Every Time You Draw Your Paycheck, It Worries the Daylights Out of a Russian

By RELMAN MORIN
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NEW YORK (AP) — Every time you draw a paycheck, it worries a man in Moscow.

His name is Eugene Varga. He is the leading Soviet economist. He watches you and your earnings like a hawk. Why?

Because he has staked his reputation—and possibly his neck—on the prediction that millions of Americans will be out of work one of these days. He has been predicting for years that the United States is due for another crippling depression.

Soviet policy most probably is based on the proposition that the United States must suffer a severe economic setback after World War II. The graph, for 150 years, indicates that this always happens, not once but twice, after fighting stops.

Yet today, nearly 10 years after the war, the big crack has not developed. Slumps in 1949 and 1953 failed to follow the harshly familiar tracks of 1921 and 1932.

END COMING

Foreign aid, the Korean War, rearmament and a huge defense budget all affected the economy. But was there anything else?

The great question today is this: Do American managers and planners possess the know-how, plus legislative machinery, to head off a depression in its early stages?

Says the economist Dr. Sumner Slichter:

"Surely, the days when Americans must accept pronounced ups and downs of business as inevitable are fast coming to an end."

Of course, people were saying that in 1929 there would be no depression. But some changes have been made since then.

Today, the Securities and Exchange commission holds wide powers over the stock market. It can require corporations to furnish complete financial information about a new stock issue. It can censor proxies and revoke trade privileges of brokers or investment bankers.

And it can compel "insiders" in a corporation to pay over to the stockholders any gains found to have been made in stock operations through information not available to other holders.

BRAKING POWER

The all-important functions of maintaining a sound money and credit base — which influences prices, employment and the general level of economic activity—rests with the Federal Reserve. About half of the banks in the nation are members of the system, and it holds some 75 per cent of the total deposits.

The Federal Reserve Board recently used it braking powers on the stock market, lifting margin requirements by 10 per cent. That is, to buy $100 in stock today, you have to put up at least $60 in cash, as against $50 before this action. You can't borrow as much.

Apart from the stock market, the economy as a whole today can be affected by the so-called "built-in" controls.

BUYING HOLDS

Take 1953 as an example.

A recession had apparently set in. Unemployment was rising toward the four million mark. Yet at yearend, the total personal income of the nation had set a record. And disposable income—meaning take-home pay—had remained level.

That in turn meant that the nation's buying power had been largely sustained. Consumer buying held up pretty well. In other words, the fateful cycle—reduced employment, reduced income, reduced buying, reduced production, causing increased unemployment—simply didn't develop in the usual way.

A number of actions were taken, and apparently they were effective.

First, about two billion dollars flowed into the economy in unemployment compensation payments.

Second, tax relief turned back some seven billion dollars.

Thus, even though government purchasing had been cut back by 12 billion dollars, something approaching a balance was achieved.

Meanwhile, the spigots on credit — which had been twisted to a tight point earlier—were opened in the fall of 1953. The Federal Reserve began buying 90-day Treasury bills which eased the flow of credit.

Oddly enough, the present great bull movement in the stock market began in September 1953, shortly before most of these actions were taken. The market tries to foresee the next trend in business and economic activity.

GUESSED RIGHT

In this case, the market guessed right. The present high levels on the exchanges indicate that traders and investors believe the economy is going to go right ahead, with increased production, earnings and profits.

President Eisenhower made these points in his economic report to Congress:

"In the course of our latest encounter with the business cycle, we have learned or relearned several lessons.

"First, that wise and early action by the government can stave off serious difficulties later.

"Second, that contraction may be stopped in its tracks even when governmental expenditures and budget deficits are declining, provided effective means are taken for building confidence."

However, he added in the vein of most observers:

"The experience of government in dealing with fluctuations in employment is not of long standing, and there is much yet to be learned about the problem of economic stability."

Honor Group Initiates 19 At University

Five Eugene students were among the 19 University of Oregon freshmen and sophomores initiated into Phi Eta Sigma, men's scholastic honorary, at a banquet Jan. 27.

The honorary is composed of lower division students who have either a 3.5 accumulative grade point average for their freshman year or who made a 3.5 GPA during their first term of school.

The Eugene initiates are Robert Beatty, Squire Bozorth, David Cass, Alfred Jones and David Moursund. Other new members include Bruce Bloomfield, Robert Easton, James Noble and Dick Noee, all of Portland; Norma Cole, Gold Beach; James Russell, Hines; James Lynch, Lakeview; Richard Johnson and Craig Philips, both of Medford; Charles Mitchelmore, North Bend; Brian Booth, Roseburg; William Mainwaring, Salem; Perry Sloop, The Dalles, and Eugene Mak, Hong Kong, China.

Texas TV Seen Here

I'm getting the Lone Ranger on a New Mexico channel, a Eugene TV owner told the Register-Guard Saturday night.

Evidently reception was at an all-time high. Local viewers reported receiving channels as far away as KROD-TV in El Paso, Tex.

Glee Melcher of 45 Spring Creek Dr. in the River Road district and Kenith Dickenson, of 367 T St., Springfield, tuned in KTVK-TV in Phoenix, Ariz.

Weather authorities, when asked for reasons for the good reception, could give no explanation.

Fire Breaks Out At Benefit Dance

ST. HELENS (AP)—Fire broke out in a building being used for a benefit March of Dimes dance early Sunday and some 600 persons were evacuated without mishap.

The blaze, caused by an overheated stove flue, was first noticed at about 12:30 a.m. It smouldered about an hour before being put out by the St. Helens Fire Department and volunteers.

The building was badly damaged.