

May 6, 1936

In the brief time at my disposal this evening I want to indicate the extent of the progress that has been achieved since the depth of the depression, the steps that have been taken to bring about this improvement, reasons why these steps were necessary and have been effective, as well as to mention some of the things that remain to be done in order to bring about complete recovery and to diminish the chances of the recurrence of booms and depressions in the future.

Condition at depth of depression

Everyone realizes that ~~at~~ the bottom of the depression in 1932 and in the early part of 1933 the country was in a condition that required drastic action by the Government in order to prevent economic, social, and political ~~consequences that it is not pleasant to contemplate, that~~ <sup>disaster &</sup> prostration of the country at that time was nearly complete; industrial production had declined from its peak in 1929 to <sup>the middle of</sup> June 1932 by 50 percent. At the same time factory employment had declined by 45 percent and payrolls by 60 percent. The construction industry had ceased functioning almost altogether; retail trade was at a low level, and wholesale prices of commodities had declined by 35 percent. Furthermore, the decline in prices had been unequal — agricultural prices dropping to 45 percent of their 1929 average, while other prices dropped to <sup>5</sup>70 percent of that average, <sup>and</sup> ~~so that~~ farmers had to pay more than half again as much in terms of their products for everything they bought. This collapse in the economic activity and values of the country was reflected in a reduction in the national income from \$80,000,000,000 in 1929 to less than \$40,000,000,000 in 1932.

### The burden of debt

Not only was industry functioning at less than one-half capacity, leaving an army of unemployed, not only was the income less than one-half of what it had been in prosperous years, but the burden of debt incurred for the most part when income was much larger and prices higher became intolerable at the then existing level of business activity and of prices. Interest and amortization on debts in many cases were not being paid because they could not be paid. Defaults and foreclosures were numerous, and in many cases encountered determined resistance, which was supported by the sentiment of the people. There was a danger of a breakdown of law and order, as well as of the economic mechanism. Drastic action of a corrective nature was imperative. Direct action for the purpose of relieving the situation had to be undertaken.

### Reducing the debt burden

The burden of debt had to be lightened directly through Government action. This was done largely by credit agencies under the Farm Credit Administration and by the Home Owners' Loan Corporation. These agencies undertook to bring about a write-down of the face amount of debts when it was necessary, but principally they refunded debts secured by farm and home mortgages at much lower rates of interest by taking them over from the holders of the mortgages in exchange for obligations of the Government agencies which could handle the mortgage debts with greater consideration for the debtors than private organizations were in a position to give. The rate of interest was greatly reduced. You are

no doubt familiar with the volume of operations involved, but I may mention that the total farm mortgages taken over by the Farm Credit Administration from early 1933 to date amounted to \$1,800,000,000, and the home mortgages taken over by the Home Owners' Loan Corporation amounted to \$3,000,000,000. On these mortgages the pressure on the debtor was lightened. Policies pursued by the Federal Reserve System also contributed to the reduction in interest rates and, therefore, to an easing of the burden on many debtors who were able to renew their loans at lower costs. This group of actions tended to arrest the deflationary movement by greatly diminishing defaults, foreclosures, and forced sales.

#### Correcting the price structure

Direct action was also used for the purpose of arresting the decline in prices and readjusting the relative price levels of raw materials and finished products. Prices were influenced by the policies of the Agricultural Adjustment Administration and also by the breaking of the link between the dollar and gold. This link made it impossible to raise the prices of our raw materials, unless world prices of these commodities also advanced. As a consequence of these actions, as well as other causes, the general level of prices advanced by a third, while agricultural commodities have doubled, and the great gap between agricultural prices and other prices has disappeared.

#### Providing jobs

There was also the problem of providing jobs for those who were unemployed and this was done by a number of agencies, including the Public Works Administration, the Tennessee Valley Authority, Civilian

Conservation Corps, and other undertakings. In addition to these enterprises and especially while they were getting under way it has been necessary to prevent suffering among the unemployed and destitute, and the Government has been obliged to adopt measures of relief on an unprecedentedly large scale.

Increasing money supply

These were the principal direct actions of the Government. From the monetary point of view the significant part was that in order to raise funds for all these expensive undertakings the Government was obliged to run heavy deficits by issuing a large volume of Government securities, which to a considerable extent were purchased by the banks. Now, as you no doubt know, when a bank buys Government obligations and pays the Government by creating a deposit credit for it and the Government then spends the money to meet its expenses, deposits in the hands of private individuals are thereby created. Bank deposits <sup>1/</sup> had declined from \$42,000,000,000 at the end of 1929 to \$27,000,000,000 in June 1933, which reflected the collapse of our economic system and also contributed to the collapse and to its continuance. By borrowing from the banks and creating purchasing power the Government has restored the volume of bank deposits from the low level of \$27,000,000,000 in June 1933 to \$37,000,000,000 at the end of 1935. Demand deposits are now as high as they have ever been and, though time deposits have not yet been completely restored, there has been a large increase in these deposits also.

<sup>1/</sup> Exclusive of deposits of mutual savings banks, of interbank deposits, and of items in process of collection (float).

### Compensatory function of Government

In this emergency the Government has acted as a compensatory agency, doing the work which private enterprise no longer was in a position to do and creating the money which private borrowing was not in a position to create.

Of the increase in deposits, which has just been mentioned, \$3,000,000,000 was due to gold imports, \$400,000,000 to open-market purchases by the Federal Reserve banks, \$500,000,000 to the issuance of silver certificates, and \$7,500,000,000, by far the largest amount, to purchases by the banks of Government securities and obligations guaranteed by the Government. Loans of banks have actually declined, so that it is clear that were it not for the activity of the Government the supply of money, or purchasing power in the hands of the people, would be lower today than it was at the bottom of the depression.

The activities engaged in by the Government and the deficits which the Government incurred as a result, together with the method by which the deficits have been met, account for the restoration of the money supply and for the degree of recovery which we have so far experienced. This seems to me so evident that it is hardly possible to conceive of effective contradiction. It also seems to me that it is the proper function of Government to be a compensatory agency and to act at times when private enterprise does not act.

### Extent of recovery

The extent of the recovery is familiar to you. Industrial production has recovered more than half of the previous decline; retail trade

has shown a similar increase; construction has begun to show signs of activity; the mortgage refunding and other Government agencies providing relief to debtors have done their job. The annual national income has advanced from less than \$40,000,000,000 to \$60,000,000,000, and the value of securities on the stock exchange, to mention this one item of national wealth, has advanced by \$40,000,000,000. Just as there was no one who would deny that the country was in a desperate condition three years ago, there is no one who would not have to admit that considerable progress has been made towards achieving recovery, although it is still far from complete.

The cost

The cost, of course, has been great, but it is often viewed entirely out of proportion. The public debt has increased by about \$10,000,000,000 from the end of 1932 to the end of 1935, and if allowance is made for the increase in assets acquired by the Government, including the gold increment in the Stabilization Fund, the increase in the debt has been about \$5,000,000,000. At the same time the prevailing easy money conditions in recent years have made it possible for the Government to sell its obligations at lower costs, so that while the interest-bearing debt has increased by 44 percent, interest payments on the debt have increased by only 8 percent.

In relation to our national income the volume of debt is relatively small. It amounts to less than 50 percent of our current national income which is still far below the normal level for a prosperous year. This is a much lower percentage than in other countries. Interest paid on the Federal debt is not much over one percent of our national income.

In the face of these facts, it is difficult to maintain the argument that we could not afford to incur this debt. What we could not afford was a continuance of the state of affairs which prevailed at the depth of the depression. Acts of the Government which have increased the national income for a single year by an amount several times as large as the increase in the national debt need not cause alarm.

Balancing budget by increasing revenue

The time has come, however, when the question of a gradual balancing of the budget needs to be considered. With the volume of bank deposits greatly increased there is no further need for creating money through Government borrowing at the banks. At the same time it would be dangerous to stop Government activity and, therefore, spending. It is necessary to continue this spending, because it is clear that private activity and private borrowing are not ready to take hold if the Government should let go. The restoration of the money supply has proceeded farther than the restoration of activity. It is time, therefore, to take steps in the direction of discontinuing the creation of new money, but not yet time to stop Government activity and Government spending. As recovery proceeds further and private enterprise takes hold, Government activity in business should also diminish. At the present time, however, the plan should be to work toward balancing the budget, not by reducing expenditures, but by increasing revenue.

Some increase in revenue will occur automatically under the existing tax laws, because as activity and private and corporate income increase the yield of existing taxes increases also. It has, as a matter of fact, increased greatly in the last year or two. Collections of regular internal revenue taxes during the past year have been about 50 percent larger than two years ago, chiefly as a result of increased business activity. But new taxation will be necessary and this taxation should be of the kind that will help rather than hinder the progress of recovery.

#### Kind of taxes needed

One of the features of the present situation is the accumulation of large amounts of cash in the hands of corporations which have had an increase in the volume of business and in revenue, but have no inducement to use the money for the expansion of their plant, so long as the demand for their product is not sufficient to employ the full capacity of their existing plants. Taxation should be such as not to diminish the buying power in the hands of consumers, but to increase it. It is for this reason that a tax should be adopted that will fall heavily on the undistributed earnings of corporations. By passing the money from the corporations to the stockholders such a tax will contribute to the volume of buying power in the hands of consumers and will diminish the volume of idle funds which, in the absence of investment opportunities, are likely to spill over into speculation. The only kind

of an inflation that is at present conceivable and that we need to fear is a speculative boom growing out of the use of these idle funds. Its prevention is necessary because it is a danger to economic recovery. A well worked out tax plan will contribute to the proper functioning of our money system and will go far toward removing the danger of speculative excesses.

### Control of speculation

Powers for control of speculation by the Federal Reserve System have been greatly increased by recent legislation, the Banking Acts of 1933 and 1935 and the Securities and Exchange Act of 1934. Distribution of authority and responsibility in the System has been more clearly defined and it has been given instruments for direct restraint of speculation. Even with these powers, however, the Federal Reserve System alone cannot cope with booms and with depressions. What is needed is a rounded out fiscal and monetary program aimed at a continuous creation of income by private enterprise and when necessary by the Government and at a sound distribution of income as between individuals and as between investment and consumption. Such a system carefully worked out and administered through the cooperation of many governmental agencies with the support of enlightened public opinion would afford the only safeguards for our economic well-being. Progress toward the adoption of such a plan has been definitely made.

It is only on the basis of a program of this nature that it will be possible for this country to continue to live within the framework of our existing economic and political institutions.

WHARTON SPEECH - April 9, 1936

	Copies
Clarke Foreman, PWA.....	2
Dr. Maurice Levin, Brookings Institution.....	1
R.L. Reiersen, Bankers Trust Co., N.Y.C.....	1
Miss B. Munday, Canton, Mo.....	1
George McCulley, Schenectady, N.Y.....	1
Dr. B. Monday, Orangeburg, N. Y.....	1
W. R. Bradford, Schenectady, N. Y.....	1
H. F. Wilson, Notre Dame Univ.....	1
H. D. Munday, Schenectady.....	1
J. D. Paris, No. Pelham, N.Y.....	1
Library, Fed. Reserve Bank of N.Y.....	1
Senator Steimer.....	2
R. H. Sparkman.....	46
Ernest Lindley.....	1
Mrs. Wolf-Dem. Nat. Comm. ....	5
Tom Smith, Fed. Reserve Bd.....	1
Comm. for Economic Recovery.....	1
Cong. Gray of Indiana.....	1
Fed. Res. Bk. Richmond.....	12
Gov. W. I. Myers.....	12
Norman J. Wall.....	1
Stuart H. Smith.....	1
Fed Res Bank of Chicago.....	6
Secretary Wallace.....	2
Vital Speeches .....	1
H. H. Ogden.....	1
Dean Brimhall.....	20
W. J. O'Connor.....	100
Mrs. Wolf, Dem. Nat. Comm.....	12
Miss Mary Dawson, Dem. Nat. Comm.....	<u>500</u>
Total.....	737

Brookings Report, "Income and Economic Progress":

Page 37:

"The consumptive requirements or wants of the people were far from satisfied during the period of our highest economic achievement. The value of the total national production of goods and services in 1929, if divided equally among the entire population, would have given to each person approximately \$665. There were nearly 6 million families with incomes less than \$1,000; 12 million with incomes under \$1,500; over 16 million with incomes under \$2,000; and over 19 million, or 71 percent of the total, with incomes less than \$2,500. A family income of \$2,500, at 1929 prices, was a very moderate one, permitting few of the luxuries of life. Hence it was clear that the consumptive requirements, and especially the wants, of the masses of the people were far from satisfied."

Speaking of what appears to be at least one of the reasons for some of our difficulties, the same report goes on to say (page 156):

"As to income distribution and its results, we found . . . the proceeds of the nation's productive efforts going in disproportionate and increasing measure to a small percentage of the population--in 1929 as much as 25 percent of the national income to 1 percent of the people. We found the unsatisfied wants--needs according to any good social standard--of the 92 percent of all families who are now below the level of \$5,000 annual income sufficient to absorb the product of all our unused capacity under present conditions of productivity and still demand much more from such unexplored potentialities as might thereafter be opened up. We found the incomes of the rich going in large proportion to savings and these savings strongly augmented by others impounded at the source by corporations through the practice of accumulating corporate surplus. These savings, after providing for such increase of capital goods as could be profitably employed, we found spilling over into less fruitful or positively harmful uses, ranging from foreign loans (bad as well as good) to the artificial bidding up of prices of domestic properties, notably corporate securities.

"Thus, we began to discern the answer to our question whether the basic defect in our economic system, not discovered in the technical processes of production, is to be found in the way in which we conduct the distribution of income. The answer is affirmative: This is the place at which we do find basic maladjustment."

"The British Way to Recovery" by Herbert Heaton, Professor of Economic History, University of Minnesota.

Pages 10 - 14:

"When we compare its efforts since the crisis of mid-1931 with those of the American administration, we see at once that there were certain things that Britain could not do, and many things that she need not do. She could not afford to face a series of large deficits in her national accounts, but must try to balance her budget from year to year. She could not increase her national debt seriously by borrowing heavily, for her resources were already mortgaged to the hilt by a dead-weight debt, the cost of past wars."

\*\*\*\*\*

"The British government had no such load to shoulder, (as the United States) for many of the problems we are now tackling had emerged earlier and had been dealt with in a piecemeal fashion during the last hundred and thirty years. Much of the New Deal was part of Britain's Old Deal.

"There was, for example, no need to worry, in the depths of a crisis, with the problem of labor conditions or relationships. The first attempt to deal with child labor was made in 1802, in a small half-hearted way, but in 1855 the matter was taken up more seriously. Bit by bit, as experience and need accumulated, the ban on child labor was spread over the whole industrial and commercial field, and the principle was established that childhood is a period for education and play, not for wage-earning.

"There was no need to wrestle with the question of working hours, for here again, during a century and over an ever widening field the state had been limiting hours of labor. Where the state had not done it the trade unions and the enlightened self-interest of some employers had. There was no need to fight the sweating employer over the starvation wages he paid, for the unions had been looking after that matter with increasing success since about 1850, while the state made the protection of notoriously ill-paid occupations one of its duties in 1909.

"It was not necessary to help labor to win the right of collective bargaining, for the unions had slowly won that for themselves, while the state had helped to build machinery for mediation,

conciliation, or arbitration. In 1928 eight million workers out of fourteen million were working under conditions determined largely by collective bargaining. Where a fundamental issue, such as the eight-hour day or the minimum wage, was incapable of being decided by discussion, the state had stepped in to impose a settlement by legislation.

"If there was no big labor problem to be faced in 1931, there was also no need hurriedly to improvise schemes for large-scale relief. From the sixteenth century onward the care of the poor and needy has been recognized as a public obligation, to be met out of funds raised by taxation. Friendly societies and trade unions, as they grew up in the nineteenth century, spent the whole or a large part of their time and money caring for their sick, aged, or unemployed members. Membership in them was a voluntary act of insurance, and the extension of this voluntary insurance into national compulsory schemes was one of the greatest steps in the social politics of the modern world.

"Germany pioneered in the field of insurance against sickness, accident, invalidity, and old age, but left Britain to experiment in insurance against the loss of income in time of unemployment. That experiment began in a small way in 1911 with a few occupations and two million workers, but during and after the war its scope was extended to include all workers except those in agriculture, domestic work, the civil service, and the higher grades of clerical work. In 1930 some twelve million workers were insured, and three-fourths of the total employed population was thus protected against complete loss of income when out of work, just as it was against the loss from sickness by a health insurance scheme."

\*\*\*\*\*

"In spite of the defects and departures, no political party or economic class wants the system abolished. It has been worth its cost, and has probably been cheaper and more efficiently managed than any relief scheme. It has maintained a certain level of income and purchasing power among the unemployed."

\*\*\*\*\*

"In the task of aiding and reforming the business and credit structure Washington has found some of its knottiest problems. Most of these Britain has escaped. She did not need to

run to the aid of the banks, for they had their worst troubles a century ago, when the banking system consisted of the Bank of England and a great swarm of private banks owned by families and partnerships. These banks could issue their own notes, and as they did so to excess many of them crashed after Waterloo, and a further heavy mortality accompanied the great panic of 1825.

"These disasters suggested that the small private bank was rarely adequate for the needs of rapidly growing large-scale industry and commerce, and that the right of note issue must be regulated. Stronger banks were obtained by permitting joint-stock banks to be established; the note issue was made a Bank of England monopoly and given a gold backing. The joint-stock banks grew rapidly, swallowed up the small banks, and established branches. Amalgamation then reduced the number of banks until 85 per cent of British deposits were in the hands of five big banks in 1919. These five had their branches scattered over the whole country; they were competently and cautiously managed, they worked together to some extent, while the Bank of England served as bankers' bank for them and, if necessary, as a brake."

As the author points out, Great Britain has had "no serious banking panic since 1867, and scarcely any large bank failure during the last forty years."

Continuing, the author states (page 17):

"It will now be clear that any British government facing the crisis had a much simpler task than did President Roosevelt. Many other factors combined to ease the task further. A country with an unwritten constitution did not have to worry much about the constitutionality of the decrees of its legislature. Whatever parliament decided should be law became law, and no court could tell the lawmakers they had exceeded their powers. With freedom of action went power of speedy action, for a cabinet that had a good majority could claim nearly all parliament's time for the measures it submitted, could limit discussion, and get a vote after brief debate.

"A small country with one legislature did not face the complexities that confront North America through the existence of state and federal laws, separate state and national banking systems, etc. It had plenty of sectional interests and conflicts to disturb attempts at national unity, but they were not quite so di-

vergent as those that characterize our debtor and creditor areas, our South, East, and Middle West. There were no groups quite comparable in their influence to the veterans, the silver bloc, or the embattled farmers, though some are gathering strength now that the country has embarked on a policy of tariffs, quotas, and subsidies.

"More important still, there was little lingering faith in any doctrine of economic individualism or in the sanctity of inalienable natural rights where economic matters are concerned. The theory of natural rights went overboard early in the nineteenth century; in fact, it never got its feet so firmly planted on the political deck in England as in France and the United States. Experience with the new economic order of industrial capitalism soon showed that the rights of all individuals were not best fostered by a policy of *laissez faire*. As society grew more complicated and interdependent, the need for control at vital points made state action inevitable. Hence both the old political parties have long lists of social legislation to their credit, and while the Labor party accuses them of being 'tools of the capitalist class' its practical program, as distinct from its ultimate objectives, differs only in degree from those of its opponents. In the eyes of all, rugged individualism is an ideal unsuited to a world in which men live and work close together."

As for British taxation, the same author, referring to the reduction in British taxes which was finally achieved, points out (page 52):

"This first installment of reward for patience in suffering still leaves the British tax burden heavy beyond North American comprehension. Suppose you were a married man with one child. If you were a university head, your income tax on a salary of \$10,000 in 1931 was \$1,765; it is now reduced to \$1,585, which is 15.8 per cent of your salary. If you were a university professor earning \$5,000, you would have paid \$640, but will now pay only \$575, or 11.5 per cent of your salary. If you were a lecturer getting \$2,500, you would now pay \$125 (5 per cent) instead of \$140. If you were a 'big business executive', earning \$50,000 a year, your income tax and surtax combined would now be a mere \$17,425, or 35 per cent of your salary, instead of \$19,360. If you were unmarried, your payments would be somewhat higher. Even a single artisan earning \$1,000 a year pays \$34 in income tax."

(From "The New Republic" of November 20, 1935.)

Almost all the workers are organized in unions; wages and hours and conditions of work are generally set by genuine collective bargaining; "company unions" are rare, and the employer who opposes the existence of unions or their right to speak for the employee is almost unknown.

Minimum wages are enforced in sweated industries by the power of national law.

National unemployment insurance has been in operation since before the War; national appropriations for the sustenance of the unemployed are made as a matter of course. The whole system, while it is often a center of controversy, is administered competently as a permanent institution. The Conservatives have not the slightest intention of abolishing it.

No court has the power to declare an act of Parliament unconstitutional. The legislative representatives of the people are supreme. They can and sometimes do pass legislation that our Supreme Court would throw out of the window. Large property owners submit to the expressed will of the voters' representatives. No party would dream of proposing anything like our judicial veto.

The national government has unlimited authority over subordinate units; any doctrine parallel to our "states' rights" is unknown. When decentralization is practised, it is chosen as a matter of policy or administrative convenience, not as a matter of right.

All through the depression, the government has spent huge sums to subsidize good housing for the workers. This has stimulated private housing as well. You cannot go anywhere in England, even in the "depressed areas," without seeing great housing developments and a considerable amount of new construction.

Other types of social legislation, much of it establishing agencies subsidized by the state, are well advanced.

A large amount of government spending to relieve unemployment, to build housing, etc., is the rule—not merely as a temporary emergency measure, but continuously. In spite of this spending, the national budget is in balance. It is balanced, however, not by eliminating government activities, but by extremely heavy taxes on incomes and inheritances, which nobody seriously proposes to reduce.

Government ownership and government regulation of private business are much more extensive than in this country. Much of electric power, for instance, is publicly owned, while the whole system is integrated under a single authority. Publicly owned transport is common.

Although the National Government came into power with the plea that it was going to save the pound, the gold standard was abandoned immediately afterwards, and Great Britain, like the United States, has in effect devaluated her currency.

- - - - -

The Republican Party in this country looks with horror upon developments of this kind. The Conservative Party, while it is not responsible for the inauguration of most of these measures, does not propose to abolish them. Indeed, its election manifesto promises more liberal treatment of the unemployed, more government housing, and a national improvement of education. The most reactionary party in Great Britain is, in this sense, to the left of Mr. Roosevelt.

SUPPLEMENTARY STATISTICS FOR NEW YORK SPEECH

page 2, L. 3 & 4.	Budgetary surplus before debt retirement (millions of dollars)	
	1929	754
	1930	738

---

page 2. L. 5 & 6.	Gold inflow (imports and release from earmark) (millions of dollars)	
	1929	120
	1930	278

---

page 6. L. 3 & 4.	Computed annual interest charge on the public debt. (millions of dollars)	
	End of month:	
	March, 1933	719
	March, 1936	779

---

page 7. L. 9 & 10.	<u>Adjusted demand deposits</u>	<u>Total deposits commercial banks, excluding interbank and U. S. Government (millions of dollars)</u>	<u>Total deposits all banks excluding interbank</u>
June 29, 1929	22,744	42,000	53,852
June 30, 1933	15,163	27,000	37,998
Dec. 31, 1935	22,813	37,000	48,964

---

page 7. L. 13 & 14	Increase June 30, 1933-December 31, 1935 (millions of dollars)	
	Increase in Reserve bank and commercial bank holdings of Government securities	
		6,600
	Direct obligations	+ 4,500
	Fully guaranteed	+ 2,100
	Increase of monetary gold stock exclusive of increment resulting from devaluation of the dollar	
	-----	June 1933-Dec. 1935 3,288

---

page 7. Bottom of page	<u>All other loans</u>	<u>Real estate loans (millions of dollars)</u>
June 30, 1933	4,857	2,372
Mar. 4, 1935	4,748	2,250
Mar. 4, 1936	4,960	2,801

page 8. L 3 & 4. Federal Government revenues (millions of dollars)

Calendar years

1932	1,880
1935	3,857

Federal Government revenues excluding processing taxes)

July 1, 1934-May 15, 1935	2,757
July 1, 1935-May 15, 1936	3,424

page 9. L. 5 from bottom

Residential construction contracts awarded (millions of dollars)

Year 1934	249
" 1935	479
1st quarter 1935	71
1st quarter 1936	124

page 9. L. 4 from bottom

Corporate "New Issues" (Millions of dollars)

		Approximate % for plant and equipment <u>1/</u>
1935 (1st 4 months)	42	$\frac{1}{2}$
1936 (1st 4 months)	265	$\frac{2}{5}$

1/ As distinct from repayment of bank loans, reinvestment in securities, etc

page 9. L 5 from bottom

Real estate loans      All other loans  
(millions of dollars)

March 4, 1935	2,250	4,748
March 4, 1936	2,301	4,960

page 9. L. 2 from bottom

Orders for machine tools & forging machinery      Steel ingots produced      Cement product'n.  
Index no's. 1925-25 = 100

1st quarter 1935	16	88	49
1st quarter	88	88	51
1st quarter	156	86	

From "Foreign Policy Reports," Volume XI, Number 11, of the Foreign Policy Association (page 131) referring to Great Britain's critical position, notably her oppressive debt and high rate of taxation:

"In spite of this vulnerable position, the economic life of the nation in the hour of crisis was not brought to the desperate standstill which confronted President Roosevelt in 1933. The lack of any spectacular boom in the 1920's saved Great Britain from collapses of stock exchange and real estate values such as accentuated the American crisis. Neither the trade depression nor the difficulties of the pound shook the centralized British banking system. Economic relationships did not require sudden compulsory reform, since the bargaining rights of trade unions had long been recognized by both government and employers, and numerous wage agreements provided for final appeals to government arbitration. Foresight in more normal times had provided widows' and old age pensions, unemployment insurance for the majority of industrial workers, and a national dole system and local poor relief for the remainder; all of these constituted a bulwark against collapse of purchasing power and emergence of mass unrest far stronger than that of private charity or hastily organized relief of the United States. The government already possessed considerable regulative powers over industry. Railways were supervised under the Railways Act of 1921, which reorganized 120 companies into four great systems. The post-war depression in the coal industry had forced a licensing system of production for both foreign and domestic markets by the Coal Mines Act of 1930. The Electricity Supply Act of 1926 had inaugurated the generation of electricity according to a national 'grid' system under a Central Electricity Board appointed by the Minister of Transport. The Export Credits Guarantee Department of the government employed a revolving credit of 25 million pounds to aid the British exporter by guaranteeing the solvency of the overseas buyer in his own country up to 75 per cent of his contract. Moreover, Britain's unitary system of government and the supremacy of Parliament precluded voiding of legislation by the judiciary on the ground of unconstitutionality or interference with states' rights."