

Economic Hi-Lights

Happenings that Affect the Dinner Pails, Dividend Check, and Tax Bills of Every Individual, National and International Problems Inseparable from Local Welfare.

The remarkable upturn in activity on the New York Stock Exchange during the week ending June 26—described in an Associated Press dispatch as "one of the best weeks in market history"—came as an unlooked-for boom to business and investors. Stock ad-

vanced in value for six consecutive days, with daily gains averaging one to five points. Five hundred and twenty-seven issues advanced in value on the typical last day of the week, as against 104 which declined. Thirty-five issues touched new 1938 highs, and none reached new lows. For the week turnover was in excess of 10,000,000 shares—best since the week ending October 30, 1937—as compared with 1,700,000 shares in the week preceding. The AP average of 60 representative stocks stood at 45.5 on June 25, as against 37.4 a month before. In spite of the rise, however, values were still far below those prevailing at this time a year ago.

What caused the upturn, in the face of increasing gloomy predictions as to the outlook for summer

business, and a steady downswing in the state of expert sentiment? So far as can be seen, no single concrete factor was responsible. It is probable that the improvement came from a combination of the following factors—a recent strengthening in commodity prices, statements by government officials that funds provided under the new lending spending measure will be put to work rapidly, and the low state of business inventories.

The commodity price situation, up to very recently, has been a black spot in the economic picture. Prices tended to fall off, in spite of every effort to keep them stable. Now it seems possible that the trend has changed. But it is anybody's guess due to the uncertainty of our as well as the world's credit structure and tax policies,

not to mention the possibility of wars and labor troubles.

The inventory situation is another factor in the stockpiling. On June 1, wholesaler's stocks of merchandise were 14.5 per cent under a year before. In some lines inventories are at excessively low levels and signs of increased buying have appeared. It is expected that this will steadily but perhaps slowly increase and reach substantial proportions this fall.

So far as the lending spending program is concerned, many experts believe that it will be a less important factor than the optimistic hope, for it means more debt and taxes. Congress has made available for this purpose about three and three-quarter billion dollars. Apparently every effort will be made to put the money to work

with rapidity. But, as Paul Mallon recently wrote, "The government is just not geared to function like a spigot. It is still the snail crawl. It is through indispensable red tape." Mr. Mallon estimates that during the next six months only \$603,000,000 more will be spent than in the six months ending June 30. Using his figures, WPA spending for this period will be up \$264,000,000; AAA soil conservation payments will be down \$31,000,000; commodity credits loans will increase \$138,000,000.

It is possible, of course that these estimates may be proven entirely wrong, if the government manages to cut some of the red tape and get the program running in high gear in record time. But past precedent indicates that it is unwise to expect too much in this

direction.

Summing up, the week surveyed marked the arrival of the first really encouraging signs since last year. On the debit side is the fact that most business barometers—with the exception of residential building which is showing major improvement have not come back, far on the basis of the latest statistics available. It thus remains to be seen whether the upward turn will prove to be the start of a recovery cycle, or whether it will fizzle out, and show itself to be based on unjustified hopes.

Believe it or not—state governments as a whole were in better financial condition at the end of the 1937-38 fiscal year on June 30, than at the end of the preceding fiscal year. That is the gist of a

compilation of statistics gathered from the 48 state capitals.

Only about six states had budget deficits. The balance generally managed to keep outgo in tune with income, and a large number made progress in reducing debt.

This record has been made in the face of declining revenues, and higher costs for relief. It was made possible on the whole, by economies in state government, and by extending the tax base and putting new taxes into effect. It is an interesting fact that most states are coming to depend less upon taxes on real property, and more on income, sales, and similar levies.

It is reported that the trend in state government finance is toward the pay as you go system. Spending reduced when revenues fall below expectations.

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ago, it was announced last week... RACE ISSUE RAISED BY ANTI-NEW DEALERS... Columbia, S. C. Sept. 1 (CNA)—The reactionary banner of race hatred and white supremacy has been raised here by anti-New Deal elements...

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