scarcity' demand for war materials, food, clothing, manufactures, manufacturing materials and the labor required for their prompt production. This was quickly followed by an enormous world inflation, in which paper money, with a face value of \$25,000,000,000, was emitted by the printing presses of the countries at war, and the legal tender circulating medium of the world was thus advanced from \$1,000,000,000 in 1913 to \$45,000,000,000 in 1918, most of the gold formerly in circulation passing into the vaults of the governments and their great banks as a result of the war, and the annual interest charge from \$1,750,000,000 to \$10,500,000,000.

Growth of Bank Deposits.

"The quintupling of government promises to pay had also an important bearing upon the world finances, while the fact that bank deposits in the fifteen principal countries of the world grew from about \$25,000,000,000 in 1913, to approximately \$75,000,000,000 in 1918, still further increased the currency supply, especially in countries like the United States, in which the cheque plays so important a part in business transactions.

"This enormous inflation thus brought about, coupled with the continued 'scarcity' demand, was accompanied by great advances in prices, first in the materials for the war, the advances gradually extending to other articles which their respective producers must exchange for those in which the advance had already occurred, and this made the advance in prices world-wide, and applying to all classes of articles.

"The chief question involved in a consideration of the future of prices is whether there is a prospect of an early removal of the causes of the advance."

"The 'scarcity' demand still continues in everything except war supplies, and even in that line is not entirely ended, since there are about 15,000,000 men still under arms. The demand for food is as insistent as ever, owing to the disordered state of Central Europe and the impoverished condition of the neglected soils of all that continent, while the factories and empty shelves of all the world are clamoring for new supplies which ran down during the war period.

Prospects Not Encouraging.

"As to a material reduction of the inflated currency, the prospects for the near future do not seem encouraging in view of the fact that the 1918-20 budgets of the principal countries of the world now being made up call for full four times as much money as those of the year preceding the war, suggesting that the governmental demands in the first peace year after the war will be about \$50,000,000,000 as against about \$12,000,000,000 in 1918, and that the governments, which must quadruple their demands upon their taxpayers and prepare for a reduction of their debts, will hesitate about reducing the amount of money in circulation.

"If the governments should fail to materially reduce their excessive supply, and if the world's demand for food, manufacturing material and manufactures is to continue at the present rate, are we justified in expecting a general reduction in prices in the near future? The question I think answers itself. There will, of course, be instances in which there will be material reductions, but in general terms the outlook for marked or rapid decline, at least in the near future, does not seem encouraging."

Francis H. Sison, vice president of the Guaranty Trust Company, read a paper on "Post-War Financial Problems." He discussed this country's present "embarrassment of riches" in finding itself so largely the creditor of other nations, and addressed himself to the problem "How are the creditors going to pay?"

"If we are to increase our production, which is necessary to the maintenance of our prosperity," he said,

"we cannot take goods in full exchange for our products. Besides, we are nearer than any other people to economic independence and do not need imports in anything like the quantities necessary to settle the trade balance in our favor."

"Payment in gold is as impossible as it is undesirable. The value of the excess of our imports over our exports in January alone exceeded the total value of gold produced in all countries except the United States during 1918. In addition, we now hold more than one-third of the world's reserve of gold and bullion having added about \$1,500,000,000 to our store of the precious metal in the last four years.

"The solution seems to lie in the purchase here of foreign securities. We may as well understand now that we can never hope to recall all our foreign loans, and that, knowingly or otherwise, we have invested abroad on a permanent basis. There is no doubt about our having to invest abroad some of the heavy interest due on foreign loans."

But that should prove to be one of our greatest assets, as it proved to be one of England's when the unparalleled crisis of it shook the foundation of civilization. It means also that we are in world affairs on a scale never dreamed of a few years ago—and we are there to stay.

"Comprehending that truth, we must take full advantage of it, not only for our own sake, but likewise

for that of our debtors. Our prosperity now is more than ever contingent upon the prosperity of other nations. In helping them to rehabilitate themselves we are helping ourselves. And we are amply able to render the needed assistance in the form of foreign investments.

"But investment in foreign securities involves grave responsibilities, particularly for the uninitiated. The utmost care must be exercised in determining what foreign securities shall be offered to the American public. Our banks can be trusted to do their part in this new field, but they cannot perform that function fully and properly unless they and our investors have the support of our government."

"Aside from the material security which will guarantee the repayment of capital and interest, there is involved the question of property rights. These rights must be protected by the United States government. It is high time that a policy which would afford such protection be formulated and put into practice—not perfunctorily, but

actively and earnestly—so that our investors in foreign lands will be assured that, regardless of the administration in power in Washington, their property rights abroad will be defended, if need be, scrupulously and sternly."

Dr. Charles A. Eaton, who resigned his Fifth Avenue pastorate to enlist in the public service work of the United States Shipping Board, spoke on "Industrial Democracy," and Charles P. Steinmetz, famous as the consulting engineer of the General Electric Company, spoke on "Industrial Co-operation."

Mr. Steinmetz argued that so-called "union" and "welfare" boons conferred by capital upon labor are resented by the latter and are futile. Nor will employees be content with such paternalistic methods as the more conferring of "bonuses," nor the sharing in dividends from profits accrued. In the industrial co-operation of the future, if it is to be effective, he argued, the employees—or at least those employees who have earned the privilege by faithful service—will share in the management of the business, as well as in the apportionment of its profits.

Makes Plea for "Humanity."

Dr. Eaton, said in part:— "Before we can get our industrial system reorganized and running smoothly, it will be necessary for all parties to reach an agreement as to what work and wealth really mean. If there is a natural antagonism between labor and capital, as the socialists and Bolsheviks teach, it is folly to dream of industrial peace, if capital is destroyed labor will fall back automatically to the Stone Age, and the race will begin all over again its slow and painful journey toward civilization. If labor is destroyed the world will starve, for no one can eat money or machinery."

"It is plain, therefore, that both capital and labor need to be educated in the school of co-operation. Personal contact must take the place of corporate autocracy. We must have human beings in the director's room and manager's chair, and they must be of the same brand of humanity as the men in the works."

Other papers were read by Professor Irving Fisher, of Yale University, on "Stabilizing the Dollar in Purchasing Power"; by John Calder, consulting engineer, on "Recent Advances in Industrial Management"; by G. A. O'Reilly, foreign trade expert of the Irving National Bank, on "Problems of Our Foreign Trade," and by V. Everett Macy, president of the National Civic Federation, on "Necessity for Organization in the Settlement of Labor Disputes." The presiding officer was Roy V. Wright, president of the editorial conference of the Business Publishers' Association.

In the evening the association held a dinner dance.

Process of Reasoning.

Friend—That was a wonderful speech you made to the jury. Why did you convict your man I can't understand.

Lawyer—One of the jurymen explained that fact to me. He and his colleagues put their heads together and concluded that my client must have been guilty or he wouldn't have felt it necessary to hire so expensive a lawyer.



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