What Money Costs

Explained By Book Written By Federal Reserve Officer of New York

The spotlight of public interest has been turned on the money market. Heavy gold exports during the past few months, the rising tide of speculation, and, more recently, an upward change in the discount rate of one of the Federal Reserve Banks, all have contributed to this end. It is particularly fortunate that, at this time, when credit conditions are a topic of such general discussion, there has appeared a statement from a responsible official of the Federal Reserve System concerning that System's organization and operations. Dr. W. Randolph Burgess, Assistant Federal Reserve Agent at the Federal Reserve Bank of New Yark, is the official in question, and his recently published book on "The Federal Reserve Banks and the Money Market" will help to illuminate any discussion of credit, credit policy, and the Federal Reserve System.

Three important aspects of Federal Reserve policy are presented in clear detail in Dr. Burgess's book. The mechanics of policy formulation are reviewed, and the principal methods used to make policy effective, open market operations and changes in discount rates, are explained. It is interesting at this time to note those factors which he says must be considered in determining rate policy:

1. The going prices of money in the open market.
2. Changes in the total volume of credit in relation to the usual rate of growth of credit volume.
3. The ways in which credit is being used in commodity and security markets.
4. The condition of business.
5. The movement of all kinds of prices—wholesale and retail commodity prices, security prices, rents, wages, etc.
6. International conditions, including their influence upon the movement of gold.

In discussing the policies which the Federal Reserve System has adopted to deal with gold, Dr. Burgess indicates that every policy decision that the Federal Reserve authorities have made in recent years has probably been influenced somewhat by gold. There has always been some danger that the gold stored in the Federal Reserve System might be used for a gold inflation. "This," he says, "was a situation calling for high discount rates, made effective by open market operations. But there has been also a constant threat of additional gold imports, particularly at times when money rates have been firm and our money market, therefore, attractive to international funds. Additional gold imports would not only have increased the danger of inflation here, but would also draw gold from countries already suffering from stringent credit and thus delay world business recovery and react unfavorably on the foreign trade of the United States. This situation called for low discount rates and an easy money policy that more gold might not be attracted here.

"Credit policy has had to thread its difficult way between these two opposite necessities—high enough rates to avoid inflation, and low enough rates to avoid attracting more gold—and simultaneously adapt itself to a changing domestic credit situation."

He then goes on to show how Federal Reserve operations have served to "cushion" the effect of gold imports on the credit situation in the United States during recent years, and how they may exert a similar influence in the event of an outward movement of gold.

The glass in your windshield is the same stuff that is used in hospital windows. Look through one or the other.

Affords An Object Lesson

Copper is being sold in greatly increased quantities at prices below those prevailing in 1913. This result has been accomplished by reducing cost of production.

Improved flotation, leaching and smelting practices have been introduced, along with extensive use of electric and steam power in handling crude ores. Low prices have forced search for methods of utilizing low-grade ores more economically. The result is greater copper supplies capable of profitable exploitation.

Application of capital to provide better machinery and make mass production possible has reduced per unit costs. By such means it has been possible to keep prices at levels low enough to stimulate consumptive demand for a greatly enlarged output.

The great growth in the use of copper in leading industries, such as automobile and electric manufacturies, light and power transmission, has undoubtedly given a great impulse to the search for cheaper production methods. On the other hand, the effective demand has in turn been enlarged by maintenance of low prices.

Western metals, copper, lead, zinc, silver and gold are absolutely essential to our industrial and financial structure. The whole nation is interested in policies which encourage development of such properties.

Counties Get Forest Funds

A total of $189,293.90 has been turned over by the Federal Government to the State of Oregon for distribution to thirty-one counties of the state as their share of the annual national forest receipts for the fiscal year ended June 30, 1927. This is twenty-five per cent of the year's receipts from the fourteen national forests in the state, and is distributed to the counties for use on roads and schools.

Recent dispatches which appeared in Oregon papers under a Washington, D. C. date line gave this amount as $13,238,092. This was an error. This figure is the total acreage in national forests in Oregon and not the amounts to be received by the counties. Under the so-called twenty five per cent fund law, one fourth of all national forest receipts are returned to the state, to be pro-rated among the counties on the basis of the areas of each national forest in each county.

A total sum of $1,998,824.05 has been returned to the counties of Oregon for the fiscal years 1926 to 1927, inclusive.

In commenting on these figures, the district forester's office says that the amount depends on the amount of use of the various national forest resources. As timber sales and other national forest activities increase, these amounts become larger. It is further pointed out that since national forests are handled on a sustained yield rather than an exploitation basis, these county receipts should continue to increase in the years to come.

Thrift Defined

Thrift should not be confused with miserliness. Thrift is merely the valuable quality of being able to spend money wisely and well, not foolishly. Wise investments make for sound business, and greater business. Wise spending makes for better products in all lines, and increased production. The miser is one who dislikes spending money no matter how worthily. He is one of the greatest enemies of progress.

The amount of money that is hidden in a sock under the floorboard, or buried in the back yard is growing less. Instead, it is deposited in banks, and circulating in order to produce many times its face value.

Make Haste Slowly

All the world knows now that the petroleum problem is a world problem. There is more petroleum immediately in sight than is wanted or can be profitably marketed.

On the other hand, nature's stores of it are sharply restricted and whenever they are too generously drawn on, the world, in this petroleum age, will find itself deprived of what has truly come to be a necessity of life.

If it is true that there is no adequate power under the constitution for regulating such an industry as this, then it is one more evidence that sometimes the constitution needs to be supplimented to keep it in step with mankind's progress.

The first step is to find whether anything effective can be done constitutionally. That is what the Federal Oil Conservation Board has proposed to do. It should be given plenty of time to determine what can and what ought to be done.

In dealing with interests so enormous, so economically important and politicallly vital as those which involve the petroleum industry, there should be no undue haste, but, on the other hand, a proper policy having been determined upon, there must be no hesitation about adopting it. —Washington, D. C., Heral d.

Record of Public Service

The freight shippers of America paid in 1927 almost nine hundred million dollars less charges, than they would have paid in 1921 for the same service. Numerous rate reductions have saved the shippers over four billion dollars in the six years.

It is unfortunate that criticism of railroad rates is based almost entirely on personal opinion and theory, and seldom on fact. As a matter of truth, rates are now remarkably cheap, and have been steadily lessened. The radical exhorter who denounces the railroad is attempting to delude his audience.

Railroad management is tremendously efficient and intelligent. Safety has been increased to such an extent that a passenger is safer on the train than in his own home. Comfort and service of the trains have reached a new high standard. But in spite of cost reductions, railroad earnings are less than the small percentage of profit permitted by the government. One way to reduce railroad rates is to reduce their tax-burden and do away with legislation interfering with railroad progress. The lines themselves are more than meeting their obligations to the public.

Doubling Timber Profits

Abandoned as a field crop area 50 years ago, a two and one half acre field on a farm near Howison, Mississippi, recently yielded a timber crop worth $600, says the United States Forest Service. The timber was long leafpine with which the field had been reseeded naturally, and which had been given no attention except for some protection against fire. About 1,000 trees were cut, nearly every one of them making two poles. The return to the owner was nearly $5 per acre for each year of the pine growing period. According to forest officers, this return might have been doubled if he had practiced a little timber culture, done his own cutting and hauling, and sold the crop at the railroad by the linear foot. That is the method he used in marketing his cotton and potatoes.

Year Sees 200 Less Electric Plants in Operation

One hundred and eighty one municipally owned electric light and power generating plants, or distributing systems, were sold during 1927 to privately operated companies to be absorbed into more economically operated interconnect systems.

States in which the greatest number of municipal plants were sold were: Nebraska with 22 plants sold, North Carolina 18 plants, Oklahoma 15 plants, Georgia 12 plants, and Iowa and Kansas each with 10 plants sold.

Municipal plants in a total of 34 states were involved in the sales to privately operated companies.

Oregon sold two municipal plants during the past year. In several small cities in eastern Oregon where local plants were taken over by larger companies, the people are enjoying, for the first time in the history of these comunities, twenty four hours of continuous service at lower rates than before.

Forest Highways Built

A total of 293 miles of forest roads was built in and adjacent to the national forests of Oregon and Washington during the last fiscal year, according to the U. S. Forest Service, Portland, Oregon. Of this total, 59 miles were major highways and 234 miles were minor roads. The U. S. Bureau of Public Roads handled the major highway projects, while the Forest Service built the minor ones. Totals for all the national forest areas in the United States during the same period were: major roads, 292 miles; minor roads, 1,078 miles; total 1,370 miles.

The amount expended on all forest road construction in the states of Oregon and Washington during the year was $2,443,807 of which $1,960-415 was from federal funds and $483,392 from local cooperative county and state money. Total expenditures for forest road work for the United States amounted to $6,-787,656 federal and $925,879 state and county cooperation.

During the same fiscal year, $198,-663 was expended for construction of 1,245 miles of trails in Oregon and Washington, the average cost being $160 per mile.

The additional sum of $330,062 was expended for maintenance of roads and trails in the two states during the year, as compared with a total national expenditure of $1,593,950 during the year. Maintenance in Oregon and Washington covered 4,307 miles of roads, and 12,209 miles of trails.

The total amount expended for all forest road and trail purposes; that is, construction, reconstruction, maintenance, surveys, administration and equipment; up to July 1, 1927, has amounted to $20,437,000 in these two states. Of this amount, the federal government contributed $13,-936,000 and the local cooperators $6,501,000.

Practically all of this money has been spent since 1912 when special road funds were established by congress. Most of the money has been appropriated in the last few years, when the amounts for roads and highways have been greatly increased.

In comtemplating what he has done for others the average man is apt to overlook what others have done for him.

Less Politics in Business

It has become increasingly obvious that the demand for an investigation of the "power trust" emanates, not from the minds of the people, but from the minds of politicians. It is unfortunate that many otherwise estimable persons have a belief that a vague radicalism is a secret of political prominence and success.

The fact is evident that the American public has not lost faith in the power companies, but has gained a greater understanding of, and confidence in this industry.

The wonderful improvements in facilities and service, and the remarkable low cost of electricity, have proved to everyone's satisfaction the essential soundness of interconnection and mass production. They have more than justified themselves.

There is no popular need or demand for a power investigation. "Trust-busting" activities have been relegated to the past day of bustles and horse cars. What the public does want and needs is less politics in business, constructive government policies and tax reduction.

Wholesale dissipation of public funds and the time which such ventures as Muscle Shoals and Boulder Dam rob from public officials at the expense of legitimate functions of government, cause great loss to taxpayers.

Nicknames of States

The nicknames of some of the states, are: Arizona, "Baby"; Illinois, "Sucker"; Kentucky, "Dark and Bloody Ground"; Montana, "Stub Toe"; Oklahoma, "Sooner"; Texas, "Beef"; Virginia, "Mother"; Missouri, "Show Me"; Idaho, "Gem."

Tyros at Saving

Many a mystified father is wondering now how his college-graduate son can be so cocksure he is going to save the world when he hasn't ever learned to save a dollar.—Los Angeles Times.