

INFLATION IN GERMANY, DUE TO PROSPERITY, MUST BREAK, SAYS

FEARS GERMANY'S PROSPERITY WILL RESULT IN CRASH

Steady Inflation Must Have Reaction, Says John Moody.

SAYS FRANCE SAFE Believes Policy of Retiring Currency Only Sound One.

"Germany's paper prosperity is leading to a crash," says John Moody. "But France is following the path of safety in all her governmental finances and has turned her face definitely away from the inflation mania."

Mr. Moody president of Moody's Investors Service of New York, has just returned from an extensive tour of Europe, where he made an extensive investigation of economic and financial conditions. He visited all the European capitals and the important industrial sections, interviewing more than 100 leading bankers, financiers, public men and economic experts.

All Germany Busy. "The most interesting thing in all Europe today," says Mr. Moody, "is the remarkable situation in Germany. The Germans are at work from one end of the country to the other. They are producing goods in enormous quantities at extremely low costs as measured in dollars. Their crops are good this year, and the whole population appears to be fully employed, vast numbers of men in the industrial districts working twelve or fourteen hours a day. But this German prosperity is unreal; Germany is carrying on a program of inflation and speculation which is leading her to a financial crash later on."

"Flooded by the adverse exchange value, Germany is forced to develop intensive trading activity among her own people. Only in the East can she trade with other countries on anything like an equal basis. The market has fallen so low that the printing presses are revolving so fast as to make the mark still less valuable, that the one thought of every German is to get more and more marks for his goods or labor and to exchange his marks for real property with lightning speed."

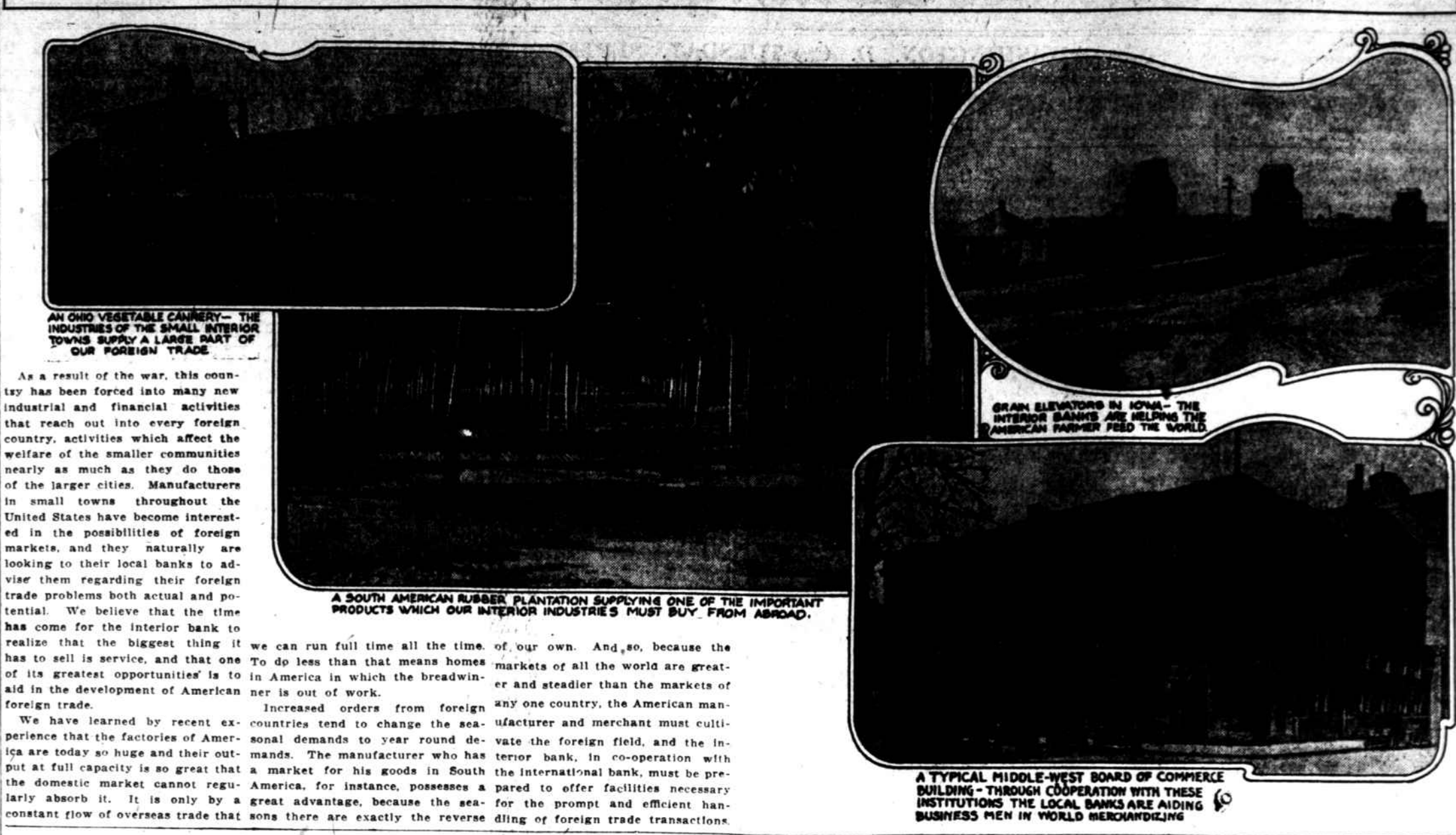
Success of man in Germany. "The successful man in Germany is the one who converts his money into property with the greatest rapidity. This situation is forcing the inflation of prices and wages with great rapidity. Thus, the present advantage which Germany enjoys of being able to flood the world with cheap goods is already being curtailed. Prices and wages, as measured in marks, are certain to soar higher and higher, and the time is not far distant when Germany will no longer be able to export her goods to other countries in the way is now doing. Then will come the complete collapse of her inflation bubble, and a general housecleaning of her finances is extremely interesting. Much loose talk is indulged in in this country regarding France's ability to survive her financial difficulties. But mount her financial difficulties with the firm conviction that the future of France is absolutely secure; that her credit is sound and steadily improving; that, great as are her financial problems, she has strong enough to solve them all."

France More Conservative. "France, unlike Germany, has turned her back on inflation, she is already making progress in retiring her redundant currency, and this progress will continue. French bankers and financiers appear to have a clearer idea of what they are doing, and how to do it, than the financiers of any other country that I visited. The French are continuing to justify their long-honored reputation of being the best bankers in the world."

Meanwhile Germans Preach And Practice Work Gospel. FRANKFURT-ON-MAIN, Sept. 5.—Germans about work are being delivered in both official and unofficial places, and it is being driven into the brains of the German people that only productive labor can save the Fatherland from ruin and free it from the unhappy condition into which it has come through the events of the last few years. Nevertheless, the unemployment problem remains serious. Moreover, in addition to the unemployed, there are numbers employed both by the government and by private concerns whose labor is redundant. All departments of the government, including the railways and the postal service, are over-supplied with men. The introduction of the eight-hour day and the tendency of salaries to increase are also matters of no little consequence.

This condition will lead to certain ruin unless there is very soon an entire reorganization. The association of German engineers has worked out a program of reconstruction along the following lines: 1. The more economical use of raw materials. 2. The use of domestic raw materials so far as practicable, and the sparing use of imported goods. 3. The extension of the principles

FOREIGN TRADE AND THE INTERIOR BANK



AN OHIO VEGETABLE CANNERY—THE INDUSTRIES OF THE SMALL TOWNS SUPPLY A LARGE PART OF OUR FOREIGN TRADE.

As a result of the war, this country has been forced into many new industrial and financial activities that reach out into every foreign country, activities which affect the welfare of the smaller communities nearly as much as they do those of the larger cities. Manufacturers in small towns throughout the United States have become interested in the possibilities of foreign markets, and they naturally are looking to their local banks to advise them regarding their foreign trade problems both actual and potential. We believe that the time has come for the interior bank to realize that the biggest thing it has to sell is service, and that one of its greatest opportunities is to aid in the development of American foreign trade.

A SOUTH AMERICAN RUBBER PLANTATION SUPPLYING ONE OF THE IMPORTANT PRODUCTS WHICH OUR INTERIOR INDUSTRIES MUST BUY FROM ABROAD.

We can run full time all the time. To do less than that means homes in America in which the breadwinner is out of work. Increased orders from foreign countries tend to change the seasonal demands to year round demands. The manufacturer who has a market for his goods in South America, for instance, possesses a great advantage, because the seasons there are exactly the reverse of our own. And so, because the markets of all the world are greater and steadier than the markets of any one country, the American manufacturer and merchant must cultivate the foreign field, and the interior bank, in co-operation with the international bank, must be prepared to offer facilities necessary for the prompt and efficient handling of foreign trade transactions.

Fordney Tariff Would Deplete Ties and Poles

Notwithstanding the continued depletion of wood products in the United States, and the extreme shortage of railroad ties, telephone poles and posts, it is proposed to place the same restriction on these commodities entering the country as were applied in the days of the Payne-Aldrich tariff when our timber supply was in many cases in excess of the demand. Assuming that the 10 per cent ad valorem duty proposed on railroad ties is not affected by the American valuation plan, the increase in the cost of operations to the railroads will approach \$15,000,000 a year if the Fordney duty is passed. Railroad companies are now importing the greater number of their ties from foreign countries. In 1900 the Minneapolis, St. Paul and Sault Ste. Marie Railroad was shipping approximately 30,000 ties monthly off its railroad, whereas in 1920 this carrier was importing on to its railroad about 30,000 ties a month. The Pennsylvania Railroad is forced to go to South America and other countries for its ties. The exploitation of foreign fields is being practiced by all of the large American railroads, due to the depletion of timber in this country, and every provision, such as this proposed tariff upon wood products, which tends to increase the cost of operation of the railroads, only serves to obstruct the efforts now being made to readjust operating costs and freight charges to a normal basis.

PIG IRON TRADE IS STEADILY GROWING IN MOST DISTRICTS

Holders Liquidate in Anticipation of Lower Costs. PITTSBURGH, Sept. 5.—In the majority of districts the position of pig iron has improved in the past fortnight, with distinctly higher prices being asked and slightly higher prices being obtained on such sales as have been made. The change occurs more by way of stocks being depleted than by way of actual consumption increasing, though there is no doubt that there has been a little increase in consumption in the past thirty days. The principle underlying the pig iron market seemed to be that holders of stocks wished to liquidate, irrespective of original cost of making the pig iron, in anticipation of the lower costs that would rule when freight rates governing the cost of assembling ore, coke, and limestone should be reduced. With the delay in the freight rate reduction, which may possibly not occur even by next December, the liquidation of stocks has been more rapid than necessary and consumptive requirements will force the resumption of some blast furnaces. As pig iron cannot be made with today's freights, at prices recently ruling, the natural tendency is for the market to recover. While this analysis would not apply to all districts it does apply in a number of cases.

Thrift of French Shown in Buying Of Bond Issues

NEW YORK, Sept. 5.—Traditional thrift and inclination to save with a view to investment are reasserting themselves in France, according to statistics published by the National Association of French Security Holders. The most important outlet for French national savings is the treasury. Then come the industrial issues, railroads, and city and colonial loans. Advances received by the Bankers Trust Company, of New York, from its French information service, indicate that including the \$200,000,000 francs in bonds redeemable in two years issued in June, the amount of public savings absorbed by the treasury during the first six months of 1921 reached a total of at least \$15,000,000,000 francs. In 1920 the treasury issued \$1,000,000,000 francs worth of stocks, bonds and certificates.

Local Investors Absorb Bonds Of Western States

KANSAS CITY, Mo., Sept. 5.—Bond houses of the interior have been particularly fortunate in their business during the summer. In some instances where large issues of county bonds issued to make special improvements, mostly just now the building of hard surface roads, the entire issue has been sold before the original purchasers have been compelled to pay for the securities, thus netting a profit with particularly no investment. Salesmen are finding a market for municipal bonds among the people of the little towns, as well as in the cities, the desire to avoid taxes impelling such investments. Local taxes have risen materially all through the West. Salesmen are spent more and cities have gone in for improvements rapidly. Scarcely a bond election fails to carry these times and it all adds to the flood of securities placed on the market.

The collapse of score of promotions that multitudes of investors are indulged in in this country regarding France's ability to survive her financial difficulties. But mount her financial difficulties with the firm conviction that the future of France is absolutely secure; that her credit is sound and steadily improving; that, great as are her financial problems, she has strong enough to solve them all.

BUSINESS BEGINS TO SHOW IMPROVEMENT, IN GENERAL Some Lines Quite Active, While Others as Yet Fail to Respond.

BOSTON, Sept. 5.—The question that is uppermost here is: How shall we come through the winter? From all reports one gathers that the charitable organizations look for a very strenuous period. What ever else our decreased exports may mean, they certainly indicate a sharp falling off in the activity of producing agencies in this country. And we have no means of knowing how much more this activity will decrease.

On the face of reports of an increase in this that, and the other industry, our cities and towns continue to have a very dull appearance. While city streets have perhaps never been more crowded with automobiles, ordinary drays and trucks are about as scarce as they were in the long years following 1893. Some significance may be attached, however, to the fact that one sees, both in the cities and on the country highways, a goodly number of big, long-distance vehicles, which are obviously cutting into railroad earnings.

Trade Reports Vary. For every pro which one hears regarding the situation there is a con. In one of our great industries, for example, one will hear that business is good in one town and bad in another. In this place a manufacturer will say that his sales are well up towards normal; in that place a man in the same line will say that after chasing around all day he sold six cases of goods, only to find on getting back to his office that five had been cancelled.

When a bank official was asked by an intimate friend this week what his customers were talking about, his answer was, "The rotten condition of business." Of course a colloquialism of this nature must not be interpreted too literally, but in this case it may be construed as indicating that our captains of industry do not yet see signs of a vital improvement in the situation.

Textiles Show Well. The most cheerful signs are, perhaps, in the cotton textile situation. In one of our largest cotton textile cities there have lately been

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