

# The Second New Deal

Franklin Roosevelt, as the magazine "Fortune" points out in its February issue, received his political training in the state of New York in the days when "T.R." was indulging in his trust busting campaigns and riding to popular glory on a demand for lower prices. Roosevelt, this magazine believes, personally inclines to the first Roosevelt's theories rather than to the program encompassed in the first New Deal. The policies followed by the present administration from 1933 to 1937 were not, according to this authority, Roosevelt's own but were accepted by him from his brain trust, which has since been thoroughly discredited.

Essential policy of the first New Deal was to make capitalism work by government limitation of competition within the system, supporting business in turn by government spending to put more buying power in the hands of the people.

Hence, the first New Deal having failed, Roosevelt will now swing to his own personally preferred courses of action, and the Second Deal will hammer away at monopoly and high prices. Instead of seeking to limit competition through government regulations intended to guide business operations along indicated lines the government will now enforce competition and strict monopoly by means of (1) strict anti-trust legislation, and (2) constant threat of direct government competition with private industries as a means of forcing prices downward. The latter threat is particularly potent in the case of public utilities.

The first New Deal was based upon a theory that the capitalist system was sick, but not that the system itself was intrinsically wrong. During his first administration, Roosevelt tried to doctor the capitalist system back to health: his pills were all compounded from the same basic formula of elimination of free competition, and the substitution therefor of business enterprise along cooperative lines laid down by the government. These pills, variously labeled NRA, PWA, RFC, REA, HOLC, FDIC, AAA, and so on, gave the patient some immediate relief. This was deceptive, for the patient shortly had a relapse which threatens to bring him to lower ebb than when the treatment started.

Now Dr. Roosevelt believes that treatment should be based on the theory that the capitalist system itself is the disease which is affecting the nation. The old New Deal pills, by eliminating free competition, encouraged monopolistic tendencies; the pills which the capitalistic system will now be forced to swallow will have an entirely opposite effect. Free competition will not only be en-

couraged, but enforced and sharpened, with the object of breaking down monopolies and thereby effecting a lowering of prices. With prices lower, purchasing power is expected to climb without necessity of further lavish government spending.

One of the most important aspects of the new Deal program is its political acceptability not only to a large section of the population of the United States, but likewise to a considerable group of congressional leaders who have, from the beginning, looked at the first New Deal with extreme disfavor. Among these are such men as Borah, La-Follette, and Vice-President Garner, and possibly also such a staunch anti-New Dealer as Carter Glass. Thus, assuming that the President's adherents in congress will stick with him through the Second as through the First New Deal, his strength will be immeasurably increased by the support of men who up to this time have constituted his most potent opposition.

"Down with monopoly," and "Away with high prices" are political cries which will find ready acceptance among the nation's voters, "Fortune" believes. Contrariwise, the First New Deal having so obviously failed, it would have been politically unwise to attempt its revival or continuance.

The abandonment of the First New Deal will not, however, it is emphasized, eliminate the problem of business' relations with government, for the simple reason that government-in-business did not start with the Roosevelt administration, and will not end with it. Nor will the liquidation of the First New Deal at this time mean a return to pure laissez-faire capitalism, "Fortune's"

editors believe, "not even if the liquidation of the New Deal carried Mr. Roosevelt with it and put Senator Vandenberg of Michigan in his place."

Public opinion would simply not tolerate another era similar to that of the late '90s and the early 1900s. In short, government-in-business would continue under any administration; the difference would be only in degree. Under Roosevelt, it is expected that government will be in business up to its neck; under a more capitalistic-minded president, government might be in business only up to the knee—but it would still be in.

As "Fortune" puts it, the depression of the Fall of 1937 has reshuffled the Roosevelt deck of fortuneteller's cards and turned up a new suit—this time of CLUBS.

That this analysis of what is ahead for business under the Second New Deal coincides with the fears entertained by business for some months past, is best evidenced by the

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## FORTUNE

135 EAST 42ND STREET  
NEW YORK

January 19, 1938

Mr. Walter Robb,  
American Chamber of Commerce  
Journal  
Manila, Philippine Islands

Dear Mr. Robb:

In its February issue FORTUNE will carry an important article on the present momentous struggle between business and government, and I thought you might be interested.

In this article FORTUNE evaluates the New Deal again in the light of the 1937 recession and considers whether, politically or economically, Mr. Roosevelt now has any choice but to embark on the anti-monopoly crusade which has been both hinted and denied in the last few weeks.

Under separate cover I am mailing you advance proofs of this article, and I shall appreciate your holding this information in confidence until the February issue of FORTUNE is published on January 27th.

Sincerely,

C. B. YORKE

## The New Commonwealth...

(Continued from page 9)

vantage could be taken of the natural surroundings of the spring (*sibul* means spring), no lesser man than a Frank Wright should say.

Tagaytay involves the sweep of the winds, the black richness of the volcanic soil, the vistas curtsying away over the lake. It is a distinct building problem, of course; and as such other public building may be undertaken there later, the hotel, as the first structure, should be a model for all that follow. Horizons, all these projected hotels call for them, are a Wright specialty, the buildings must have horizons, literally, complementing the horizons of Nature round about them.

We have said that we should set the hotel for Legaspi at Tiwi-Tiwi. Maybe it means the Place of the Little Blacks. It is tradition that long ago when Negritos lived in the lowlands, some of them lived here. It is readily credible, since Negritos warm the ground where they are to sleep with fire, and bed down in the ashes; and at Tiwi-Tiwi they would have found the ground already warmed.

Years ago the *Journal* described this place of bubbling wonders, we will do so again. Basically it is a lava flow, quite a field of it, running down to the gold-sanded shore of Tabaco bay. Up through the lava, at frequent distances, gurgle two sorts of springs, some very hot, even boiling, some very cold—a cold spring and a hot one may not be two feet apart. When we were there, the place afforded some rude bath houses whose accommodations were rectangular concrete basins ten or twelve feet square and three or four feet deep. The folk who ran these dug little ditches through the lava, for the water to reach them. Sluices, with adjustable gates, poured this water into the baths, one sluice for the hot water, another for the cold. Attendants stood at the sluice gates, adjusting the flow to the temperature bathers desired—you could have the water quite cold, or hot enough to take your skin off.

It was exciting, seeing the hot water steam in and wondering whether the boy at the gates would neglect to let in the cold. Not far from the baths a very large spring seethes all the time. It must be fifteen feet

across. Peasants scald chickens for the plucking there, and swine for the scraping; and believe us, the scalding is thorough and doesn't take long.

The possibilities of these hot springs and cold springs in such juxtaposition are of course many. Should a Frank Wright build a tourist hotel at Tiwi-Tiwi he would utilize lava lavishly, he would get indescribable effects with all sorts of browns, and blacks and grays; and his completed work would give no offense to the majestic heights in the background, or the souging opalescent waters below—God knows the sinful gossip of those gentle waves!

That enthralling bay. We set out across it toward sunset, at a season such as now. Back of us towered that chain of gigantic volcanoes that figure so eloquently in the poetry and legends of the people. Bulusan, down in Sorsogon, could not be seen because of intervening distance, though it begins the chain, but Mayon, Masaraga, Malinao, Iriga, and Isarog were all in view.

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## The Second...

(Continued from page 8)

present low ebb. The entire purchasing power situation has been aggravated by the fact that capital could not be expected to put money into plant expansion when only an average of 66% of plant capacity was being utilized even during the most favorable period of the first New Deal. On top of this, labor troubles have not been so serious in several decades, and such disturbances are not confined to mere struggles between employers and employees, but have developed, as a result of the intensity of the struggle, into wars between classes.

With both capital and labor completely disillusioned, Franklin Roosevelt steps up to the pitcher's box for the second game of the series. His own team is no longer behind him 100%, having lost a considerable amount of their former confidence in him; the opposing team is, on the other hand, more strongly united than ever. The first

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### REVIEW OF THE NEW YORK SUGAR MARKET

By DONALD A. COOK

Member, New York Coffee & Sugar Exchange  
Managing Partner, S. E. Lavy & Company,  
Manila

#### No. 3 CONTRACT

Following a fairly steady market in New York at the end of January when business in both Philippine and Cuban raws was reported done at 3.18, the market turned easier with the turn of the calendar on Cuban selling, with the trade only fair buyers. On February 1, 6,000 tons of Philippines were sold to Gulf refiners at 3.18 for early March arrival.

The market for futures steadied a trifle the next few days in active trading. However, in the raw market the pressure of Philippines afloat and sales from Cuba resulted in considerable trading with buyers cautious. On February 2 the following transactions were reported: 2,000 tons of Cubas sold at 3.18 and 3,000 tons at 3.17; 3,000 tons of Philippines due early February were done at 3.16, while a trifle later 26,000 bags of Cubas were sold to Gulf refiners for prompt delivery at 3.15. There was further interest at 3.15 with most sellers holding for 3.18.

The futures market remained steady until February 7 when easiness was caused by reports that Puerto Rican strike leaders were favoring the Governor's peace proposals. There was active trading on the Exchange at 2.26 for May and 2,292.28 for

September. The trade turned rather bearish in anticipation of an early settlement of the stevedores' strike, which was expected to release fair amounts of Puerto Rican raws.

On February 8, futures again dropped a point for all positions on heavy trading. Spot eased two points to 3.15 and 6,000 tons of Philippines due February 15 were sold to refiners at 3.15.

On February 9, and February 10, the market continued to show an easy undertone for futures with continued heavy trading. May futures were done as low as 2.22, while September dipped to 2.25. There was considerable demand for contracts at these levels but the actual market continued under pressure due to unsold afloats. Cuban raws were sold at 3.15 again and 4,000 tons of Philippines due March-April were sold on February 10 at the same price. A smaller parcel for early arrival was reported done at 3.13.

At the close of the first ten days of the month, refiners' ideas were 3.13 with offerings at 3.16. With the settlement of the Puerto Rican strike it was believed that generous short covering would be seen in the futures market, while the market for actuals remained dependent on the amount of unsold actuals still to arrive.

The next few days the market was quiet and a bit steadier with futures advancing one to two points and raws changing hands at 3.12 and 3.13.

On February 16 considerable activity developed on short covering and buying of actuals by operators. September futures advanced to 2.32 and considerable actuals were done at 3.17 and 3.18.

Further buying set in the following day at the open ng, causing transaction in September futures at 2.34 and Philippine raws at 3.20 for March-April arrival. However, on this date President Roosevelt at a press conference released a statement that inflation or further dollar devaluation was not contemplated by the Administration. This caused a recession in all security and commodity markets and was reflected on the sugar exchange by considerable selling.

Early quotations on February 17 proved to be the highest for the month. Cuban operators were aggressive sellers on February 19, and on the 20th and 21st both Philippine and Porto Rican raws were done at 3.15.

The next few days up until February 25 the market eased off gradually in quiet trading, with September futures done at 2.24 and with raw sugar easing to 3.13 for nearby deliveries and later arrivals at 3.15. Refined demand continued fair but consuming interests showed no inclination to build up inventories.

The last two days of the month showed a steadier trend on the exchange for futures, with September moving up to 2.27. The market for actuals was quiet with most business at 3.13.

Raw Sugar Futures, No. 3 Contract, Sept. delivery.

Low sale, January 31 .....	2.29
High Sale during February .....	2.34
Low Sale during February .....	2.24
Closing bid, February 28 .....	2.27
Net change .....	.02

#### The Second . . .

(Continued from page 13)

game, which was one-sidedly in favor of Roosevelt up to the last inning, suddenly turned into a rout, and ended in a tie in the darkness of the Recession.

Who will win the second game? Roosevelt's attitude will no longer be that of an amiable contestant but of a ferociously determined battler who still thinks he has the stuff to win.

#### Markets, Markets . . .

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monwealth than they are here.

In our memorandum, therefore, our conclusions were: first, developing a knick-knacks market in the United States is not objectionable, and should be practicable; and second, pull for an adequate or partially adequate American and Commonwealth merchant marine on the Pacific—get the ships, then think of getting markets with their consistent help.

Further about novelties. Their sale lags because they are not made in great quantities of standard types. A friend submitted abaci slippers to a business correspondent in New York, an order came back for 10,000 pairs and could not of course be filled. Naturally the order was large, the beaches of America need a million pairs of such slippers. Another experience of our friend was in competitive bids, Japanese underbid him with abaci slippers, of course of our own abaci, with rubber soles: a bet-

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