C E Knoeppel

president

C E Knoeppel & Co

1921

Unemployment

C.E.Knoeppel & Co. Inc.

Industrial Engineers

52 Vanderbilt Ave.,

New York

OFFICE OF THE PRESIDENT

Sept. 26, 1921.

Mr. Benj. Strong, Member,
President's Unemployment Conference,
Washington, D. C.

Dear Sir:

Such men as General Wood, the Ex-Acting Secretary of Labor, Howard Coffin, and several bankers and manufacturers, endorsed a research report on "Stabilizing Industry, Finance and Labor" which we recently completed.

This report will no doubt be of service to you in your work on the Unemployment Conference, and is being sent to you under separate cover.

The reasons for the ups and downs in unemployment can be expressed as follows:

(a) When prices are high employers do not want to reduce them until wages are reduced, and workers do not want wages reduced until prices come down.

(b) When prices are low workers do not want to see them increased until wages are increased, and employers do not want to increase wages until prices are increased.

Two things are therefore necessary: first, stabilize industry to shave off the high and low peaks of production; second, make waste in industry, and not wages, the point of attack.

The report we are forwarding has to do with the first. The second is covered by the report of the Committee on the Elimination of Waste in Industry, of which Committee the writer is a member.

May we hope for your favorable consideration of the matter submitted?

Yours very truly,

C. E. KNOEPPEL & CO., Inc.

C E Knoeppel

President.

CEK:UC

September 28, 1921.

Dear Sir:

I acknowledge and thank you for your favor of the 26th instant enclosing report bearing upon the subject of unemployment, which I shall be glad to read at the first opportunity.

Very truly yours,

Benj. Strong
Governor

C. E. Knoeppel, Esq.,
52 Vanderbilt Avenue,
New York City.

STABILIZING INDUSTRY, FINANCE And LABOR

* * * *

RESEARCH REPORT PRESENTED TO

Mr. Benj. Strong

Member Unemployment Com.

IN THREE PARTS

1 - Reasons for Lack of Industrial Stabilization.

2 - Steps Necessary to Effect Industrial Stabilization.

3 - Endorsements of Plan Submitted.

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C. E. KNOEPPEL & CO., INC.,

NEW YORK.

BASIS OF REPORT

Report arranged by

C. E. KNOEPPEL

and adapted from

1 - "Organizing Industries for Economic Production," a paper presented by C. E. Knoeppel, March 1919, before the New York Conference, The Society of Industrial Engineers.

2 - "Principles for Stabilizing Prosperity," an article published in "Industrial Management," July 1919, by G. Sumner Small, then Vice President and a Director of C. E. Knoeppel and Co., Inc.

3 - "Constructive Outline of Steps Necessary to Secure Industrial Harmony and Efficiency," a report submitted to the President's First Industrial Conference, October 1919 and prepared by I. A. Berndt, J. P. Jordan, G. S. Small and C. E. Knoeppel, all at the time members of the firm of C. E. Knoeppel & Co., Inc.

4 - "How to Get Back to Normal Quickly," a paper presented by C. E. Knoeppel, in February 1921 in Chicago and New York, before the Society of Industrial Engineers, Western Efficiency Society, and the National Association of Cost Accountants.

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PART I - REASONS FOR LACK OF INDUSTRIAL STABILIZATION.

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American Industry should be operating at normal capacity, when in reality it is not operating at greater than one-half of its capacity.

Something is decidedly wrong, and an analysis shows that the trouble is economic in character.

Present Situation.

The present situation can be expressed as --

No Selling - No Buying,
No Buying - No Making,
No Making - Then what?

Falling sales and decreased productions are leading to unemployment, idle plants, high costs, and heavy losses. The United States Steel Corporation is operating at about 65% of its capacity, the sharp decrease in its unfilled tonnage being attributed to the present stagnation.

The Need for Industrial Products.

It is generally agreed that there should be plenty of business ahead; in fact, the available statistics clearly indicate this. Our children need schools; our families need homes to live in; our cities require new public buildings; our automobiles, trucks and farmers need roads; our railroads need repairs and new tracks, roadbeds and equipment; our public utilities need betterments and replacements; our furnaces and stoves require fuel; our people need shoes and clothing. In addition to all of this, the world needs food.

In support of this statement, consider the following estimates of the National Federation of Construction Industries, as regards the present needs of the United States, as follows--

1,500,000	Homes
60,000	Apartment buildings
50,000	Factories
20,000	Theatres
15,000	Railroad Stations
5,000	Schools and public buildings
150	Freight terminals.

Road building is estimated to be one billion dollars behind. Europe is sadly in need of materials and machinery with which to do business.

The banker, the employer, the salesman, the purchasing agent, the lawyer, the wholesaler, the retailer and the consumer all have their ideas as regards the cause of our present troubles and who is responsible.

As a matter of fact we are all to blame for the conditions we find ourselves in, and the basic cause of our difficulties is that we have not learned how to barter. The reason for this is that while we have mastered natural laws and use them in productive ways, we are mere "babes in the woods" when it comes to economic laws.

Every trade, whether in horses or in goods manufactured, involves two things -- a purchase and a sale, a buyer and a disposer.

The basis of our economic existence is purchasing and selling, the trading of energies and abilities, money being merely the medium of exchange, and because of fundamental flaws we are having industrial difficulties and will continue to have them until we eliminate them.

Fundamental Flaws and their Effects.

These flaws are --

A - Uneconomic and speculative purchasing.

B - Unscientific price making.

The results of these flaws as they effect industry and Commerce are --

1 - Unemployment.

2 - Reduced wages.

3 - Idle plants or plants operating at reduced capacity.

4 - Seasonal demand.

5 - Losses when market falls off after having purchased at high prices.

6 - Depression and business stagnation at one time, and feverish activity and over-expansion at another.

7 - Abnormally low prices at one time and abnormally high prices at another.

8 - High costs whether operating below or above normal.

9 - Periodic idleness of plants, capital and materials.

Faulty Purchasing.

Let us attack the first flaw -- Uneconomic and speculative purchasing.

We all know of cases where large profits were made by "buying right," as the saying goes, and of other cases where heavy losses were sustained, when on the wrong side of the material markets.

The point is, what caused these profits and losses?

When business falls off sufficiently, prices get to a point low enough to tempt a buyer, whether he is a consumer or a purchasing agent. Buyers begin to stock up, to replenish reduced margins, not with reference to the immediate requirements but because money can be made by purchasing in large lots for future uses when prices will again be high.

The consequence is that industry and commerce become stimulated; production is increased; unemployment diminishes; prices start to climb. They keep on climbing to a point where the consumer or purchasing agent begins to feel that they will not go much higher; that sufficient materials are on hand for present and future uses; that there will be a let-up in activities and that it would be well to wait for price reductions. The swing starts the other way resulting in a drop in prices, reduced capacity, less sales in plants and commercial houses, unemployment and finally a depression sets in.

An analysis shows that there is no difference when it comes to buying and selling as between manufactured goods and commodities, and stock securities. When prices of stocks and bonds are high, we stop buying and start selling, which reduces prices and again induces buying. This in turn advances price and at a certain point buying stops and the cycle repeats itself.

At any rate, we are convinced, and many manufacturers agree, that waiting for prices to drop when prices are high, stifles demand to too great an extent; while buying too much when prices are low stimulates demand to too great an extent. In other words, unscientific buying in dull times, makes for false demand, and we have an unwarranted increase in production, which like the "wash sale" on the Stock Exchange, puts prices on too high a basis. This in turn causes a stoppage in buying because of the high prices, resulting in an unwarranted decrease in production forcing prices on too low a level. If we produced pig iron in dull times, we would not have an abnormally low price, and we would have pig iron in good times without the abnormally high prices.

Here is what happens in periods of depression or inactivity, or low price levels. Concerns stop producing materials. Not only are men thrown out of work, which is bad enough, but there are also losses to consider due to idleness in the use of machinery, plant, materials and in money -- a severe economic loss all along the line, all of which makes for high production costs. In periods of stimulation, over-activity and excessive demand, plants are run at full blast, to the detriment of the plants, while costs increase because of inefficiency due to using labor not suited to the work, increased rejections, greater labor turnover, confusion, lack of co-ordination and other factors. In other words, whether producing in unusually slack times or unusually busy times, the conditions met with make for high costs. If productions were kept on a more normal basis the year round, we would get away from the sharp price swings, both upward and downward.

There is an angle to this great subject of uneconomic and speculative purchasing which too few fully and properly consider.

A concern purchases a product at $100. Later on when it is used it is found that the price is $150. To get the profit due to purchasing on a low market out of the purchase, many include the $50 increase in the cost, at a profit in making the price, on top of it.

On the other hand, let us say that this product is bought at the high price of $150 and that later when used, the price goes to $100. Can the sales price include the $50 loss? Obviously not and get the order. The cost goes in at $100. and the loss sustained is $50. If the cost goes in at $150, a loss on the entire order is taken.

Who pays for these differences between market and cost prices of materials?

The consumers of the various products. They pay the profits on a rising market in a direct way by the inclusion in price of the amount the purchaser did not have to pay, and in an indirect manner for the losses on a falling market, due to the fact that in a period of expansion concerns must get prices high enough to contain profits which will offset losses sustained in periods of depression, and part of these losses are those caused by purchasers who get caught in a falling market.

Who are the consumers? All of us consume all that is made; therefore we suffer for our own faults in paying for purchasing profits at one time and being taxed for purchasing losses at another.

You may say that a profit on materials at one time, offsets a loss taken on materials purchased at another.

If this is the case would it not be better to include in the cost, the market price of materials at the time of use, and clear the differences between market and cost values, through an adjustment account, taking any balances at the end of the year to profit and loss?

In this way you would divorce entirely the profits and losses due to purchasing, from those due to operating, and the effect would be to stabilize price making.

At any rate, sufficient has been indicated to show that purchasing has an enormous bearing on stimulating industry and commerce at one time by too much buying for too far in advance, and depressing them at another, caused by stoppage in buying, due to either having a surplus of goods on hand, or waiting for better prices.

Price-Making.

So much for the first flaw in our economic foundation in industry. Let us turn to the second -- that of relation between cost and prices.

It is a well-known axiom of business that in periods of depression or reduced demand, costs of production are so high, that prices based on them will not secure the required amount of business to operate plants at possible capacity.

As a result, costs are ignored, and prices go tumbling in order to force or stimulate the purchase of commodities, the basis of which is judgment based on fears of losing business, or going out of business, instead of a predetermined and scientific basis for determining and knowing what rock bottom prices should be.

On the other hand, in periods of expansion, costs are low due to volume of production, purchasing in large quantities, and other reasons, and figures based on costs result in prices less than the plants are able to get for their products. Again costs are ignored and judgment resorted to.

Both of these conditions seem to support the contention, so often advanced, that there is no relation between cost and price, due to the fact that whether in the one case, or the other, costs are not used as a basis for price-making at all.

The actual procedure in making prices is unfortunately based on such knowledge as may be available as to competition, demand, available supply, the financial situation, what the traffic will bear, or the low points necessary to book orders.

The significant fact in connection with all of this is that there is only one time in a business, when there is a positive relation between costs and prices, and that is when a plant is operating at normal capacity.

Even then, the margin of profit added to costs to make prices is many times a gamble as to how much can be added, and still not lose the business.

Here, then, are three important conclusions for the benefit of American Industry, as a whole --

> A - If operating at normal capacity means prices which yield business, why not determine and use prices which reflect normal capacity?

B - If, in times like this, judgment used in determining prices is based on fear instead of predetermined estimates, isn't it better to have scientific knowledge of what will secure business than to operate blindly?

C - If losses must be sustained in order to secure sufficient orders to remain in business, isn't it better to know how far these losses can go and for how long, without positive detriment to the plants?

These points raise this economic and vital question --

How far can industrial plants go below normal capacity and remain in business, and what is the point at which orders will begin to come in?

Doesn't this reasoning spell the determination of what the normal capacity of a plant is? Dollars of sales are not an index of a plant's capacity. The real index is the normal capacity in production hours of machines and working places. Considered from the standpoint of hours of effort, prices may fluctuate, but normal capacity is more or less constant.

Let us look at it in another way.

If you had 10 dairy cows and 5 of them went dry, would you assess the cost of maintaining the ten cows against the production of the five cows, in determining the price of milk during the time these five cows were dry? Naturally, you would not, on account of the fact that you would figure your herd results and costs for a season, which would give you a normal output figure.

If, then, you assess all of the cost of operating a plant at one-half capacity, against the products produced by this reduced capacity, could you get prices based on these figures?

In other words, the proportion of overhead in a department or plant, to assess against production, should vary in the ratio of the capacity actually employed on production to the capacity that could be employed.

Would you assess all of the overhead of two plants on one plant, if one of the plants should stop work? If you buy a suit of clothes and find a hole burned in it, would you pay for two suits when you get the replacement?

This spells a standardization of the overhead expenses by departments, and determining what they would be at normal, taking care of the difference between normal and actual overheads by providing for charging or crediting same to an adjustment account, and clearing the balance at the end of the year to profit and loss.

This would mean, then, that operating profits and losses could be analyzed as distinct from profits and losses due to purchasing, and profits and losses due to volume of business.

Knowing what normal capacity is, standardizing overhead expenses, calculating same on normal capacity, and assessing overhead to production in proportion of the ratio of actual production to normal production, the business could then be visualized as reflecting normal conditions.

Inasmuch as the greatest volume of business goes to that concern whose prices reflect normal operating conditions, the matter of price-making is next in order.

In most cases at present, costs are too high to mean prices which include fair and reasonable profits. Plants are concerned with getting enough business to remain in business. Salesmen are doing all in their power to make prices low enough to justify purchasing, the result being that present price-making has as its basis, pessimism on the one hand, and fear on the other.

Concerns know that in these times losses must be sustained. The serious question to them is how much the losses will be, and how long they will last before an upward trend sets in. <u>In other words, business at present is like driving an automobile without knowing just how much gas is in the tank</u>.

Some concerns may be selling at a profit; but the majority can only be selling at, or below, cost to produce.

The curse of American Industry is its unintelligent competition. Consumers, as a rule, are the only ones to benefit by the uneconomic and incorrect methods of costing and pricing in use by so many concerns.

It is one thing to lose money knowingly and blindly; but distinctly another to do so knowingly, <u>but with eyes wide open</u>.

If, therefore, there must be losses before we can get back to normal, and this is generally admitted as necessary, then there is no logical argument against substituting for judgment and guesswork, some plan which will make losses a matter of intelligent, systematic and scientific determination. This must be done if business is going to get away from playing the business game, <u>like the card player who bets before looking at his hand</u>.

At any rate, by observing the above principles, we would know what standard costs should be at normal capacity, through the use of standardized overheads, using time estimates for the various operations at current rates, and current prices for material. We know what actual costs are for the actual volume of work produced. We also know, or can ascertain, what costs have been at full capacity.

From such figures, charts can then be developed, showing costs at 60%, 70%, 80%, 90% and 100% of capacity, which will serve as the basis for determining prices reflecting normal

If you must go under these figures to get business, you have at least the basis for knowing what a normal price is, and any deductions from normal prices are then made openly and with knowledge of the effect of so doing.

You say that selling goods on anticipated normal means "playing the market short." My answer is that inasmuch as you cannot sell goods at the prices you want to get for them at this time; inasmuch as you must pocket <u>some losses</u> until normal is again reached; inasmuch as prices based <u>solely</u> on pessimism and fear, may be ruinous in the end, why not play the market short willingly and knowingly, but <u>safely</u>? Why not, therefore, put these losses, due to the <u>present</u> business conditions, where you can see and analyze them, and use them as your guide for later decisions?

In this connection, let me point out the importance of considering relative complexity of work in determining prices. It is generally accepted that consumers should pay most for that which costs most to produce. For instance, three pieces of work may cost $1,000 to produce. If 20% is added to the cost for profit, the price in all cases is $1,200. In one there may be $500 worth of labor and overhead; in the second, $400; and in the third, $300. No provision has been made for considering the degree of complication in this method of calculating price, and as time of workmen and equipment is the productive investment in business, it stands to reason that a concern should get more in profit for the work taking $500 in labor and overhead, than the one taking $300; and this the price-making should reflect. This spells a smaller percentage of profit on materials and a much greater percentage on labor and overhead; this to vary in proportion to the increase of the labor and overhead.

It is one thing to make a reduction in price after there is a reduction in cost; but distinctly another to base a price on the anticipated cost of an expected increase in production. Yet, in so doing lies one of the means for stabilizing industry.

It is well to remember, in connection, that if we wait too long before products are made in volume, prices will be very much higher later on, due to the fact that buyers cannot hold out much longer. If when orders are placed it is found that stocks are depleted and that plants are idle or working at reduced capacity, a shortage of goods will be the result, and a stimulated demand will follow, which will throw prices on a higher level than would otherwise be proper. In the meantime there will be a high unemployment, with a definite loss per worker, of a definite amount of production.

<u>Labor</u>.

It is a well-known fact that in industry, effectiveness varies directly in proportion to productivity, or to put it more simply, as the work <u>actually</u> produced per hour approaches what <u>should be</u> produced per hour, the greater the relative accomplishment.

A worker getting 60¢ per hour, working 8 hours per day and producing 10 pieces per hour, is of much more value to industry and to the public, from an economic standpoint, than one working 10 hours per day, at 45¢ per hour, and producing 5 pieces per hour. The cost in the first case is 6¢ per piece, while in the second it is 9¢, or 50% higher.

What people buy when they purchase goods is not the physical things they see, but hours and minutes from President down to office boy, which they do not see.

TIME is the real investment in industry, and governs directly what cost will be.

Normal conditions require normal hourly outputs. It is, therefore, obvious that what should be produced must be known in order to currently determine the relative attainment and take all possible steps necessary to produce normal hourly outputs.

What are the real facts, however? The Associated Employers of Indiana compiled figures on brick-laying, showing the following:

Year	Rate per Hour	Bricks per Day
1909	55¢	1,100
1916	65¢	900
1918	80¢	614
1919	1.00	587
1920	1.25	541

On a basis of eight hours per day, this means that cost increased from $4.00 per thousand brick to $18.50 per thousand brick -- an increase of 462-1/2%.

In the "Philadelphia Public Ledger," Richard Spillane says in an article:

"The distance between New York and Chicago via the Pennsylvania Railroad is 908.7 miles. A through train, such as the Pennsylvania Limited, makes the trip in 22 hours and 55 minutes. One Pullman conductor and one porter for each Pullman car make the complete journey, but it requires seven engineers, seven firemen, seven flagmen, seven railroad conductors and seven crews of brakemen. The Pullman employes put in 22 hours and 55 minutes, part of which time they sleep. The railroad men put in an average of 3 hours and 17 minutes and get a total of eight day's pay.

"Here is how it is done:

	Miles	Time	Compensation
New York to Philadelphia	91.5	2h.11m.	1 day's pay
Philadelphia to Harrisburg	103.9	2" 29"	" " "
Harrisburg to Altoona	131.1	3" 05"	" " "
Altoona "Pittsburgh	113.8	3" 15"	" " "
Pittsburgh "Crestline	188.7	5" 10"	2 day's pay
Crestline "Fort Wayne	131.6	2" 55"	1 " "
Fort Wayne "Chicago	148.1	3" 50"	" " "
Total	908.7	Av. 3 h.17m.	

"In various instances these train crews 'double back' the same day and receive two day's pay for less than seven hours' work on the road."

In many other lines of work experience has been much the same -- reduced production and increased wages.

Until recently, workers have consistently striven for increased wages to offset the increase in prices, and employers have striven to increase prices to offset increase in wages. At the present time employers do not want to decrease prices until there is a decrease in wages; and workers are fighting the reduction in wages until there is a decrease in prices.

In other words, we have a case analogous to a dog chasing his tail.

Employment of labor is predicated on normal demand for products of industry. There can be no normal demand for the products of industry until there is employment of labor, and by labor I mean workers of both head and hand. Therefore, employment must be stabilized.

Labor is never going to be willing to do its share in turning out quantity production, and using labor-saving equipment until, through stabilization, we work normally in industry for longer periods, thereby reducing unemployment and the seasonal high and low peaks of demand for labor, as well as for equipment and materials -- all of which constitute another reason why these principles should be adopted.

Why does labor take this view of things? Simply because it has believed in the fallacy that production should be retarded and the introduction of labor-saving machinery frowned upon and fought against in order to make more work for more people, guard against over-production, and force industry to work more normally.

Is this fallacy the real cause of small outputs, strikes and the like?

In the last analysis, depressions cause unemployment due to the fact that a fear of being out of work in periods of decreased demand, causes most of those who work with hand and head to restrict or stop their buying. Workers cannot be blamed for making jobs last, striking and restricting production, if by working at maximum they assist in more rapidly bringing on a condition of lessened demand, due to making a temporary surplus of commodities that, while no doubt needed now, will not be purchased until prices are lower.

The real cause is more fundamental than this. Labor knows that every so often there are periods of depression. Labor also knows that each and every one of the 110 million people in the United States has a more or less constant demand for things, and that these things should be constantly supplied to meet these demands.

There is no greater problem before this country today than to get industry on a producing basis, and having gotten it there, to keep it there, and for this reason a study of basic causes is timely, which causes were indicated as uneconomic and unscientific purchasing, and faulty price-making.

Another factor must be considered in this connection. To have available the equipment and facilities necessary to produce in periods of expansion means that when normal is reached there is an idleness of these industrial facilities which increases as low production points are reached. In other words, when producing at low points, there is naturally a high relative over-equipment, and an enormous factor of idleness.

A glance at the chart submitted, covering the manufacture of pig iron and paper for 17 years, will indicate what we mean by this statement.

To maintain the Leviathan in idleness in New York Harbor, is costing this Government $780,000 per year. What then must be the cost of idle machines, idle floor space, idle cars and locomotives, and idle men in industry at a time like this?

The point is -- who pays for this idleness? Who finances it?

It is safe to say that there is enough money lost in industry in operating below normal to pay handsome profits and high wages, if we could find ways and means to operate industry normally, and purchase goods on an economic basis.

If a man keeps a dollar in his pocket for a year, has he a right to ask anyone to pay him 6% on it? If a worker walks the streets for a year, can he demand his yearly income? Should industry be paid for idle capital, idle plants and idle materials?

The question of storage and financing enters into this phase of the discussion, for it will require space and money, as well as knowledge of fundamental business conditions, to keep on manufacturing in periods of low demand. It can be done, however. If the manufacturers of pianos, jewelry, candy, shoes, underwear, socks, stockings, clothing, and the like, were to wait until the demand struck them before starting to produce, you can well imagine what we would have to pay for these products. What they do, however, is to produce as near to normal as possible throughout the year. Knowledge of sales conditions, financing and storage space, are provided.

What would happen if all the grain elevators and cold storage plants should suddenly burn? Or to put it another way, what is to prevent us from handling basic commodities the same as the products we grow or raise and place in elevators and cold storage plants?

If workmen can see a scientific basis for <u>loss-taking</u>; if it can be demonstrated to them that <u>anticipating normal</u> will reduce unemployment, making drastic wage cuts unnecessary, and stimulate buying, they will be quick to agree to do what they can to attain fair standards attainable for the various operations and even accept a reasonable cut in wages if necessary.

You would say to them --

> "These charts show that to get back to normal we expect to lose so much. Now to get back to normal it will be as necessary for you to produce normal outputs as for us to quote normal prices. If you don't, our losses will be that much more, and may seriously affect our ability to keep going. You may feel that this is none of your concern, because you may say that if you don't work for us you can work for someone else. But the fact remains that any business condition which adversely affects us is likely to affect other concerns in greater or less degree. Isn't it better, therefore, for us to get together, we 'playing the market short,' and you giving us the safely attainable productions necessary to keep us within definite cost limits at wages consistent with the cost of living which these conditions would bring about? In this way we can work things out and keep going."

The trouble today is not over-production; "it is under consumption." The world needs the products of industry now, today, not next year.

There is no limit to human desires. The more things we have, the more things we want, and the more things we want, the more things we will obtain. Compare the comforts we enjoy today with those of 20, 50 or 100 years ago, and this will be apparent at once. If automobiles became cheap enough, every family would have one; and this same reasoning applies to pianos, books, clothing, food and the like. There was a time when only a few housewives could afford a sewing-machine. Today sewing-machines are very reasonable and in practically every home. If all were possessed with what those with money have, all would still want more. Human desires, no matter how they may be expressed, spell demand, and demand calls for supply. From this it can be seen that man cannot make more than he desires, or more than he is willing to buy, if conditions are maintained on a right basis. The trouble is not with demands, but the way we arrange to supply these demands.

People have said -- "Where is the money to come from with which to buy products?" The answer is this --

> Products are wealth; production creates buying power. The only limit on ability to acquire wealth is the ability to produce it. We can only have more riches by producing more goods or buying power.

Obviously, a farmer cannot buy more horses, or cows, or sheep, by producing less pigs, less milk, or less wheat, or other products. In other words, if we are going to exchange for more, we have all got to produce more, not by spurts, but on a normal basis throughout the year.

Finance.

Inasmuch as the stabilization of finance enters into the discussion of this important subject, it would be well to give some thought to it.

Long practice, as well as the very exigencies of his work, compel the banker to become an analyst who accustoms himself to observe and weigh comparative merits and demerits of a business proposition. If, as often happens, he inclines toward old ways rather than new ways, he is merely depending upon his profession's age-old dread of the unknown, as compared to daily repetition of established customs and methods. The banker was the world's first specialist -- and like any other specialist he sometimes concentrates so closely upon the details of familiar things that he lacks the breadth of vision that a wider education or practice would have brought to him.

Granted that banking is primarily interested in security, the wise banker makes painstaking inquiry into the policies of any business which applies for financial credit or accommodation. The banker knows that if the borrower's business is founded upon settled, definite and prudent policies, which in themselves are fair, the organization is almost certain to be stable from the financial viewpoint.

It is a well-known fact that money goes to that concern which can demonstrate that it is safely and wisely managed. Many financial houses today are uncertain whether to call loans or to extend them; whether to help, in the expectation of assisting "in pulling things through" and thereby safeguarding their investments, or to quite and pocket their losses.

Go to your banker and say --

> "Here is what I am doing now; here is what I did at full capacity, and here is what I can do at normal. If I continue as at present, I may win and I may go under; if I can get back to normal quickly, I will lose very much less and can pull through successfully. Here are the facts and the figures."

Are not the bankers looking for just such kind of talk? The most conservative banker in the country knows that his task is to differentiate between what is guesswork and unsystematic procedure, and what is definite, provable and likely to happen. He would be the last one to turn down a request for money or extension of loans when he knew that it was based on the same fundamental he relies upon to make decisions -- co-ordinated knowledge.

A banker wants to know the likely effect on the investment of running at greatly reduced capacity. He wants to know whether speculation, or safe and shrewd buying, is the basis of purchasing. He wants to know just what the net profit in operating really is. Knowing these things, he can decide whether he will assist, on the merits in the case: not knowing them, he will probably 'play safe' and decide against helping. Knowing true conditions, he does not have to fall back on over-strict conservatism to help him out, but can get right in to a consideration of the pros and cons of tangible things.

Another question comes up -- how are we going to reconcile finance, labor and management? The answer here is that we must all fall back on a fundamental principle --

Let each interested party take LESS than he now "demands," in order to get MORE than he now "has."

Should not this principle be sold to workers, bankers and executives, by showing them how the realization of 100% demands on the part of each affects the receiving of things from others, as well as their ability to give them? No one is opposed to selfishness of conflicting interests, so long as this selfishness is intelligent.

Of interest to every man, woman and child in this country today, in fact all over the world, is the matter of how to get industry back to a normal basis and arrange for stabilization.

We are afraid to buy because we do not know what is coming, or because we expect to go lower. We are afraid to produce because we do not know how much buying there may be. We are afraid to invest or loan, not knowing what may happen to our money. Workers are afraid to cut loose and produce, for fear this might bring greater unemployment all the sooner.

The business world is going round in circles, and is affected with an excellent case of "cold feet." We hear on all sides that by next month, or in the spring, or summer, or fall, things will be better. This attitude, however, will not in itself bring an upward trend a single day sooner.

Yet there is no doubt as regards the urgent need for the products of industry.

The present situation can easily get worse unless vision, supported by facts and courage to take the initiative, are substituted for the fears and pessimism which are at the bottom of our industrial ills.

The Liberty National Bank of New York recently published a chart of price tendencies. It shows that it took nineteen years, following the outbreak of the Civil War, before prices reached the 1860 level. The 1867 and 1920 price points are together on the chart. It is extremely doubtful, of course, if it will take us twelve more years before prices are down to pre-war basis, as conditions now and at the time following the Civil War are very much different. The bank statement says, however, "Whether the future price trend will follow the Civil War precedent, or depart from it, this much is to be observed, that the contention that we must expect a permanently higher price level has been rudely shaken during the last few months."

The National City Bank Review says - "Adjusting relations between groups of producers so that a full exchange and consumption of products can go on, is the objective of the wage question."

The only advice possible at a time like this is to remind industrial executives, sales managers, and purchasing agents, that their task is to find ways and means to stabilize industry, which if done will automatically stabilize finance and labor. This can only be done through plants in industry working out a constructive program, and the various industries to co-operate with our Government in bringing about betterments in the conduct of business.

PART II - STEPS NECESSARY TO EFFECT INDUSTRIAL STABILIZATION.

To reduce unemployment to a minimum, to avoid drastic wage cuts, to get away from depressions and industrial slumps, to keep plants operating more uniformly throughout the year, to direct the use of credit capital more safely and more surely, and to increase foreign trade, are all possible if constructive measures are adopted which have as their objective, stabilization of industry, finance and labor.

While it is admitted that something can be done in each plant in working toward stabilization, it is also obvious that a great deal more can be accomplished if each industry, co-operating with the Government, can assist materially in working out other betterments.

What can be done will, therefore, be considered under two headings --

A - By a given industry co-operating with the Government.

B - By plants in a given industry.

A - By a given industry co-operating with the Government.

Constructive steps which can only come through given industies and the Government working together are as follows:

1st - Publication of Costs.

The argument in favor of having public utilities file their reports with the Public Service Commissions, and the results of the railroads with the Interstate Commerce Commission, is to insure the best service to the public at the lowest cost. So that we may get facts out in the open for discussion, comparison, legislation, and for proper guidance of industry, cost and production figures should be filed with State and National Commissions or industrial bureaus, by concerns making basic commodities.

Unfair methods of competition, excessive costs, faulty industrial practices, abnormal profits, severe losses, incorrect accounting methods, and the like, can only be brought to light by filing reports.

There should be no objection to this, when it is considered that in the last analysis, all business and industrial activities are for the public service.

2nd - Publication of trade information.

Crop and weather reports are of real help in agriculture and shipping; but we are still without the kind of trade information and statistics which would more intelligently guide industry.

Facts as to the ebb and flow of business, demand for products, the available supply of products, labor supply and movement of labor, and many other elements which have a bearing on guiding the industrial ship, should be covered by regular and accurate Government reports in both statistical and graphical form.

3rd - Uniformity in accounting methods.

Steps should be taken to get the various industries to adopt the same basic methods in cost and general accounting so that results would be comparable, and to guard against inaccuracies and faulty practices, as well as to eliminate unintelligent and cutthroat competition.

4th - Assisting plants showing no profit.

If a business gets in a bad way, or becomes insolvent, the courts take hold for the benefit of the creditors. Why wait until the courts take hold of a business? It will be conceded by all that something is wrong with a concern which consistently shows a slight profit or a loss. It may be mismanagement, lack of capital, faulty methods, inefficiency or other reasons, and if sick enough, such a concern has only one thing ahead of it -- failure. Failures hurt business in general, and failure statistics show that many of the causes are preventable. If preventable, why not prevent them? If, therefore, through publication of cost and production data, along with uniformity in accounting methods, it could be demonstrated by some agency, industrial or governmental, that certain well-defined reasons were responsible for the lack of success, and that the elimination of the faults would make for greater success, would it be called interference or paternalism, if this agency stepped in and in an advisory and constructive way helped the concern to straighten itself out?

5th - Sustaining buying power.

Arrange for financing and storage of the surplus materials of a basic nature during periods of decreased demand, so as to have them available at normal prices when there is a resumption in demand. This would help enormously in keeping industries producing normally for longer periods.

A given industry could arrange for this financing and storage, or the Government could finance the manufacturers, so as to enable them to continue producing, and later when there was an increased demand, the financial obligations could be discharged.

In this connection, arrangements could be made for concerns to make known their normal requirements of materials in order that supply could be made at a uniform rate. During the war many concerns submitted statements of monthly requirement of material and of their needs for ensuing periods, with the result that proper distribution was made to them. This would do away with peaks of supply in one case, and depleted supply in another.

6th - Providing employment for idle labor.

Road building, irrigation projects, power developments and other public works are lines of activities which could make valuable use of workers temporarily unemployed. Many of the state and national projects require both skilled and unskilled labor, and the development of such projects in times of decreased demand would attract those who were out of work.

From the standpoint of a given industry working with and co-operating with the Government, it should be obvious that these factors would materially assist industry in operating on a normal basis for longer periods, thereby stabilizing industry, which would mean the stabilization of finance and labor, as well.

A great deal can, of course, be accomplished by each industrial plant, although there are many matters which require collective action, and in some cases involve a co-operation of Government agencies.

The steps outlined would result in the most intelligent direction and guidance of industry, leading to a more healthy condition, pronounced assistance to those needing it, and real co-operation and co-ordination between industry and the Government.

B - By plants in a given industry.

As a constructive program which will assist the various plants in industry in getting back to normal quickly, as well as working toward stabilization, the following steps are recommended:

> 1st - Determine the normal capacity of machines and working places, by departments, in hours. This would be 75% to 85% of the possible (or 100%) capacity.
>
> 2nd - Standardize overheads according to departments, with due consideration to reducing them where possible, determining what the rates would be at normal capacity.
>
> 3rd - Determine from estimates, records of past performances, conferences, or by observations, what would be fair and attainable production standards per hour for the various operations, using normal capacity as a basis.

Knowing what is normal capacity for machines and working places according to departments, having standardized overheads and definite standards of the times which should be taken for the various operations to produce the units of product, and knowing the current labor and material rates, and we have the basis for the next recommendations:

4th - Determine quantities of the various combinations of products that a plant can make at normal capacity, calculating the cost of the products that can be made.

5th - Develop the prices which will reflect normal conditions, using a normal profit as the factor to add to costs in so doing.

Inasmuch as it was recommended that the volume of production be assessed for a proportionate overhead only, the ratio to depend upon the relation of the actual production to the possible production, the following recommendation is in order:

6th - Charge the difference between actual and standard overhead into an adjustment account, the balance of which can be carried at the end of the year, to profit and loss.

This charge will decrease as you approach normal and cease as you attain it. As you go above normal and reach possible capacity, the total charges will be offset in whole or in part by credits to this adjustment account.

The net loss will be much less for the coming year than it would be as most plants are now operating.

In carrying out the above provision, the burden account would be charged with the actual expenditures, the work-in-process would be charged with the standard overhead, while the difference between standard and actual overheads would be carried to a "burden profit and loss account."

The time may come when the differences between actual cost of direct labor and what these costs should be, will be handled as outlined for overhead costs. But this is for the future to determine. At the present time, what has been outlined as above is advocated for the present, as many concerns are successfully using the plan mentioned.

In respect to materials of staple nature, such as pig iron, scrap iron, coal, coke, rubber and lumber, it will also be of value to use a "Material Adjustment Account," which will exhibit the profit and loss, as between the purchase-price of material, and the price which is charged into the cost. For instance, if the average cost of pig iron as purchased is $35 per ton, and the market drops to $30 per ton, the cost records would be charged at the rate of $30 per ton on the tonnage used, the "Material Adjustment Account" being credited with the same figure. At the same time a second entry would credit the inventory account at the actual cost on the tonnage used, with a corresponding charge to the "Material Adjustment Account." This would clear the actual cost from the inventory and would concentrate in the "Material Adjustment Account" the loss on the material used, enabling the cost to be figured on the basis of the normal condition which existed at the time the material was used.

This leads then to the following recommendation:

> 7th - Carry the profits and losses due to purchasing to a "Material Adjustment Account," which can be cleared through Profit and Loss at the end of the year.

As it will be necessary to secure the co-operation of workers as well as bankers, the next two recommendations are in order:

> 8th - Call in some of your best workers, as representatives of their fellow workmen; outline to them what your present conditions are and what you want to do; explaining to them the above principles as they relate to unemployment, reductions in hours and wages, and what losses to the company will mean to both workers and the company.

> 9th - Place plans as to normal possibilities, with full explanations, before bankers as a basis for credits and financial assistance.

With a campaign based on normal capacity worked out; with negotiations going on with workers to get their help in producing up to safe working maximums, and with bankers to render financial support, you are then in a position to give proper attention to sales and advertising campaigns; to consider what you can do in the way of time payments, discounts, deliveries, quality betterments, and other things, as a basis for booking orders, which will mean reaching normal quickly.

This gives us the basis for the next and final recommendation:

> 10th - Plan the sales and advertising campaigns necessary to secure prices which reflect normal operating conditions.

The steps above outlined will go a long way toward enabling plants to return to normal quickly, as well as to assist to a great extent in bringing about stabilization. We should be at the present moment in a very prosperous condition, due to the needs of the world-over for the various products of industry, when in reality we do not know which way to turn. The initiative must come from industrial executives, who should co-operate with workers, with bankers, and with Government agencies. It is hoped that the measures advocated, not only for particular plants, but for a given industry, will assist materially in maintaining the ideals we are all so anxious to see attained.

ENDORSEMENTS

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The original material covered by the attached endorsements did not contain the recommendations under Section "A", Part II, nor the seventh recommendation, Section "B", Part II.

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BETHLEHEM STEEL CORPORATION

111 Broadway, Trinity Building

NEW YORK February 3rd, 1921.

Dear Mr. Knoeppel:

It was very kind of you to think of me in connection with the inquiry referred to in your letter of January 31st, and I appreciate the trouble you have taken.

My own views of the present situation were given at length in an address before the Pennsylvania Society, and I have pleasure in sending you herewith a copy of those remarks.

Sincerely yours,

(Signed) C. M. Schwab

Mr. C. E. Knoeppel,
C. E. Knoeppel & Co.,Inc.,
52 Vanderbilt Ave.,
New York City.

Enc.

EXCERPTS FROM REMARKS OF CHARLES M. SCHWAB

At Annual Dinner of

THE PENNSYLVANIA SOCIETY (N.Y.Dec.11, 1920).

* * * * *

LESS BUSINESS

Examine the volume of production in most any of the great staple lines of industry and you will find that during the past two years there has been a smaller annual production than at any time since 1913.

NORMAL CONDITIONS

When, therefore, our business men thoroughly study and cope with these problems of economy and make up their minds to go ahead and to produce to the utmost on a smaller margin of profit than they have been accustomed to realize in the years of inflation, then our course will have been set toward a haven of safety and progress.

WORKERS

The laboring man is entitled to his full share for the contribution he makes to the value of an article. The laboring man should be taken into the fullest confidence of his employers. He should be so sure of getting his fair share of the wealth he produces that he will work with zeal and enthusiasm.

COSTS

The result of this experience through which we have passed is that our costs have been inflated and we have had in America both our business institutions and American individuals generally indulging in wasteful and extravagant methods.

WAGES

Now the laboring man is primarily interested not in the amount of money paid to him, but what his money will buy. If the cost of living comes down there is no question that our American laboring man can maintain his present standard of living even though his wages as stated in dollars amount to a lesser sum than before.

Fort Sheridan, Illinois,
February Fourth,
Nineteen Twenty-One.

Dear Mr. Knoeppel:

I have looked over with keen interest and appreciation your general plan to improve conditions of industrial and economic efficiency, to get our people back to work and to build up business confidence; in other words, to start the wheels going.

The present condition can be described as one characterized by considerable lack of confidence, indicated, as you express it, by "no selling or buying and little manufacture, with increasing lines of the unemployed." There is much work which ought to be done, and done promptly. Every city and state has public works which should be done and now is the time to do them, if it is humanly possible to do so. If these are undertaken they will help tremendously in giving employment to the temporarily unemployed and thus aid in reestablishing confidence and checking unrest and discontent.

It seems to me that the constructive outline which you have submitted, "How to Get Back to Normal" is one which ought to be presented to our big commercial and financial interests, and I believe that the general procedure indicated is one through which better conditions can be attained; or, as you put it, "anticipating normal conditions will mean normal conditions more quickly."

With kind regards,

Sincerely yours,

(Signed) Leonard Wood

Mr. C. E. Knoeppel,
Old Colony Club,
La Salle Hotel,
Chicago, Ill.

Jan. 31st, 1921.

Dear Mr. Knoeppel, -

I think your article on getting back to normalcy in industrial and commercial activities is altogether admirable. The plan you outline is the same, commonsense procedure in this crisis of our economic affairs as a nation.

Sincerely yours,

(Signed) Rowland R. Mahony
Acting Secretary of Labor.

: : : : : : : : : : : : : : :

THE JOHN LEITCH COMPANY
512 Fifth Ave.
NEW YORK, N. Y.

February 3,
1 9 2 1

Mr. C. E. Knoeppel, Pres.,
C. E. Knoeppel & Co., Inc.,
52 Vanderbilt Avenue, N.Y.

My dear Mr. Knoeppel:

I have your favor under date of the first, together with your plan in the cause of better business.

I have made a notation at the bottom of your plan, calling particular attention as I see it, to the need of getting <u>all the workers</u> interested in this program.

I believe, Mr. Knoeppel, that it is just as necessary to hook up the vital current and power directly with the individual, and the <u>individuals throughout the plant</u>, as it is to hook up electric current to the machines and discard the old belt and shafting system in hooking up power with the machinery.

Pick out the man with the most vital, energetic, personality who will pour that powerful current of thought directly into the human machine. I am

Sincerely yours,

(Signed) John Leitch

BABSON'S STATISTICAL ORGANIZATION   WELLESLEY HILLS, MASS.

We have your letter of February 1, enclosing an outline of the essential steps necessary to bring business back to normal. The policy outlined by you is a sound one and if followed strictly should give the desired results. In a few words, the best way to get results from any manufacturing plant is to (1) reduce costs to the minimum, (2) bring prices down to rock bottom, or to a level that will move goods. The manufacturing concern which first reduces prices to cost or approximate cost will receive the greatest amount of business. In a falling market a large turnover and small profits is preferable to small turnover and prices held at inflated levels.

If we have any criticism of your program it will be on the basis that it is somewhat too Utopian for the average business man. Theoretically, there is no need for business depressions or falling markets and the suffering entailed in a period of readjustment. Actually, however, such conditions exist and will continue to do so as long as human nature is what it is. Could we reduce business to a policy of strict honesty, efficient production, low costs and reasonable profits, we would get results and moderate prosperity would be permanent.

(Signed)

JBH - Service Dept.

CHAMBER OF COMMERCE
of the
UNITED STATES OF AMERICA

February 21, 1921.

Mr. C. E. Knoeppel,
C. E. Knoeppel & Co., Inc.,
52 Vanderbilt Avenue,
New York City.

Dear Mr. Knoeppel:

It is always a pleasure to reaffirm my faith in the vision of American business executives, always a pleasure to encounter fresh evidence of it, such as came to me in your paper on "How to Get Back to Normal Quickly."

Many of the principles which you set forth might well be applied continuously, as well as in the present emergency. I find the whole plan interesting and stimulating, and I am pleased to know that it is to have wide attention through the instrumentality of the Associated Business Papers, Inc. I have talked the matter over at some length with Mr. McCullough, who is telling you on his own account, I believe, how great is his interest.

With best wishes,

Yours sincerely,

(Signed) Merle Thorpe

: : : : : : : : : : : : : : :

THE RONALD PRESS COMPANY
20 Vesey Street
New York City

Feb. 16, 1921.

Mr. C. E. Knoeppel,
52 Vanderbilt Avenue,
New York City.

My dear Mr. Knoeppel:

I believe that your attempt to get back to the normal through the study of conditions on the side of production is a logical step to take. Society has accomplished so much in the world without co-operation and without forethought, what could we expect of a society that applied to its economic relations the ordinary thoughtfulness and co-operation now used in private enterprises?

While the dynamic side of industry lies on the side of the market and the place where the prices are made, it is logical to begin an attack for accomplishment of economic co-operation on the side of production, the passive element in the fixing of prices.

Very sincerely yours,

(Signed) Lee Galloway

LG/K

F I R S T N A T I O N A L B A N K
of
C H I C A G O

February 3, 1921.

Messrs. C. E. Knoeppel & Co. Inc.,
52 Vanderbilt Ave.,
New York, N. Y.

Gentlemen:

Permit me to answer your letter of February 1st in the absence of our Mr. Wetmore. I have read with interest the enclosed data on "How to Get Back to Normal," and agree with you that it is quite the proper course to pursue, and I know of several of our customers who are working with these things in mind.

Yours very truly,

(Signed) A. N. Cordell,
Assistant Vice President

: : : : : : : : : : : : : : :

G R E A T L A K E S T R U S T C O M P A N Y

C H I C A G O, I L L.

February 8, 1921.

Dear Mr. Knoeppel:

Referring to your address "How to get back to normal quickly," made before the joint meeting of the Society of Industrial Engineers and the Western Efficiency Society, last evening, permit me to state that I believe you have formulated a very practical plan to meet the needs of the present situation.

I followed your presentation of the details very closely and attentively and consider the sequence a logical one and the basic principal involved, sound.

Sincerely hope that the efforts being made will result in your plan being brought to the attention and consideration of manufacturing interests throughout the country, as I believe its general application would be of great value to those interests.

With kindest personal regards, believe me

Yours sincerely,

(Signed) John W. Thomas

Mr. C. E. Knoeppel,
Care C. E. Knoeppel & Company, Inc.,
#52 Vanderbilt Avenue,
New York, N. Y.

GREENFIELD TAP & DIE CORPORATION

GREENFIELD, MASSACHUSETTS

February 19, 1921.

C. E. Knoeppel & Co., Inc.,
52 Vanderbilt Ave.,
New York City.

Attention - C. E. Knoeppel, Pres.

Dear Mr. Knoeppel:

I have your letter and article on "How to Get Back to Normal", and believe you have hit the nail on the head.

The pendulum has swung a bit too far in the business world and it will need strenuous methods to bring it back to normal. Anything that can be done to get each and every one talking, thinking and acting optimistically, will be beneficial.

Your last line expresses the whole story - "Anticipating normal conditions will mean normal conditions quickly.

Yours very truly,

GREENFIELD TAP & DIE CORPORATION

(Signed) by F. H. Payne,
President.

FHP EB

: : : : : : : : : : : : : : :

GREENFIELD TAP AND DIE CORPORATION

GREENFIELD, MASSACHUSETTS

February 4, 1921.

C. E. Knoeppel & Company, Inc.,
52 Vanderbilt Avenue,
New York, N. Y.

ATTENTION OF MR. KNOEPPEL

Gentlemen:

Answering your letter of January 27th we have to advise having reviewed the manuscript "How to Get Back to Normal", which accompanied your letter, and form the conclusion that we are in hearty sympathy with the processes you prescribe for accomplishing the purpose indicated in the caption. Certain it is that there is nothing illogical or impossible in the program outlined. On the other hand, it appeals to us as being basically sound and economically right.

Yours very truly,

GREENFIELD TAP & DIE CORPORATION

(Signed) L. M. Lamb
Comptroller

L.M.Lamb
M

FISCHER-SWEENY BRONZE COMPANY

HOBOKEN, NEW JERSEY

Jan. 28, 1921.

Mr. C. E. Knoeppel,
c/o Messrs. C. E. Knoeppel & Co., Inc.,
52 Vanderbilt Ave.,
New York City.

My dear Mr. Knoeppel:

Replying to your letter of January 27th, we have applied your suggestions in our foundry about six weeks ago, and it has enabled us to keep our foundry going at about 40% of our possible capacity.

Although mo orders were in sight prior to that time, several of our large customers were able to take advantage of the reduction which we were able to make them due to operating conditions now existing, similar to those outlined in your program.

It can readily be seen that this plan is beneficial to our customers as well as ourselves, whereas if this program had not been applied a total shut down would have been necessary.

Yours very truly,

(signed) C.J.G.Fisher, Pres.

CF/J

H U D S O N   M O T O R   C O M P A N Y

DETROIT, MICH., U. S. A.

February 10, 1921.

Mr. C. E. Knoeppel,
52 Vanderbilt Ave.,
New York.

Dear Mr. Knoeppel:

I have your letter of the 31st, together with its attachments.

Think perhaps the best endorsement of your suggestion that I can give is to say that here in our own plant we have already done practically just what you suggest. We took very careful stock of the situation early in the fall and instead of guaranteeing a maintenance of prices based upon then existing conditions we decided that the quickest and healthiest way to get back to normal and more efficient basis would be to reduce prices and then "cut the cloth to fit."

We believe results have and will fully justify us in our decision.

With best personal regards,

Very truly yours,

(Signed) H. E. Coffin

THE E. F. HAUSERMAN COMPANY

CLEVELAND
PITTSBURGH

February
Tenth,
Nineteen Twenty-One.

C. E. Knoeppel & Co.,
52 Vanderbilt Ave.,
New York City.

Attention: Mr. C. E. Knoeppel

My dear Mr. Knoeppel:

With interest I have read your article on "How to get back to normal," and have had the opportunity of giving the matter some considerable thought, since my talk with you in New York last week.

On the program, which you have outlined, I absolutely concur, and may add, we have taken the preliminary steps toward adopting it.

Mr. Reed's advice is still good - "The only way to resume, is to resume," and the only way to cut, is to cut. The whole question is, whether or not the country has foresight and stamina enough to go out and make a very short job, of what at the present rate of progress will take a year or so to accomplish; i.e., the establishment of such a condition as the average mind will acknowledge is good and healthy, and deserving their support with dollars.

Every possible success I certainly wish you, and shall be happy to lend you any possible assistance.

Very truly yours,

THE E. F. HAUSERMAN COMPANY,

(Signed) E. F. Hauserman, Pres.

[redacted] BANK

[redacted] Oct. 27th, 1916.

Messrs. C. E. Knoeppel & Co.,

New York City.

Gentlemen:

Inasmuch as your client, who is also a client of ours, does not wish his name divulged, we take pleasure in verifying the correctness of the attached chart giving his experience during the years shown.

We have examined your chart and client states that it is in accord with his records and is a correct showing of his experience. In general, we have known, through our business relations with this concern that it has made remarkable progress and improvements during the past few years.

Very truly yours,

[redacted]

(Signed) President.

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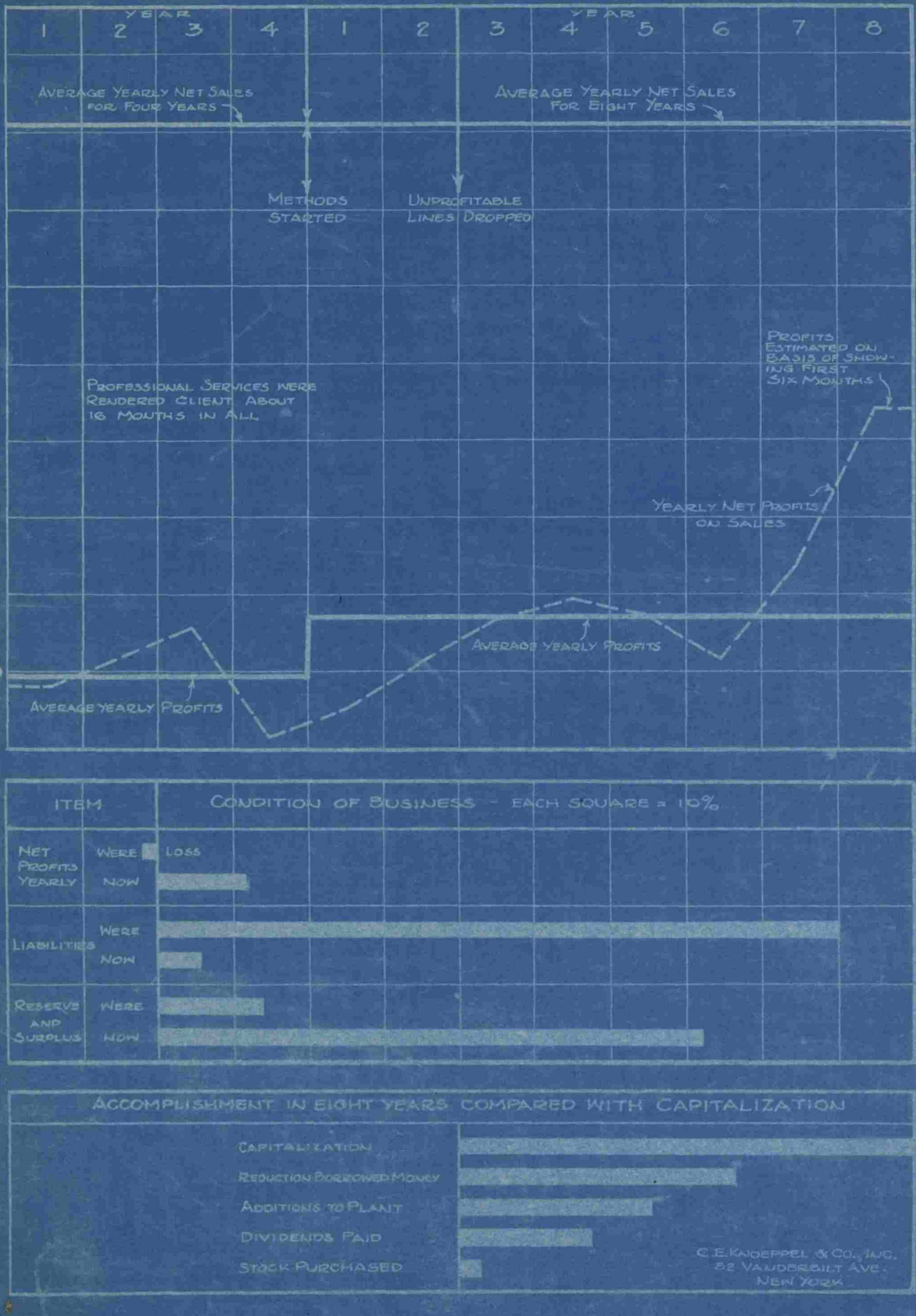
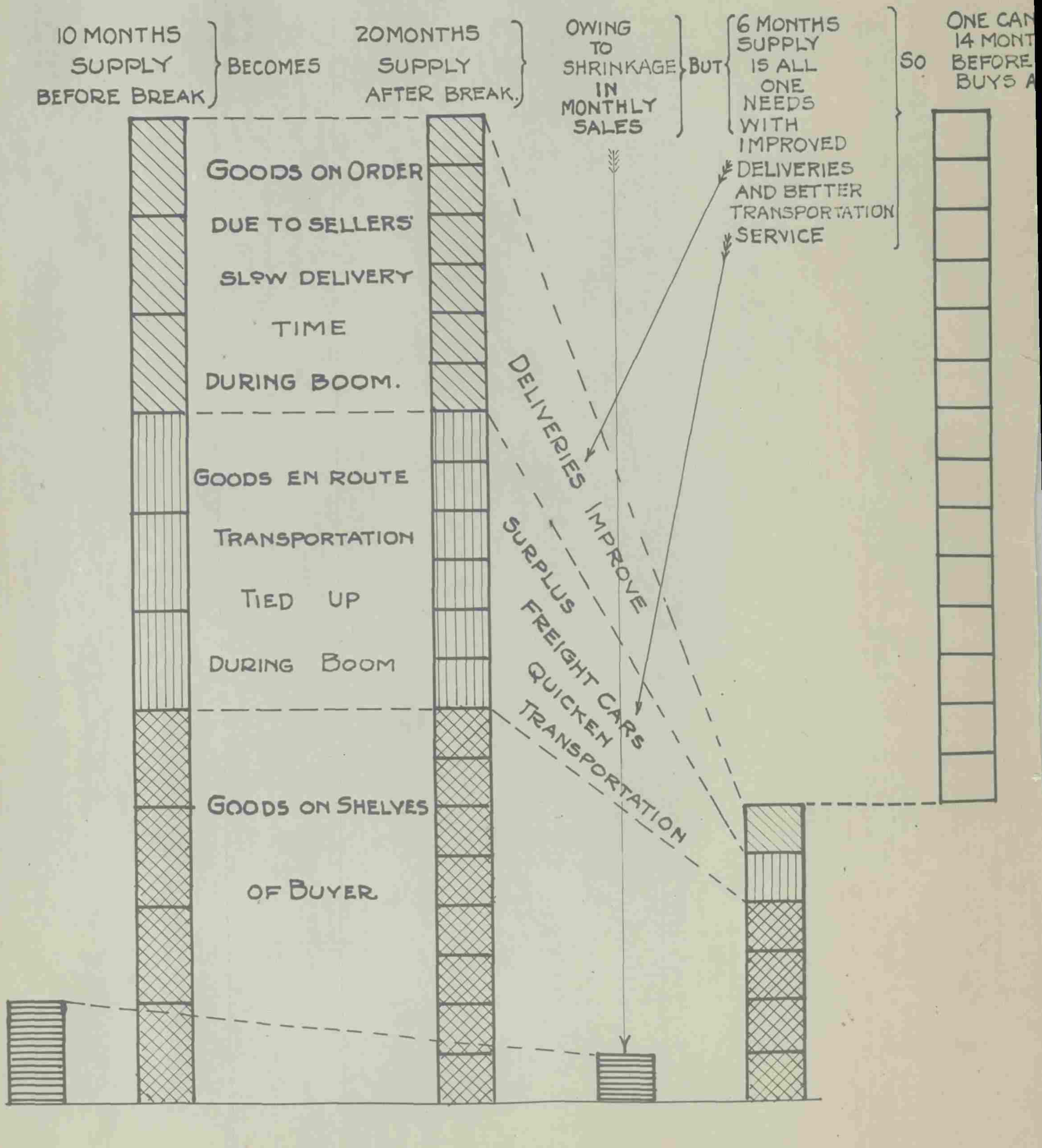
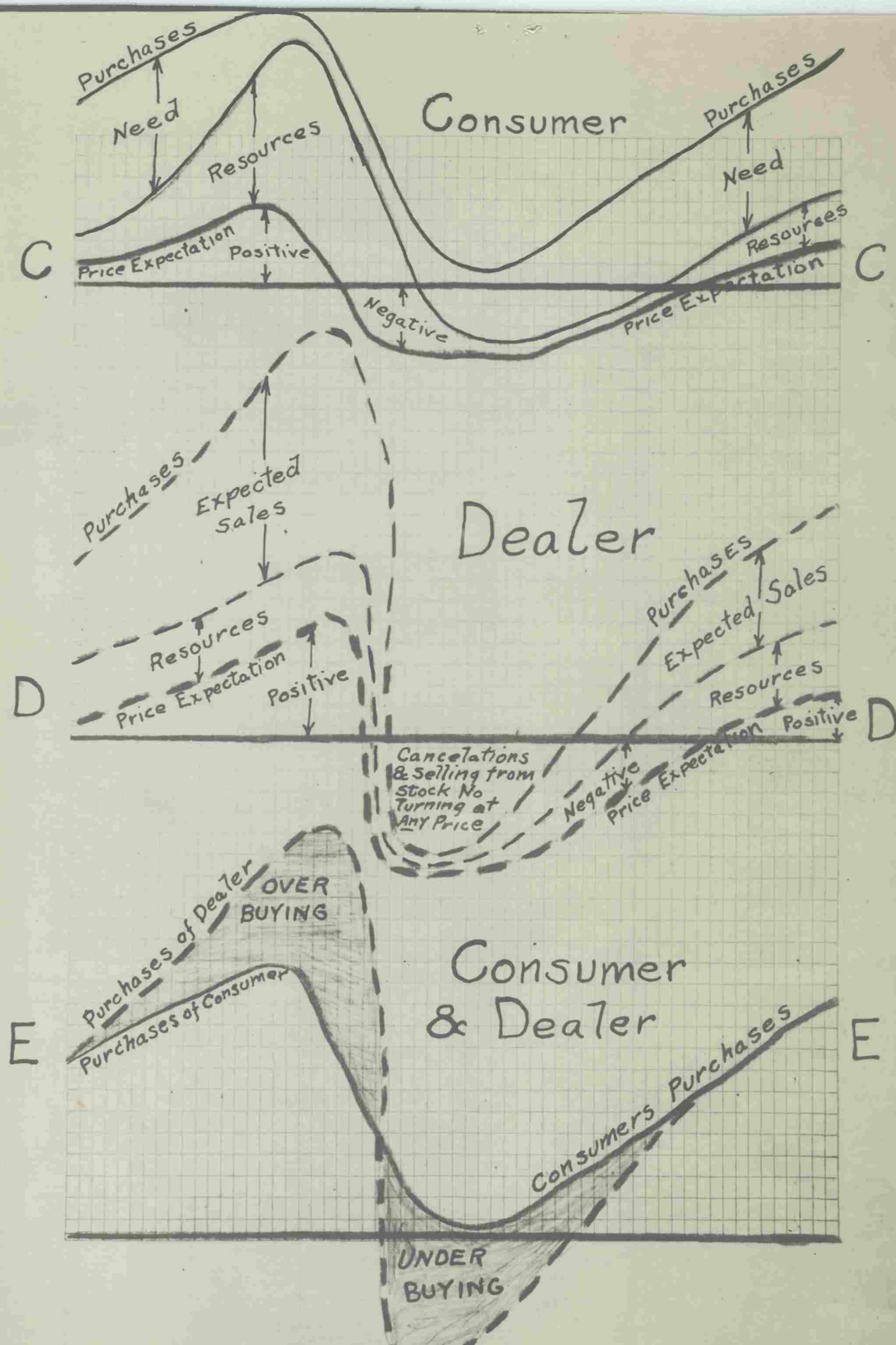
Results Secured by One Client



C. E. Knoeppel & Co., Inc.
52 Vanderbilt Ave.
New York

WHY THE BUYER STOPS BUYING

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