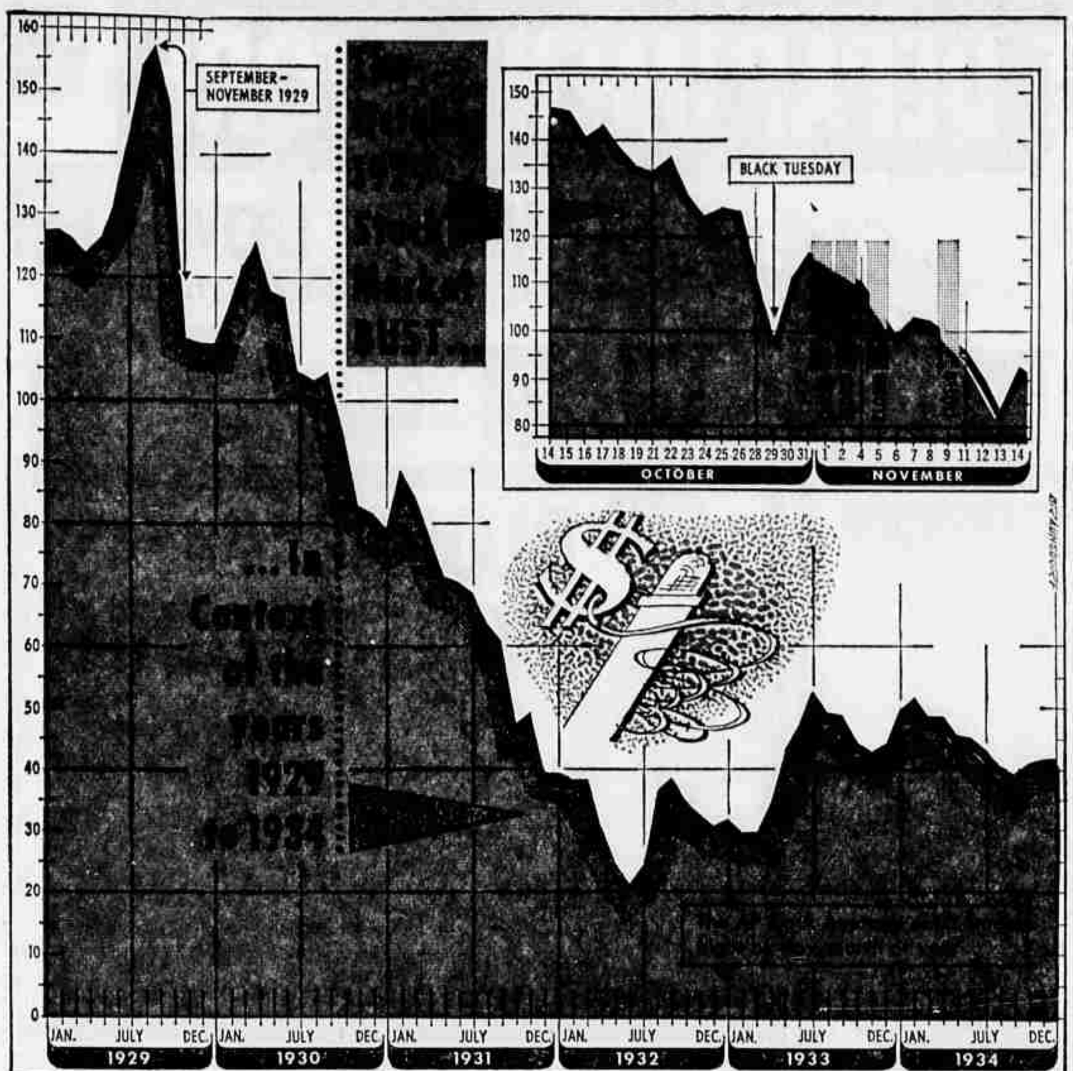

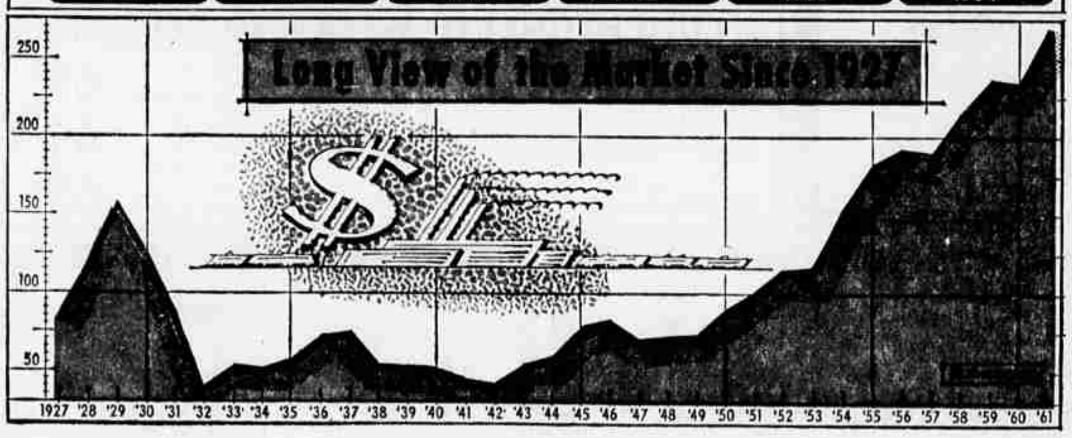

Black Tuesday's Record Still Stands

Hell-Bent Slide of 1929 Far Worse Than 1962

By DAVID L. BOWEN
Of the Associated Press

An ominous comparison hung stubbornly in news stories as the stock market dipped abruptly on Monday, May 28.

As few commentators overlooked, the size of the day's plunge, 13.4 on the AP average of 60 stocks, was the greatest since Oct. 28, 1929. The 9.3 million shares traded during the slide Monday was the fifth greatest since Black Tuesday, Oct. 29, 1929. Happily for today's investor, the volume soared to 14.7 million, second highest in history, the next day as the market quickly recovered most of the ground it had lost.

If restricted to bare statistics on movement and volume, the crack in the market last week can be compared to the crash of 1929. But when the comparison is broadened to take into account the changes of 33 years the see-saw week fades in comparison to the hell-bent slide of 1929.

Among relevant differences is the size of the market then and now. Hectic as trading was last week, it fell far behind the 1929 pace as a proportion of total shares listed on the New York Stock Exchange. The reason for this is that the number of shares listed then came to only 1.1 billion, as against more than 7 billion now.

On Black Tuesday, turnover on the big board soared to 16.4 million shares, a record which still stands.

As a percentage of shares then available to be traded, this came to about 1.5 per cent.

In contrast, the 9.3 million shares traded on the steep fall May 28, figures out to less than two-tenths of 1 per cent of the more than 7 billion shares now listed.

Black Tuesday saw the life savings of thousands of families wiped out and it heralded one of the worst and longest depressions in U. S. history. The reasons for both the bust and the subsequent business depression were many and complex, but among the prime causes for the stock market catastrophe was speculation.

Almost everything about stock trading in the 1920s seems fantastic in today's light. The Federal Reserve System's easy money policy in the mid-1920s encouraged the use of credit in speculation. Later it tried to correct this but it was too late. The public borrowed at the high rates and went on gambling.

Stock trading crossed the 3 million shares a day mark in 1925, quickly climbed over 4 million and then 5 million. Customers' men at brokerage firms grew careless in advising about purchases, and many member firms joined the pools to push up prices of certain stocks and then unload them.

When a broker did urge his customer to use caution, he usually lost the speculator to another broker who catered to any buying whim.

The crash and its aftermath brought on controls intended to prevent such a thing from ever happening again.

In May 1933 Congress passed the Securities Act which requires public disclosure of facts bearing on worth of securities.

The Securities and Exchange Act of 1934 outlawed misrepresentation and manipulation of securities, curbed the activities of corporate insiders dealing in stocks of their own company, set rules for soliciting proxies, clamped down on activities of brokers and dealers.

Congress set up the Securities and Exchange Commission to police this. SEC demands full financial information from corporations before new stock issues can be offered. It can cali brokers and dealers on the carpet and even revoke their trading privileges. It watches over the activities of insiders and over the issuance of proxy statements.

In 1935 the Public Utility Holding Co. Act brought utilities under regulation. In 1939 the National Assn. of Securities Dealers brought over-the-counter dealers under supervision.

The Federal Reserve Board can raise or lower the margin requirements to meet conditions bearing on how much buying of stock on the cuff seems good for the economy.

Along with these policing activities, today's market benefits from the big share of outstanding stocks held by institutions — many of them, like the pension funds, unknown to the 1929 market which lacked this stabilizing influence.

But perhaps the biggest difference between the stock market today and 33 years ago is the individual stockholder himself. His ranks are much larger now. Belief is widespread that he is better informed about what he buys and that he gets into the market only after sound investigation or on sound advice.

Vaccine Ordered

WARSAW (AP) — Polish health authorities ordered mass vaccinations in the port cities of Gdansk, Gdynia and Sopot after cases of smallpox were discovered on an Indian freighter.

Eugene Doctor Elected to Office

Dr. John D. Bonzer, Eugene, was elected a councilor of the Oregon Society of Internal Medicine at the group's annual meeting Saturday at Timberline Lodge.

More than 30 internists from throughout Oregon attended the meet which featured a panel discussion on medical care for the aged and a scientific report on genetics and the red blood cell by Dr. Robert Koler, a member of the division of experimental medicine at the University of Oregon Medical School.

The Market and the Economy—III

European Policies to Get Study by JFK Advisors

EDITOR'S NOTE: *The Kennedy administration is studying Western Europe's tax, economic and budget policies in an effort to find out what makes Europe run while America walks. Reasons for these studies and their possible bearing on future U. S. fiscal policies are discussed in this third of four articles by AP economic affairs writer Sterling F. Green.*

By STERLING F. GREEN
Of the Associated Press

WASHINGTON—The Kennedy administration is probing the growth possibilities in a European-style policy of "neutral" federal budgets—less concer nover small and temporary deficits, less emphasis each year on surpluses.

President Kennedy has ordered his Council of Economic Advisers to study Western Europe's budget, tax and economic policies to find out, if it can, what makes Europe run while America walks.

Behind his decision is the fact that for the past five years the Europea nallies have been expanding their output twice as fast as the United States. Some have gone beyond "full employment" and now have labor shortages.

Some reasons are evident—the swift development of the Common Market, the rush to raise living standards which still are far below this country's, different economic planning. Still other elements have caught the eye of administration economists.

One is that Europe's private and public investment in new plant, equipment and other assets is about 50 per cent higher, in proportion to national output, than that of the United States.

Another is that Europe's governments have run frequent deficits without apparent alarm. In the rare periods when business hesitated, bigger deficits were sought promptly and deliberately to bolster buying power. Seldom, except in booming West Germany, have "tight money" policies been invoked purposely to check inflation.

TAX STRUCTURES OF SPECIAL INTEREST

Whether or not these fiscal policies have helped build Europe's visible prosperity can be debated. But the Kennedy administration, now searching for ways to turn a merely "satisfactory" recovery into full employment prosperity, intends to find out if it can.

Of special interest are Europe's tax structures, for Kennedy has announced he will send Congress this summer the blueprint for a massive 1963 tax overhaul. There is speculation that it will contain a net tax cut of up to $5 billion. At what points should this tax relief be concentrated to produce maximum growth?

Republicans who blame Kennedy economic policies for the stock market's wild gyrations, already have assailed the European study as "a real Alice-in-Wonderland" adverture.

There are ample signs that the study and its director, Chairman Walter W. Heller of the economic council, will be the target of GOP campaign speeches throughout the fall congressional election campaign.

The Senate Republican policy committee has already given the cue. It derided the idea that this country, "probably for the first time in modern history," should look overseas to "find out something about how to maintain a strong economy."

The GOP statement recalled that Heller helped a Marshall Plan economic mission to West Germany in 1951. The mission came up with "a brightly packaged guide to economic perdition," the Republicans said. They went on:

"Dr. Heller and the team suggested, among other things, that in order to recover West Germany should: (1) not pay any attention to balanced budgets; (2) not worry about inflation; (3) not have excessive concern for price stability; (4) not be overly timid about the creation of new credit; and (5) be sure and let the government play the dominant role in the economy."

Germany ignored the advice, the Republicans said, and instead took the route of "a sound currency, a balanced budget," incentives to investment and encouragement of private enterprise.

Kennedy was asked at his news conference two weeks ago whether he thought Europe's swift advance was related to deficit financing. He replied that he felt this was "one of the matters we ought to be talking about."

'A DRAG ON THE ECONOMY'

The President said he was "not sure our budget keeping is as modern as the economy demands." He felt that the tax system should be looked into, to see whether it acts as "a drag on the economy" when the country is climbing out of a recession.

"I don't think we should be satisfied with the way we are operating our economy as long as we are not going at full blast, as they are," he said.

The Heller study is expected to propose some changes in the budget itself — the "administrative budget" historically used for federal bookkeeping. Economists have long argued that it is a poor yardstick for measuring the actual impact of federal spending and tax-collecting on the economy.

Heller has indicated he favors a budget which would show the economic effects of the huge government held trust funds, including Social Security.

But Kennedy and Heller are focusing on matters of greater moment than tinkering with the fiscal yardsticks. They want to know, for instance, whether a tax cut in 1963 might have the same beneficial effect that the last one had, in 1954. And whether it might be preferable as a stimulant — as Britain seems to believe — to a rapid increase in federal spending.

Historically, Americans have expected their government—no matter which party is in power—to budget for a surplus. All too often the surpluses have turned into deficits, but the goal of balancing the budget has been accepted as synonymous with fiscal responsibility.

One question raised by recent European experience is whether the very act of writing and executing a surplus budget, under some economic conditions, serves to diminish consumer and corporate incomes—and thus backfire by retarding the economy and unbalancing the budget.

Some European experts argue that it is wrong to use the budget as a restrictive weapon unless there is a serious inflationary threat—that a more nearly "neutral" budgeting policy in the long run will provide the economic climate that generates growth and rising tax collections.

(Thursday: The Kennedy grand strategy)

It's Rough World, All Corners of It

By WILLIAM L. RYAN
Of the Associated Press

It would be understandable these days if United States statesment were in a snappish mood, like men confronted by the incomprehensible.

The way the news has been looking, the statesmen could easily get the impression that the only comforting news comes from Moscow.

The Soviet government is up to its ears in economic trouble. it has had to boost food prices sharply and the make embarrassing explanations to its public.

Russian youngsters are becoming worrisome, as if infected by something that old Bolsheviks might well call creeping capitalism.

The Russians have trouble with their rambunctous Chinese allies and with little Albania.

But what's happening elsewhere?

The United States has its own trouble with its fractious friends.

President DeGaulle's government, still in a mess with Algeria, has its own ideas about how the North Atlantic Alliance should operate, and tends to be unruly.

The West Germans are peeved whenever the United States seems to want to talk to the Russians about Berlin instead of threatening to toss rockets at them.

The British can't seem to make up their minds whether to get into the Common Market or stay out of it.

The United States, devoutly endorsing the Common Market as the wave of the future, finds the arrangements getting in its hair, what with tariff retaliation whenever the Americans insist on protecting their own domestic industries.

India is angry at the United States because of its military support of Pakistan, which is allied with Washington in the Central Treaty Organization. So India dickers with the Russians for supersonic jet fighters. But since Red China is angry at India, it is making friendly gestures toward Pakistan, supporting the Pakistani claim to Kashmir and offering—of all things—economic help to Pakistan.

Syria is talking all over again about federation with Egypt in the United Arab Republic. That has the scent of trouble to it, because the Syrians usually don't talk that way unless they're abraid of something else.

In South America, the Alliance for Progress doesn't seem to be going places. Reforms—tax, land, administrative and the like — seem to languish or get in committees or just remain in the talking stage.

Crisis or the threat of crisis hovers over a half dozen Latin countries, and painful embarrassment for the United States lurks around almost every corner.

Maybe if the United States had only Russia to deal with, and Russia had only the United States to deal with, things, might be a bit easier for statesmen on both sides of the fence.