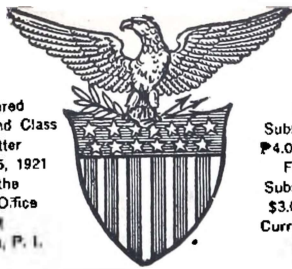


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## One of the Finer Type of Business Men the Philippine Commercial Field Has Developed Is Horace B. Pond, President of the Pacific Commercial Company, Whose Views on the Current Business Outlook Are Summarized Below



H. B. POND

of any value in gauging the present economic depression, it is worth while noting that low money rates occur in the last stages of a depres-

sion and are one of the factors which lay the foundation for recovery. The law of supply and demand is working and, slowly but steadily, a better balance is being established and the foundation is being laid for a recovery. The readjustment will take time, and during such time there will be much economic suffering, but the readjustment is under way.

The much lower price level, the smaller volume of business, the declining inventories, have, at least in the United States, resulted in a plethora of bank credit. As a consequence, interest rates are extremely low. The rediscount rate of the Federal Reserve Bank of New York is now but 1 1/2% per annum, the lowest rate ever established by modern central banks. The current bid rate for bankers acceptances in New York is but 1% per annum, which also is the lowest rate ever established for such paper. If past records are

Many indexes of general business conditions are now published in the United States. Those indexes show composite pictures of production and trade. All of those indexes which I have examined,—Federal Reserve, Babson, Annalist, Brookmire, Standard Statistics—are in agreement that the decline ended from four to six months ago, since which time there has been a very slight upturn, or at least a flattening out of the lines. There may, of course, be relapses, but the evidence now available shows that, barring further upheavals, at least the bottom of the depression has been reached, and, possibly, has been passed. Poor earnings of corporations, and the cutting and passing of dividends may accentuate pessimism for a time, but they are the results of past, not future, events and they generally are most in evidence during the last stage of a depression. \* \* \*

A great dispute has raged in the United States over this question of the wage scale, and that dispute is likely to continue for sometime to come. Wage rates are, however, steadily coming down, in some cases by direct cuts, in others by subterfuges, the effect of which is to lower labor costs. \* \* \*

For some time the German financial situation has been dangerous. Reparation payments under the Young Plan can be made only as balances are available abroad from an excess of exports and services by Germany over imports into and services to Germany, or from heavy investments in or advances to Germany. For a time very large investments were made in and long term loans were made to Germany. This movement of funds to Germany slowed down after a time and finally practically ceased, except as to short time credits required for current financing. Germany had to depend on an excess of exports and services and on short term credits.

As the economic depression swept around the world, the export markets of Germany were restricted, while the steady and, in many cases, the drastic decline of prices made it increasingly difficult to build up the balances abroad required for reparations payments. \* \* \*

President Hindenburg appealed to President Hoover to take the initiative in bringing relief to Germany. President Hoover thereupon submitted to the Powers concerned a proposal for a moratorium of one year for both war debts and reparation payments. That proposal has, with some conditions imposed by France, been accepted. The reparations payments of Germany amount to about \$100,000,000 a year, of which, as war debt payments, about \$250,000,000 comes to the United States.

The immediate pressure on Germany was relieved. The outflow of gold and foreign exchange stopped for a time, but a credit of \$100,000,000 arranged thru the Bank for International Settlements, saved the situation, at least temporarily.

The immediate effect of the moratorium proposal was stimulating; it was almost universally acclaimed. The prices of stocks advanced sharply, while the prices of many staple commodities advanced slightly. For a short time it looked as if optimism had replaced pessimism; but it was soon realized that the immediate effects of a moratorium had been over-rated; that there still is danger of a German collapse; that there had been no fundamental change in world conditions to justify any material increase in business activity; and that the economic clouds and the menace of Bolshevism hovering over Europe had not entirely passed away.

The moratorium for the payment of war debts and reparations was, however, helpful; it was a constructive step in the direction of economic equilibrium.

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