

Trends

War Expenditures
Are Increasing
Steadily.

BY JOHN T. FLYNN

NEW YORK, Sept. 7.—One interesting fact emerges from the President's statement about the government's finances. It is that if we increase the national debt this year it will be due to our enormous war expenditures.

The President points out that

there will be a large deficit. In the past we have had to borrow money to meet that deficit. This year, however, the President says we will not have to borrow the whole amount of the deficit.

One reason is that some part of the deficit will be used to pay a part of the government debt which matures. While this payment swells the deficit, it will not increase the debt, because it is used to pay off debt. The other reason is that the Treasury has accumulated a large cash balance. And a part of this will be used to pay the deficit.

When all this is done, while we will have a deficit of over two billion dollars, we will, according to the President, have to borrow only \$410,000,000 to take care of it.

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If the President could be induced to be a little less war-like in his military and naval preparations even this addition to the national debt could be wiped out.

Back in the days of Coolidge and Hoover the Democrats used to denounce the Republicans for spending so much money on the Army and Navy. But the President has nearly increased these expenditures until now he leads probably every nation in the world.

The figures will interest any American interested in peace and in our finances. In the last year before the President took office our expenditures for national defense were \$667,000,000.

Last year they were, as far as is visible, \$913,000,000. I say "as far as is visible" because under the involved and confusing bookkeeping of the Treasury now, it is difficult to say what was spent on war purposes. The figure above is the minimum. But this year we are surpassing that in a most amazing manner. This year the visible items amount to \$1,050,000,000.

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But this is not all. Because in the estimates we find an item entitled "other public works" (national defense, public buildings, etc.). How much of this is for national defense? We can only guess. We may be certain it will run into many millions.

If, therefore, the President could be persuaded to cut down his military establishment to the point at which he found it in 1933, he could shave \$400,000,000 out of his budget and avoid any new borrowing this year entirely, assuming that his other estimates are correct.

The President has been increasing his naval expenditures at the rate of a hundred million a year since he came into office. This year they will be practically twice what they were in the first year of his administration. And his War Department expenditures will be also twice those of his first year.

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INDIA'S WHEAT CROP
FALLS BELOW 1935

Times Special
NEW YORK, Sept. 7.—India wheat growers this year harvested 352,240,000 bushels, compared with 363,179,000 bushels in the corresponding period last year, according to a cable from Calcutta.

The area planted was 33,631,000 acres, against 34,490,000 acres in 1935, the cable stated.

Although slightly below last year's crop, this year's still remained above the average for the last five years—350,463,000 bushels from an average area of 33,890,000 acres. Any harvest over 350,000,000 bushels in India is considered excellent and eight such crops have appeared within the last 15 years, the report said.

TRUCKS SET RECORD
WITH SHOW ENTRIES

Times Special
CHICAGO, Sept. 7.—Eleven manufacturers of motor trucks have reserved space for the thirty-seventh annual Chicago automobile show, setting a record for numbers of exhibitions as well as amount of space reserved, according to Harry T. Hollingshead, show committee chairman.

Total space contracted for amounted to 35,000 square feet. Chevrolet gained the first choice, followed by Ford and Dodge.

Sixteen trailer manufacturers have contracted for space, and the airplane industry is expected to enter an exhibit, Mr. Hollingshead said.

GOLD COIN HOARDED

By United Press
LOS ANGELES, Cal., Sept. 7.—Los Angeles County has decided to become an intentional violator of the Federal law forbidding the hoarding of gold. The county workers unearthed a \$5 gold piece dated 1880, while demolishing the old courthouse, built in 1886. The coin will be preserved in the county museum instead of being turned over to Secretary of the Treasury Morgenthau, as the law requires.

80,000 SHARES SOLD

Times Special
NEW YORK, Sept. 7.—Stockholders of Brown-Forman Distillery Co. have subscribed to virtually all the 80,000 shares of common stock recently offered for subscription through stock company executives announced today.

Only 142 shares were left to be absorbed by the underwriters syndicate. Sales volume for 1936 to date has been more than 100 per cent greater than during the similar period last year, the report stated.

Abreast of The Times on Finance

MONDAY, SEPTEMBER 7, 1936

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RESERVE BOARD ACTS TO HALT EARNINGS DROP

Economy Possibilities Studied; Bulletin Shows 50 Per Cent Slump.

By United Press

WASHINGTON, Sept. 7.—Federal Reserve officials today considered the possibility of instituting further economy measures throughout the system as net earnings of Reserve banks for the first six months of 1936 fell more than 50 per cent compared with the same period last year.

Disclosure of increased earnings on the Federal Reserve bulletin for September showed the Reserve banks paid dividends of \$3,921,346 during the period, a decrease of \$500,000 over the same period last year, but \$643,388 more than a part of this will be used to pay the deficit.

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Economy Plan Initiated

An economy plan was begun several months ago among the Reserve banks to co-ordinate their work and reduce unessential personnel in an effort to keep up earnings.

Joseph A. Broderick, board member, made an extensive tour of the banks recently to confer with officials about further reductions. He is expected to discuss the situation with Board Chairman Marriner S. Eccles, when the latter returns from his vacation in Utah.

A comparison of records disclosed that expenditures for the six months in 1936 were \$15,851,856, an increase of \$966,470 over the 1935 period.

Dividend Cut Possible

If earnings continue to fall, the board may face the alternative of cutting its present dividend rate or further curtailment of expenditures otherwise it would be compelled to dip into surplus to meet the payments.

The report showed that reimbursable expenditures of Federal Reserve banks on behalf of the Treasury and other Federal agencies increased \$2,000,000 over the six months. The most important rise in earnings was \$56,000 on industrial loans.

The bulletin reported also that nearly half of the \$1,212,000,000 in cash paid out for the soldiers' bonus is still in circulation. The bonus bonds were issued June 15. About \$500,000,000 of them were not cashed.

GOVERNMENT HELPS NATIONAL INCOME

Public Pay Rolls Since '29
Increasingly Important.

Times Special

NEW YORK, Sept. 7.—To an increasing degree since 1929 government has supplanted private industry as a source of income realized by individuals, according to an analysis by the National Industrial Conference Board.

Income derived from government sources, which amounted for 8.5 per cent of the total income in 1929, increased to 17.5 per cent by 1934. Some derived from government amounted to \$6,820,000,000 in 1929 and \$9,354,000,000 in 1934, the report stated.

In the meantime, income derived from industry dropped from \$73,209,000,000 in 1929 to \$41,545,000,000 in 1934, according to the analysis.

FINANCING TOTALS EXPAND OVER 1935

Times Special
NEW YORK, Sept. 7.—State and municipal financing during August amounted to \$62,753,105, against \$52,743,044 in the same month of 1935, according to the Daily Bond Buyer.

During August, PWA financing aggregated \$119,606, and RFC financing totaled \$14,184,000 as compared to \$27,000 and \$856,625, respectively, a year ago.

The monthly totals' total for this year was \$748,528,078 compared to \$746,773,938 for the similar period last year, the report stated.

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ARGENTINE BUSINESS UP

NEW YORK, Sept. 7.—A sharp increase in business activity in Buenos Aires reflected in clearing house figures for the first seven months of the current year, which registered a 9 per cent gain over the corresponding period a year ago, according to a cable received today.

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INDIA'S WHEAT CROP
FALLS BELOW 1935

The Gas That Runs the Machine



CLIPPER SHIPS HELD TAXABLE

California Ruling Makes
Planes Subject to
State Law.

By United Press

SAN FRANCISCO, Sept. 7.—Pan American Highways' three trans-Pacific fliers, the China, Hawaiian and Philippine Clippers, will have to avoid resting too long if they are to avoid taxation in California, according to the latest ruling of state Taxation Authorities.

Atty. Gen. U. S. Webb has ruled that the clippers are taxable in California if they are habitually at the Alameda Airport.

The company had demanded exemption from taxation on the grounds that the transoceanic clippers were vessels and thus exempt from taxation under a section of the state constitution.

Webb ruled, however, that clipper ships generally are regarded as sea-planes and not vessels inasmuch as most of their travel is in the air. He also expressed doubt that when California legislators in 1914 enacted the present taxation law as regards vessels that they were far-sighted enough to have foreseen and intentionally included trans-Pacific airplanes within the exemptions of the law.

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FEAR OF GOVERNMENT BOND CRASH HELD UNWARRANTED

Despite Apprehension, Several Factors Indicate Marked Decline Unlikely, Banker Declares.

BY CHARLES H. HUFF

Times Special Writer

NEW YORK, Sept. 7.—Fear of a tumble in United States Government bond prices has been evident in bond market gossip from time to time for more than a year. It has been recurrent with every new peak in the Federal list, and since last fall the Federal lien market has made something of an all-time record for piling up a succession of new peaks.

Closely tied up with the repeated dragging forth of this ominous specter of an impending crash in Federal bond prices has been an inevitable apprehensive asking of the question: "What will happen to bond prices as a whole if United States securities go into a tailspin?"

There develops to be a scattered opinion that other categories of high-grade investment paper could stand upon their own merits, regardless of the destiny marketplace of the present huge crop of Federal bonds and notes that is bulging in the coffers of the nation's institutions.

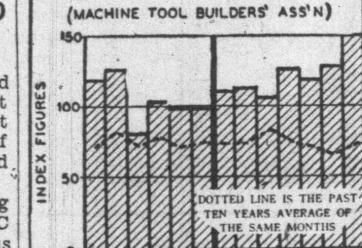
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The tax fight now hinges on the interpretation of what is meant by the word "habitual" as regards the amount of time the clippers spend at their Alameda base.

Officials of the company say the average stop of the clipper ships at Alameda between runs to the Orient is only eight days.

Busigraphs

NEW MACHINE TOOL ORDERS (MACHINE TOOL BUILDERS' ASS'N)



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