

Will you live too long or die too soon?

These two possibilities everyone must face—either that he will die too soon, while others are yet dependent upon him; or that he will outlive the period of his own earning capacity, and become dependent himself.

There is no escaping the facts. But there is a way to provide against either possibility.

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Distinctive Economies for Postal Policyholders

In the Postal Life Insurance Company you not only enjoy the security of this complete protection, but also its *distinctive economies*, through the Postal's method of doing business direct with the individual.

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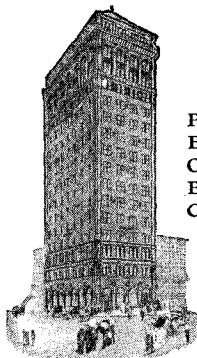
Guaranteed Commission Dividend of 9½% of Premiums

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The Uses of Adversity

by DONALD REA HANSON

MANY are the lessons taught by adversity, and if those lessons taught to business men and investors in this era of economic depression are retained, the present period of distress will not have been suffered in vain. We learn only by experience, particularly in the field of business, and our economic evolution from a nation of primitive agriculturists to a stage of highly complex industrial organization has been chiefly through the trial and error method. As a nation, we are not noted for being particularly credulous; nevertheless, it is a national trait that we are willing to try anything once. The evolution of our currency system from the worthless "Continental" of the days of Alexander Hamilton to the present efficient system of Federal Reserve notes backed by a reasonable gold cover has been achieved at the cost of monetary panics, business depressions, and all the attendant woes that accompany them. We made the serious mistake of listening to the siren call of bimetalism, of a silver standard in the ratio of sixteen to one; and we paid for it with five years of industrial stagnation in the early 1890's.

We have gradually learned, through the storm and stress of industrial labor disputes, that when machinery displaces hand labor, it creates more jobs than it displaces, in the long run, and that it contributes to a higher standard of living. This is beyond dispute to-day. The humble workman in his cottage has running water, electric lights, better sanitary conditions, probably a radio, and quicker access to transportation than the industrial princes of the pre-industrial revolution days. But evolution brings its new problems. They must be tried and tested. And we are now in the throes of these economic trials.

To go back no further than the last period of depression: What were the problems that arose in 1921, and what were the lessons derived from those problems? They were many. At that time such questions as price fixing, government control of railroads and utilities, Federal Reserve policy, income-tax procedure, wages, and many other problems were the live issues of the day.

During the war, price fixing was

adopted as more or less of an emergency measure by the United States Government in order to facilitate the conduct of the war to a successful conclusion. Wheat was stabilized around \$2.25 a bushel, steel prices were pegged, and a more or less artificial basis was forced upon many commodities due to the complete dislocation of the usual equilibrium between supply and demand. After the emergency passed, a full year's crop was harvested on the fixed price basis, notwithstanding the fact that the crisis was over and consumption was far below the highly stimulated production. Unfortunately, this was one lesson that was not thoroughly learned. The farmer had had a taste of \$3.25 wheat and liked it. He was not willing to let it go without an appeal to the government, and farm relief has been a perennial political problem ever since.

British rubber producers conceived the idea of taxing excess rubber produced beyond an arbitrary level to a point where production was stifled. They did succeed in sending rubber to extraordinary prices, but Dutch rubber growers simply expanded their output and the market was soon glutted. Brazilian coffee growers thought they had solved the coffee price problem when their government withheld a certain proportion of the output in order to stimulate prices. But the high prices stimulated producers to greater efforts and that market became glutted. Copper producers thought they had solved the problem of stabilizing prices when they attacked it from the production end; but they soon found that consumption can fall off much more rapidly than producers are willing to curtail, and huge surplus stocks of that metal accumulated. We failed to learn the lesson that price fixing and other kinds of tampering with the natural law of supply and demand were futile in 1921, and we have had another vivid demonstration of their uselessness in 1930.

THE RAILROADS

ELEVEN YEARS ago government control of the railroads and public utilities was a live issue. To prevent an utter collapse of the financial position of the carriers in 1918 the government operated the roads, guaranteeing earnings and

Downtown

credit. The physical condition of the railroads became impoverished. Engine failures were common, transportation blockades were frequent, car shortages were the rule. Consumers were crying for deliveries and bidding goods prices up. A shortage developed on consuming ends and overproduction on producing ends. Then when the carriers were restored to private ownership and goods began to move to their destinations, prices collapsed, cancellations of orders were enormous, and a depression was on. We learned a costly lesson in government ownership. The reaction went far in the other direction, yielding the Transportation Act of 1920, with its requirement that railroads be merged in large systems, and its establishment of the principle that the railroads shall be permitted rates that will yield a fair return on the investment of capital. The Interstate Commerce Commission has never fixed rates that would yield the prescribed return, but there has been some progress in that direction.

After the Armistice the Treasury Department faced the problem of issuing new loans. To facilitate these issues and secure a low interest rate, pressure was brought upon the Federal Reserve Board in 1919 to maintain a lower rediscount rate than market conditions warranted. This artificial ease in credit greatly accelerated the inflation in commodity prices then under way. This lesson has not yet been learned as well as many Federal Reserve critics would have it, some of them holding that the cheap money policy of 1927 was one cause of the inflation in security prices in 1928 and 1929. But the principle that Federal Reserve policy should be dictated by the Federal Reserve Board, and not by political considerations, seems to have become well established.

In 1920 business men were caught with enormous inventories at high prices. These inventories were commonly mortgaged at the banks and the ensuing deflation of prices crippled many industries. That this lesson was taken to heart is best indicated by the fact that inventory problems were not at all common in 1930 when commodity prices went through another period of drastic decline. Another lesson was also derived from this experience. Business men saw the wisdom of getting into a strong cash position, reducing bank loans and paying off funded debt while the business skies were bright. Most of the major industrial corporations took occasion to sell stock during the boom and to strengthen their cash positions. The scarcity of big corporation failures in 1930 may be attributed to these precautions. This is a sign of progress.

TAXES

ANOTHER LESSON that was learned in 1920 was that high surtaxes imposed by

55,000

Customers Added in 1930

THE Associated System now serves 1,428,318 customers in 26 States, Canada, and the Philippines.

Service to domestic customers is little affected by industrial depressions. In the industry as a whole, this class used 14% more electricity in 1930 than in 1929.

Addition of three popular appliances, radio, range, and refrigerator, increases use of electricity in the average

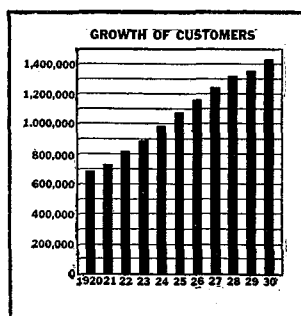
home by nearly 400%. During 1930 the Associated System sold 24% more electric and gas appliances than in 1929.

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