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The COMMERCIAL and FINANCIAL CHRONICLE

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An Economic Picture of Europe

By BJARNE ASPER*

Export Manager, Johns Manville International Corporation

Reporting on a recent trip through Europe, Mr. Asper notes improvement in people's morale. Says Sweden is well off, but taxes on gasoline discourages import of American cars. In Norway and Denmark he noted recovery, with unsatisfied demand for American goods, but in France he found confusion, black markets, and distrust in government and French franc. Belgium is enjoying prosperity and Britain is exporting more than half automobile output, and trying to "unfreeze" sterling, but industrialists are concerned over nationalization.

In the overall picture in Europe, naturally my interest was in my company's line which includes automotive, but not necessarily all automotive. Yet being so closely affiliated with this club and interested in the automotive picture, I took time out to check on that as much as I could and the views I express here today are my own because I know a number of members have been to Europe in the recent months and they may have different ideas. But nevertheless I am going to give you a picture of Europe as I saw it.

Bjarne Asper

Nature has been rather kind in a lot of spots, in bombed-out areas and so forth. Grass has grown over those places so that the stigma of damage does not stare so much at them and helps to lift the morale of people. And besides that, all

(Continued on page 443)

*Remarks of Mr. Asper before the Overseas Automotive Club, New York City, Jan. 10, 1947.

Economic Interpretation of the Wagner Act

By HAROLD J. KING, Ph.D.

Economist analyzes specific provisions of National Labor Relations Act and interprets their effects. Holds Act is coercive and against voluntary bargaining, and is discriminatory, since strikes are permitted but lockouts or refusal to bargain are considered interference with commerce. Contends Labor Relations Board acts as both prosecutor and judge, and a "poison fang" is provision compelling employers to bargain collectively with "representati ves" of employees. Says legal sanction is given to closed shop and attacks exemption of Labor Board proceedings from prevailing rules of evidence. Enumerates obnoxious bureaucratic powers given to Labor Board.

As the subject of labor relations is sure to occupy a large part of the attention of the Eightieth Congress, the National Labor Relations Act (Wagner Act) is certain to receive the careful consideration of the legislators. Those who consider this Act the Magna Charta of American labor will be studying possible revisions to improve, if not strengthen the Act. Those who consider it the legal monstrosity at the base of our labor-industrial strife will be thinking of ways to weaken the Act, should repeal prove impossible.

Harold J. King

If the average thinking American is to play any part in this drama, if he is to let those in Congress who represent him know how he feels about the questions involved, it is now time for him to refresh his memory concerning the specific provisions of the Act.

For his convenience, the more important elements of the Act are reproduced below, along with brief economic interpretations or comments for each.

Excerpts From The Wagner Act and Economic Interpretations and Comments

AN ACT

To Diminish the Causes of Labor Disputes Burdening or Obstructing Intersate and Foreign Commerce, to Create a National Labor Relations Board, and for Other Purposes.

Comment—In 1947 any comment on the success of the Act in accomplishing its avowed purposes seems superfluous. Should one entertain any doubts, however, as to the success or failure of the Act in accomplishing its

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Business and Finance Speaks

After the Turn of the Year

Starting on page 414, we publish the opinions of many of the country's leading industrialists and bankers regarding the economic outlook for their particular fields and the course of business generally during the present year.

Monthly Range of Prices on the New York Stock Exchange During 1946

In the second section of today's issue, starting on page 501, we present a tabulation showing the high and low prices, by months, for the year 1946 of every bond and stock in which dealings occurred on the New York Stock Exchange. On page 520 of the same section is a table showing the course of prices of Treasury bonds, by months, during 1946.

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The Outlook for Interest Rates

By ROBERT H. CRAFT*
Vice-President and Treasurer, Guaranty Trust Company of New York

Banker contends there is not much basis for expecting substantial change in interest rate pattern, though economic factors influencing interest rates will bring about some widening of spread between rates of government borrowing and other categories. Does not look immediately for heavy borrowing by business which mean higher rates, and predicts slight and temporary business recession. Holds maximum redemption of public debt will be under $3 billions annually and warns reckless lending by banks has ended and they must again be selective in granting loans.

Banking today is on the threshold of a period quite unlike any through which it has passed since the formation of the Federal Reserve System in 1914. I go back to this date because it marked the beginning of modern banking. While there is something to be gained from the experiences of the periods following World War I, the boom and bust of the 20's and the painful 30's, culminating in the financial preparation for World War II, the circumstances surrounding each of these periods were quite different from the factors present in today's economy. A full review is too time-consuming, but I do think it is pertinent to this discussion to refresh our memories of the financial situation prevailing at the outset of World War II, the changes that took place during the war, and those that have occurred during the past 17 months.

Robert H. Craft

Growth of Public Debt

On June 30, 1939, the public debt was less than $46 billions; it subsequently reached a high of about $280 billions in February, 1946, and at present it amounts to about $260 billions. At the end of 1939 the banking system, embracing all active banks in the United States, held only $20 billions of Government obligations. By December, 1945 this figure had increased to $102 billions and it is estimated at present that there are about $80 billions of Government securities in the banking system. Aside from the loans for the purpose of purchasing and carrying securities incident to the bond drives during the war, there was very little change in the volume of loans in the banking system during the course of the war. It has been since June, 1945 that the increase, particularly in the volume of business loans, has taken place. Government deposits in the banking system rose from less than $1 billion at the end of 1939 to a peak

(Continued on page 461)

*Address by Mr. Craft before the Mid-Winter Meeting of the New York State Bankers Association, New York City, Jan. 20, 1947.

Fallacies of the "Nathan Report"

By MAXWELL B. ROBERTS
Economist, Bendix, Luitweiler & Co.

Mr. Roberts criticizes Nathan Report for using abnormal years as basis for computation. Points out heavy industries such as General Motors and General Electric Companies will suffer deficits if 21% wage increases are granted, and that at present only producers of soft goods and luxuries are enjoying good profits because of abnormal consumer demands. Suggests a new system for wage adjustments.

To implement its demands for higher wages when existing contracts expire, the CIO caused to be compiled and published an "economic study," known as the "Nathan Report." The "Nathan Report" itself, and the statistics on which it bases its argument, leaves much to be desired, to say the least. The report begins by stating that "recent economic tendencies have brought uncertainty and instability, fear of business losses, and the prospect of a sharp decline in employment during 1947." So far, everyone will agree. We also agree when it asserts that because of rising prices (which were caused by the first round of wage increases early in 1946), labor has lost what it gained during the year. The report continues by comparing January, 1945, the peak month in the peak year of all times as far as the wage earner is concerned, with conditions today which, further on in the report, are admittedly abnormal, unbalanced, and spotty. Thus it proceeds to the next point which, although correct in the overall picture of business generally, hides the real facts about the position of the heavier industries. It states that wages can be advanced 21% without lowering the rate of return on net worth below the 1935-1939 average of 6.9%.

Maxwell B. Roberts

Effect on Heavy Industries

Thus the report commits the sin of omitting to state how this wage increase would affect the hard goods industries, where labor costs are high, where invested capital is large, where the rate of return on net worth is comparatively small, and where the impending labor strife will center within the next few months. Thus it takes for its basis, 1946, a year in which conditions were admittedly abnormal in many ways, and from this tries to deduce arguments which state, in effect, that the situation as it existed during that year is a criterion for the next year. Just because a company makes out well during one year of its operations, however, is no indication

(Continued on page 484)

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Formula for Prosperity

By WM. K. JACKSON*
President, Chamber of Commerce of U. S.

Maintaining relation of wages, profits and prices has become of vital self-interest to everyone; Mr. Jackson states nothing is more serious to public at present than rising wage-price spiral. Denies wages can be increased without higher prices and warns higher prices in turn will reduce markets for mass-production industries and bring about unemployment. Refutes "boot strap thesis" that wage increases enlarge national income and create additional purchasing power, and urges labor to consider plight of millions of consumers with fixed or limited incomes when pressing pay demands. Holds way to share wealth is by lowering prices.

The discussion in recent weeks of the relations of wages, profits and prices has come out of the abstract realm of text-book doctrine into the public spotlight of front page news. The rise of this economic discussion to front page interest in itself illustrates the importance of the subject to the people of America.

William K. Jackson

The relations of wages, profits and prices have become a matter of vital self-interest to everyone. Front page news usually concerns the drama of action. In the field of action, there is nothing more important today than the rising wage-price spiral. This is an action that involves one of the greatest clashes of forces in economic history. Strikes, legislative maneuvers, the thunder of debate in public forums over wages and prices are surface manifestations of the deep-lying economic forces.

Here in this area, the wage-price spiral has special significance. I know of no better laboratory for a demonstration of the fundamental truths of wages and prices than this vast array of productive industry around the Great Lakes. Here the idea that low prices widen markets, create jobs, make profits and raise living standards is a demonstrable truth.

The machine-making and machine-using industries of the Great Lakes region have won for the American competitive enterprise system world renown. This is the home of the industrial genius which has changed product after product from costly luxuries for the few into indispensable necessities for the millions. This is the proving ground of mass production that has lowered prices, raised wages, shortened hours of labor, raised living standards for everybody, paid billions of dollars in taxes and helped make the United States incomparably strong among the industrial nations. Profits have been only one minor achievement in the creative marvels of this midland industrial genius.

Americans may take pride in the accomplishment of its industrial genius. It would be a pleasure to extol in more detail the master works and the benefits these Great Lakes industrial centers have conferred upon America and the world. But the world already has paid the most eloquent possible tribute to the industry of this region by beating a path here to find out how it is done. From Moscow to Sao Paulo, the world expresses its sincerest flattery by attempts at imitation.

Certain fundamenttal concepts of economics lie behind the tangible flowering of competitive enterprise into the great plants and organizations of the mass production industries. One of these ideas is the concept of a wide market founded on low production cost and low prices and small profit per sales unit.

This is the idea that it is better business to sell five million automobiles at low prices than 100,000 cars at high prices. This is the democratic concept that the roots of sound business rely on the solid bulk of the people, rather than rest insecurely upon the upper levels of purchasing power.

The democratic idea of the mass market has been developed in the United States. That is what has made big business. A low-cost automobile cannot be produced in

(Cointinued on page 431)

*An address by Wm. K. Jackson before the Association of Commerce, Chicago, Ill., Jan. 15, 1947.

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Prospects of Recession in 1947

By HOWARD R. BOWEN*
Economist, Irving Trust Company, New York City

Bank economist points out there are abundant indications that inflationary period is ending and a turning point in business approaching, but lists important factors which may cushion a recession. Sees better situation than in 1919-20 yet holds certain strategic forces may produce recession even in face of heavy demand for durable goods.

The past year, 1946, has been a boom year. Production, though hampered by many obstacles, increased during the year by 20%, and at the year-end was 50% ahead of prewar and 70% above the level reached in 1929. But despite the progress in production, demands could not be satisfied at controlled prices. Hence, with the relaxation of controls, wholesale prices increased by over 20% and the cost of living by 15%. This combination of rising production, seemingly unlimited demand, and rapidly rising prices is characteristic of a typical postwar boom.

Howard R. Bowen

The questions before us are these: (1) Will the boom continue throughout 1947? Or, (2) will we make a transition to a plateau of balanced high-level production at stable prices? Or, (3) will the boom give way to recession?

On the first of these questions, "Will the boom continue throughout 1947?" I think the answer is "No." There are abundant indications that we are approaching the end of the inflationary period. I shall mention some of them without elaboration.

1. Both industrial and agricultural production have increased substantially during 1946 and are still rising. But the flow of goods to ultimate users has not kept pace with this increase in production. As a result, inventories have been rising.
2. Consumer expenditures have not kept pace with increases in prices. Consumer purchases of non-durable goods, in physical terms and after allowance for seasonal factors, are apparently declining. There are numerous reports of buyer resistance to high prices and of individual difficulty in meeting living costs out of current income.
3. Net exports, though still high, are leveling out.
4. The rapid increase in construction activity has stopped. Both the dollar volume of construction activity and the volume of contracts awarded have been declining—even after allowance for seasonal adjustment.
5. The rate of increase in business expenditures for durable equipment has been slackening.
6. Federal expenditures have been declining and the Federal budget is near balance.
7. The sharp increase in prices has ended. Some prices—especially farm and food prices—are declining. Others are still increasing but at a moderate and decelerating rate. Incidentally, the prices of commodities for future delivery are on the average about 20% below the corresponding spot prices.
8. The spread between the yield on high-grade bonds and the yield on low-grade bonds has widened indicating a decline in investor confidence.
9. The stock market broke sharply last summer and has since displayed indifferent performance despite reassuring news such as the removal of controls, the election, the improved international outlook, and the prospect of remedial labor legislation.

In view of these factors, some psychological and some material, I do not think that the boom will continue throughout the year 1947. If I am correct in this, there are only two remaining possibilities: (1) a plateau of high-level production and stable prices, or (2) a recession.

Past Experience

Past experience gives us very little reason to expect a period of stable prosperity following a boom. So far as I know, booms have always culminated, sooner or later, in recessions. Moreover, during boom periods in the past, it has been difficult for those living

(Continued on page 482)

*Address by Dr. Bowen before the Association of American Soap and Glycerine Producers, New York City, Jan. 22, 1947.

BUSINESS BUZZ

"I Wish He'd Stop Yelling 'Going Down' All the Time!"

Labor, Capital and Stock Market

By LOUIS MANVILLE

Foreign analyst notes undermining of American capitalism resulting from shift of political power from agricultural workers to urban wage-earners; with sympathy of corporate management increasingly leaning toward labor and away from stockholders. Citing changing purchasing power positions of worker and investor, holds reliance on labor for voluntary moderation constitutes an illusion. Hence looks for secularly lower earnings, and also because market is historically high, concludes stock prices should undergo downward revision.

Earnings of corporate equities can be closely linked to the respective social strength, at a given moment, of management and labor. Earnings being usually the determining single factor in the appraisal of stock prices, it seems, therefore, warranted to examine the possible reflection on corporate profits of the profound changes that are now taking place at a breathtaking pace, in the labor management relationship.

Louis Manville

The historical position of modern free enterprise is characterized by the fact that it is living on a backlog of traditions and beliefs which have survived into an environment that, obviously, could not create it anew. The climate in which these traditions and beliefs originated, in the good old days, have since changed tremendously and this unreplenished backlog is running out further, under our eyes.

Agriculture, though a stronghold of small capitalism, has considerably shrunk in relative importance and now occupies less than one-sixth of the non-agricultural working forces: 8 million against 49 million. Huge corporate enterprise has reduced owners of businesses to less than 5% of the non-farm labor force and the

(Continued on page 421)

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Portal-to-portal pay legislation will be hustled to the White House but more slowly than most business and industry would wish. Congress is eager. But the technical difficulties of drafting an adequate bill become manifest as Congressional study progresses. Complexities of the problem make a simple—and fast—solution difficult. Trends still indicate you can expect (1) limitation of portal wage to defined operations and (2) time ceiling on recovery.

* * *

Synthetic rubber industry is to be maintained in minimum standby condition. Exact form remains to be designed by Congress and national defense formula.

* * *

Don't bet yet on the final form of tax reduction. Tipsters can't know what they are talking about for the simple fact that congressional dicker men are still dickering. Lack of accord is rampant in both Senate and House. Only solace to the taxpayer right now is the unanimity on Capitol Hill that personal tax bills will shrink by some means or other.

* * *

Fact enunciated during 10 days of Reciprocity Information Committee hearings on projected amendment in 18 reciprocal trade pacts may be funnelled into three specifications: (1) substantial segments of American management and labor fear and oppose new tariff cuts at this time, want delay; (2) a powerful clique in Congress shares this view and would postpone the International Trade Organization parley set for April; (3) State Department goadsmen resent delay or moderation or compromise, would ignore the retarders. Probable outcome can't yet be outlined.

* * *

State Department will proceed with its poll to tap public opinion on International Trade Organization. Open hearings will be staged Feb. 25 in Washington, March 3 in Boston, Chicago and New Orleans, and March 10 in San Francisco and Denver. Preliminary draft of the proposed ITO charter will shortly be available at State Department.

* * *

Federal Reserve Board modification of its ban on margin trading may forestall, will certainly delay, congressional inquiry into the Board's operations. Lifting the cash trading requirement came as a surprise. Of late it had been generally believed that

(Continued on page 451)

Controversial Permissive Incorporation Issue May Be Injected Into Coming NYSE Elections

Board of Governors of NYSE votes overwhelmingly against amendment to permit incorporation of member firms but Ames Committee announces intention to continue its fight for permissive incorporation. Maynard Committee, which fought permissive incorporation, feeling there is no longer any need for its continued existence, dissolves, but key members say they propose nevertheless to keep close watch on all developments that might have any bearing on outcome of issue, such as election of nine Governors next May.

The Board of Governors of the New York Stock Exchange by an overwhelming vote last Thursday refused to give its approval to a proposed amendment to the Constitution permitting the incorporation of member firms. The exact vote was not announced, but it was revealed that the required majority of 13 votes, that is, more than half of the total number of votes on the Board, could not be mustered in favor of the amendment. Since there were 22 Board members at the meeting, the ballots in favor of the amendment could not have numbered more than nine at the very most.

Entirely undaunted by its defeat, the Ames Committee, which was formed early last fall to fight for permissive incorporation, announced shortly after the Board's action that it would continue to press for permissive incorporation. Emil Schram, President of the Exchange, did give them some consolation when, in a statement attributed to him in a Chicago newspaper Saturday, he was quoted as saying that he disapproved of the action taken by the Board of Governors on the matter. According to the quotation, it seems that Mr. Schram believes that the permissive incorporation of member firms is the best way he knows of to broaden the activity of the Exchange.

The Maynard Committee, which was formed only a few weeks ago to oppose permissive incorporation, feeling that there was now no longer any need for its continued existence, dissolved. Walter Maynard of Shearson, Hammill & Co., Chairman of this Committee, in fact, sent out letters to the members of the Committee announcing the dissolution. The Maynard letter, however, cautioned everyone to examine the recommendation of the Nominating Committee in April for the positions on the Board to be filled by election in May with an eye

(Continued on page 484)

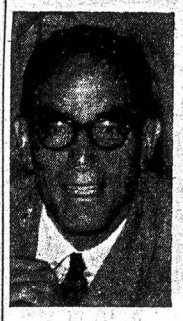
Observations . . . .

By A. WILFRED MAY

OBSTRUCTING BUYERS OF STOCKS AND AUTOMOBILES

The Remaining Guinea Pigs of Our Managed Economy

The Federal Reserve Board's two major explanations of last week, one accompanying its lowering of margins to 75%, and the other telling Congressman Philbin the why's and wherefore's of its intended retention of instalment credit control; manifest anachronistic clinging to outposts of our late managed economy, as well as confused rationalization of the Board's aims to exercise the most "selective" controls over an extraordinarily small, but vital sector, of our present economy.



A. Wilfred May

The Reserve Board's hankering for exceeding in various ways the stock market credit powers given to it by the Securities Exchange Act of 1934, has become increasingly evident through the years. It must be remembered that the regulation was originally instituted not to control prices—nor the business cycle—but to prevent the commercial banking system's safety from again becoming involved in a speculative orgy like the late 1920's, when brokers' loans grew to $8½ billions and bank loans on securities to over $10 billions. (Such credit is now at the lowest level in 30 years.) As explained to the House Interstate Commerce Committee at the time by "Tommy" Corcoran, co-architect of the legislation, the pertinent "credit" sections 7 and 8 of the Securities Exchange Act were basically intended to (1) keep the banks from involvement in repercussions from excessive market speculation; and (2) protect the individual from his own inherent gambling proclivities. In line with this basic solicitation for the banking system, the Banking Act of 1933 also gave the Board power to curb the speculative operations of banks, by (a) fixing the proper amount of capital and surplus that member banks can loan on securities; and (b) abolishing the hitherto large and injurious loans "of others." In all this there was no express or implied intention of giving the Board power to attempt business-cycle control.

Previously, stock market margins were fixed by the customers' respective brokers, under occasional informal "interpretations" by the New York Stock Exchange of its dictum originally issued in 1913, which had stated merely that "proper and adequate margin should be maintained." Thus in 1923 the Exchange authorities "interpreted" this to be 20% of debit balances; in April, 1929, 30%; and 25% in 1932.

The Government's control over stock market credit was initiated in 1934 with a sliding scale of margins, based on price ranges, extending from 25 to 45%. In January, 1936, in the midst of a major bull market, the Board stepped in with a 22% "hike," setting 55% as the upper requirement. This was reduced to a flat 40% effective Nov. 1, 1937.

The first change thereafter was made in the bull period of February, 1945, when the requirements were boosted to 50%. As the bull market continued, the Board raised margins from 50 to 75% in July, 1945, and from 75% to 100% early in 1946. Now they are back to the latter-1945 figure.

At the time of the 100% margin imposition in January, 1946, Chairman Eccles in his accompanying "personal opinion" strongly emphasized the wide inflationary effects of the Treasury's monetary policies, including particularly the monetization of the public debt. At the present time, while still paying lip-service to the realization of the limitations of this kind of control, Mr. Eccles' statement accompanying last week's margin action nevertheless seemed to fall

(Continued on page 469)

Joseph Cross Jr. With C. J. Devine & Co.

C. J. Devine & Co., Inc., 48 Wall Street, New York 5, N. Y. announce that Joseph G. Cross, Jr. is now associated with the firm in the municipal department. Mr. Cross was formerly with Campbell, Phelps & Co. and Smith Barney & Co.

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WAA Plans to Enter Foreign Credit Field

To inaugurate export program because of difficulty of sufficient disposal at home.

WASHINGTON, Jan. 22 (Special to the "Chronicle")—The War Assets Administration is expected shortly to enter the foreign credit field, under the coordination of the NAC created to dispose of surplus Government stocks in the United States. WAA has on its hands more property than can be expeditiously disposed of at home, notably machine tools. Inauguration of WAA's export program will represent a shift in policy. Heretofore the Office of Foreign Liquidation Commissioner has had the foreign field to itself.

What WAA's export business will total in dollars no one can estimate as yet. In one respect domestic considerations will cramp WAA's style abroad: credit terms cannot be more generous than those extended by WAA at home.

The Export-Import Bank continues to study the financing of exports to Germany. The War Department is taking care of so called "disease and unrest" items like food and medicine, but feels that raw materials and machinery fall outside its province.

Snyder Refuses to Reveal Dalton Letters

WASHINGTON, Jan. 22 (Special to the "Chronicle")—Asked whether he intends to make public his correspondence with Chancellor of the Exchequer Dalton on the Anglo-Argentine Monetary and Trade Agreement, Secretary of the Treasury Snyder today told his press conference: "We are not going to carry on the correspondence in the press. We are simply not going to do that.

"At the appropriate time, if it is proper to release that correspondence, it will be released, but I am not going to read letters that I am thinking about, to be delivered to Mr. Dalton with the morning newspaper. . . . I have not yet delivered to Mr. Dalton a reply to his letter."

Halladay Admits Merritt

Halladay & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Wilson P. Merritt to partnership on Feb. 1.

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Independent Banking—It Must Be Preserved!

By ORVAL W. ADAMS*
Executive Vice-President, Utah State National Bank, Salt Lake City, Utah

Western banker, maintaining American banking system is a mature product of long and steady growth which has contributed to our economic progress, pleads for continuation of local banking and decries tendency toward concentration. Urges bankers to be, above all else, citizens, and to take wider and more active interest in political and economic problems. Opposes banking by government and "disguised Europeanism" introduced by New Deal. Stresses importance of restoration of sound money in our economy.

A "GI" was given an honorable discharge after four years service on foreign shores. While under the influence of too much fire water, he married.

Orval W. Adams

Several days after the union, he sobered up. "Wife," he said, "here we are, married. Had I been sober I am sure that this partnership would not have resulted. You probably feel the same way. Whether we like it or not, we are man and wife. Had I been clear-headed, and you the same, each would have confided in the other—you would have made your confessions, and I would have made mine. Too late now, wife. Nevertheless, though tardy, I am going to make a confession, and I grant you the same privilege. There are a lot of things wrong about me that you should know, but, first I must tell you that I am color blind." Whereupon the new bride exclaimed: "Yo' sho' is!"

Far be it from me to accuse the 15,000 independent banks of lacking vision. It has been well said that when vision is gone, institutions perish. However, if we, through apathy and lack of intelligent, fighting courage, sleep while inroads are being made that will be inimical to the system of free enterprise, which enterprise has given to 140 million Americans the highest standard of liv-

(Continued on page 427)

*An address by Mr. Adams before the Independent Bankers Association of Southern California, Los Angeles, Cal., Jan. 23, 1947.

Rumor Well Substantiated That Haskell Will Be At His Old Job At E. F. Hutton & Co. Feb. 7

Understanding is that Exchange, in effect, is changing his registration cancellation to merely a 30-day suspension.

Two whole weeks have passed since the historic announcement by Emil Schram, President of the New York Stock Exchange, that the registration of William H. Haskell as a registered representative had been canceled because in General Sessions Court he had made the statement he was in the "gambling" business.

It will be recalled that Haskell had been called as a prospective juror in the trial of Alvin J. Paris, charged at that time with attempt to bribe two professional football players (and later convicted) and that he, Haskell, had stated his inability to serve as a juror since, in his own words, "I am in the gambling business myself." In justifying the action which the Exchange had taken against him, Mr. Schram pointed out, it will also be recalled, that "Mr. Haskell has a misconception of the business in which he has been engaged."

Many brokers on Wall Street, expressed the opinion at the time that Haskell should not have been penalized for a mere expression of opinion whether on the subject of the securities industry or any other topic.

In any event—and this may be more significant than it might possibly seem at first—there is a well substantiated rumor that, very likely in consideration of the expressions of apology made to Mr. Schram by Haskell himself at the time, the Exchange, in effect, is changing its cancellation to merely a 30-day suspension of Haskell's registration and that, consequently, Haskell will be back at his old job at E. F. Hutton & Co. by Feb. 7. The Stock Exchange denies it has been requested to reconsider Haskell's application and the officials of E. F. Hutton & Co. couldn't be reached yesterday for comment.

It is known that the Exchange was—if not is—somewhat in a quandary over just what procedure to follow in the event it should decide to reinstate Haskell. It is probably the rules of the Exchange which have been holding up final disposition of the case.

With First Securities Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Edith M. Brown has joined the staff of The First Securities Co. of Chicago, 134 South La Salle Street. Miss Brown was formerly with Riter & Co.

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Conducts Negotiations

Mord M. Bogie, President of Shroder Rockefeller & Co. Inc., which conducted negotiations between the principal stockholders of Froedtert Grain & Malting Company, Inc., Milwaukee, and Rockwood & Co., Brooklyn, leading to an agreement of merger between the two companies. The plan of merger will be submitted to the companies' boards of directors and stockholders for approval. Mr. Bogie is a director of the Froedtert organization.

Mord M. Bogie

Smith, Barney Honors 25-Year Employees

Smith, Barney & Co., members of the New York Stock Exchange, last night held a dinner for its New York personnel at the Hotel Biltmore in honor of 35 members of its local office who have been associated with the firm and its predecessors for 25 years or longer. Charles B. Harding, senior partner of the firm, presented a gold wrist watch to each member of the 25 year group.

Rose Edith Aubin, Customers' Woman, and John F. Leumann, of the bookkeeping department, have the longest service records, both having been with the firm for 41 years. A program of entertainment followed the dinner.

Savings Bankers of Nation to Confer

More than 400 officers of savings banks throughout the country are expected to attend the mid-winter meeting of the National Association of Mutual Savings Banks to be held on February 4 at the Commodore Hotel. The conference will be a streamlined affair with emphasis on practical matters of operations and policy. Chief interest of savings bank executives attending this first mid-winter conference on a nation-wide basis will be centered on problems of investment, public and employee relations, and mortgages. The meeting has been arranged on a panel discussion plan so that all delegates will have an opportunity to participate and submit questions on matters of current interest.

Mutual savings banks constitute one of the oldest group of banking institutions in the country. This year five more banks will reach the century mark, making a total of 80 of these mutual thrift institutions which have been operating continuously for 100 of more years.

FDIC Assists Bank

The Federal Deposit Insurance Corporation has decided to extend financial aid to the First National Bank of Lemont of Illinois to facilitate the assumption of its liabilities by the Lemont National Bank.

Northern Trust Co. Announces Promotions

CHICAGO, ILL.—The following promotions have been announced in the Bond Department of the Northern Trust Company: Walter W. Bonge from Assistant Manager to Second Vice-President; Ross A. Gustafson and Alford H. Scott, Assistant Managers.

Instalment Credit Should Be Decontrolled

By WILLIAM J. CHEYNEY
Director, Retail Credit Institute of America

Mr. Cheyney points out despite public's misconception, the 12 major products still fully curbed comprise practically entire field of consumer durable goods. Answering Reserve Board's argument that instalment buying constitutes an important inflationary threat, asserts it comprises only one-tenth of total consumer credit outstanding. Holds present partial restriction causes shift, not ending, of "inflationary" spending, and inflicts discrimination against low-income people. Concludes government management with such "selective" controls entails complex and unpredictable ramifications.

Regulation W of the Federal Reserve System has become a confused issue lately for several reasons. It is the regulation, of course, which restricts consumer purchasing on credit, the terms and scope of the regulation varying from time to time by Federal Reserve amendment.

William J. Cheyney

Since Dec. 1 there has been wide-spread feeling that the regulation has been removed to all intents and purposes. Some who have opposed credit curbs have been led to believe that now their objective has been obtained, that by far the greater part of the controls have been lifted.

This is far from the truth. The twelve major categories of products still fully curbed when sold on instalments constitute practically the entire field of consumer durable products. With these the use of credit obviously is of utmost importance to average consumers.

To add to the confusion printed stories supporting continuation of the control are accompanied by the expression that "consumer credit now stands at an all-time peak"; that, therefore, it remains an important "inflationary threat."

Unimportant as "Inflationary Threat"

Instalment sales credit, the segment of sales credit still controlled, is only about one-tenth or one-eleventh of the total consumer credit outstanding. The Federal Reserve System has retained control over the minor portion of consumer sales credit, has freed the major portion of control, yet the public is permitted to think that this minor portion has reached an all-time peak, or is fast reaching it, hence needs the control. Actually it is charge account credit which has reached this all-time peak. Just as it did so, the Reserve System decontrolled it. Charge accounts increased $750 million last year to a total of $2 billion today, higher than at any time in history. Yet on Dec. 1, 1946, in the face of this increase, charge accounts were decontrolled. Instalment sales credit increased only $119 million in the same period ending Oct. 31, the total then reaching only $790 million. The prewar high was $1 billion 800 million.

Restriction Centered Against Instalment Credit

Instalment sales credit therefore is restricted very heavily:

1. As compared with its prewar level;

(Continued on page 471)

British Violation of Loan Pact

By HERBERT M. BRATTER

Correspondent notes embarrassing implications of Chancellor of Exchequer Dalton's admission of technical violation of US-UK agreement embodied in Anglo-Argentine Pact. Asserts latter's inducement to Argentine to "buy British" contravenes fundamental purpose of making sterling freely convertible without discrimination, and of UK to liquidate the blocked sterling debt. Mr. Bratter characterizes as "wanting to have our cake and eat it too" our prevalent insistence on full sterling convertibility, while opposing tariff reduction.

An incident which has been very embarrassing to Secretary of the Treasury Snyder has arisen as a result of the disclosure in the New York "Herald Tribune" that Chancellor of the Exchequer Hugh Dalton, in a "personal" note replying to an inquiry of Mr. Snyder, admits to a technical violation of the US-UK loan agreement. The violation lies in clause (B) (6) of the Anglo-Argentine Monetary and Trade Agreement (which was published in the "Chronicle" of Nov. 14, 1946, on pages 2476 and 2496).

Herbert M. Bratter

Under the US-UK loan agreement of last year sterling is to be made freely convertible into other currencies without discrimination. The American objective may be described as open competition openly arrived at. But the controversial provision of the Anglo-Argentine pact in effect offers an inducement to the Argentine to "buy British," it is being said. That provision reads as follows:

> (6) If in any year the balance of payments with the sterling area were unfavorable to Argentina, Argentina may furthermore dispose freely, within the said area, of its sterling balances for an amount equivalent to the deficit.

Background of the Issue

One of the chief problems facing Britain at the war's end was posed by the great indebtedness to other countries represented by the so-called blocked sterling. The latter are nothing more than bank balances built up by Argentina,

(Continued on page 459)

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Public Utility Securities

Northern States Power

Northern States Power of Delaware has as its principal asset the entire common stock of Northern States Power of Minnesota. The Delaware company, controlled by Standard Gas & Electric through ownership of a small amount of the A stock and substantially all of the Class B common, must be dissolved under the Holding Company Act. It has a rather top-heavy capital structure, the two preferred stocks having a liquidating claim (including call premiums) of approximately $92,000,000, while the class A stock (341,551 shares) has a market valuation of only about $13,000,000. While there are also 729,167 shares of class B stock, this is entitled to only 10 cents per share in dividends for each $1 on the class A, hence the stock would normally be equivalent to only about 73,000 shares of class A. Because substantially all of it is owned by Standard Gas, it was proposed some time ago to eliminate it from participation in the plan but the question of such participation now remains unsettled.

It is obvious that the class A stock is in the "high leverage" class of holding company equities. It sold as low as 1⅞ a few years ago but advanced to 50 in 1945 and 73½ in 1946 as new plans were proposed giving it increased participation in a division of assets. Several of these plans were introduced in the Federal court in Minneapolis after the official SEC-approved plan had been sent to the court for ratification. Finally the SEC, in effect, cancelled these plans along with the "official" one. While the management then submitted a new plan, it got into a legal tangle with the SEC over the question as to whether the plan should be considered "voluntary" or "involuntary," and it has asked the courts to pass on this issue.

The new company plan would increase the allocation of common stock of the Minnesota company to common stockholders of the Delaware company from 9.56% to 16.72%. More recently the preferred stockholders' committee filed a plan which would give the class A common stockholders only 5.35% of the common stock (the class B stock would not receive anything). The Delaware company would also be required to obtain special dividends from the earned surplus of the Minnesota company and pay off the arrears on its preferred stocks ($10.06 on the 7% and $8.62 on the 6% stock).

Now the class A stockholders are expected to come up to bat again with a new plan (formerly several groups presented plans). Lehman Bros., who are substantially interested in the class A, have recently obtained from Stone & Webster a report on current and future earnings power of the Minnesota company. Stone & Webster (according to the "Journal of Commerce") have estimated earnings available for the Minnesota common stock as follows as compared with the management estimates:

Year	Stone & Webster	Management
1946	$9,129,000	$8,835,000
1947	8,011,000	7,190,000
1948	8,200,000	*7,467,000
1949	8,731,000	*7,757,000
1950	9,373,000	*8,320,000
1951	10,225,000	*8,820,000

*Assumed, not estimated.

Obviously, if earnings for 1946 were capitalized at only ten times (which is probably too conservative since the Minnesota company is well regarded), there would be little or no equity available for the class A stock. On the other hand, if earnings were capitalized at fifteen times, the equity for class A stock might go as high as $100 a share. The outcome is dependent on the plan finally adopted and approved by both the SEC and the courts, as well as the market yard sticks prevailing at the time the plan is put into effect. If conditions are favorable (as they were a year ago), the Minnesota stock might be used to retire the preferred stocks (with any unexchanged balance sold to the public by an underwriting syndicate). This would be a cleaner-cut way for the class A to obtain a substantial participation. However, if market conditions continue unfavorable some percentage allocation (as in the plans recently submitted, and the original official plan) may be adopted. Judging from past history, it may be some time before the final plan is consummated.

Trading Markets in Common Stocks

Birmingham Electric	Public Service of Indiana
Consumers Power	Puget Sound Power & Light
Delaware Power & Light	Southwestern Public Service
Federal Water & Gas	Tucson Gas & Electric

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Department of Justice To Help Small Business

Anti-Trust division establishes new unit to maintain free competition, particularly to help veterans.

WASHINGTON, Jan. 22 *(Special to the "Chronicle")*—The Anti-Trust division of the Department of Justice has established a small business unit to assist small business and the promotion of the free competitive system of private enterprise.

In announcing the creation of the unit, Attorney General Clark stated that "the small business unit is authorized, insofar as the law and budgetary limitations permit, to invoke all the power which Congress has conferred to maintain full opportunity and free competition in business. We are particularly interested in the problems of veterans seeking to engage in new business or to re-establish enterprises which they abandoned to enter the armed forces."

Assistant Attorney General Berge, in charge of the Anti-Trust division, declared: "Each request for assistance is treated in confidence and it is not necessary that a small business man have proof of a violation of the Anti-Trust laws before he can come to us with his problems."

Mr. Chalmers Hamill has been designated chief of the small business unit, under the general supervision of Edward P. Hodges, Chief of the complaints and small business section of the Anti-Trust division. Mr. Hamill, a native of Marshall, Ill., is a lawyer and former manufacturer, formerly counsel for the Firestone Tire and Rubber Company, and Secretary of the National Bellas-Hess.

Richard W. Bosworth With Skall Joseph Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Richard W. Bosworth has become associated with Skall, Joseph, Miller & Co., Union Commerce Building, members of the New York and Cleveland Stock Exchanges. Mr. Bosworth was formerly manager of the research department for Ball, Burge & Kraus and prior thereto was an officer of the National City Bank of Cleveland.

Karl H. Schewe With Talcott, Potter & Co.

CHICAGO, ILL.—Karl H. Schewe, member of the New York and Chicago Stock Exchanges, has become associated with exchange member firm of Talcott, Potter & Co., in their Chicago office, 231 South La Salle Street. Mr. Schewe was formerly a partner in Robinson & Co. Prior thereto he did business as an individual and was with Mitchell, Hutchins & Co.

Walter H. Ingram With Goodbody in Cleveland

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Walter H. Ingram has become associated with Goodbody & Co., National City Bank Building. Mr. Ingram was formerly with the Federal Reserve Bank of Cleveland and prior thereto was with Prescott & Co. and Dyer, Hudson & Co.

E. E. Mathews Adds Five

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Edward E. Mathews Co., 53 State Street, have added to their staff John W. Campbell, Robert B. Higgins, Merton M. Keller, Daniel J. Masse, and Robert M. O'Neil.

Contrasts of U.S. and European Economy

By WILLIAM F. ZIMMERLI*

Former European Technical Representative, E. I. du Pont de Nemours & Co.

Dr. Zimmerli points out handicaps in European economy due to trade barriers, nationalistic prejudices, and wide differences in currency and patent laws. Says this has contributed to European economic anarchy and distress, while in the United States, because of our large area and diversified regions and markets, we have been enabled to develop industries on a large scale unhampered by boundaries. Sees an economic union as only hope of stabilizing European economy and averting another world war, and concludes large European nations are willing to submit to dismemberment in order to become part of large economic unit.

Conditions in Europe before the war were entirely different from those in the United States. From our point of view they were discouraging and definitely retarding progress. They are worse now. While no one country enjoyed all of those advantages of the American economy which appear to be the necessary requirements of the industrial age, conditions in each show important differances. All had this in common: their chemists and scientists were able, conscientious workers having the same high average ethical standards of scientific men in our country. As has been proven in our melting pot, no race, language, nationality or creed has a monopoly of ability or morals. Given the opportunity provided here, all have contributed equally toward progress. (Having the same potentialities, European chemical and industrial progress was and is greatly affected by the conditions created by differences in the organization of human affairs.)

Dr. W. F. Zimmerli

Separate National Economies

Comparing European and the United States economies, the fact that the European economy is built up of a number of jealously guarded autonomous nations with separate economies is of primary importance. These nations are the result of generations of revolutions and wars. The traditional method of gaining advantage over others through intrigue and collusion is deeply rooted as a standard means of accomplishing objectives. Each nation has its own economy with its own currency, is conscious of its raw materials or lack of them, has different laws pertaining to trade and human relations. Patent practices differ materially over the various borders. Conditions evolved over many years have developed an artificial grouping of peoples on on the basis of language, race or

(Continued on page 449)

*Part of an address by Dr. Zimmerli before Eastern New York Section of American Chemical Society, Schenectady, New York, Jan. 15, 1947.

A Look Into World And National Affairs

By EARL O. SHREVE*

Vice-President, General Electric Company

Asserting world is in chaotic state and 1946 was year of lost opportunity, Mr. Shreve calls for application of Golden Rule in assisting distressed and backward countries. In domestic affairs, notes lower production efficiency and excessvie wage increases leading to prices that tend to destroy markets. Condemns economic experimentation as threatening private enterprise, and calls for greater public interest in political and economic affairs. Sees danger in present labor situation, but concludes, if labor is thoughtful and cooperative, we should achieve a high and durable prosperity.

I think it is safe to say that we all with agree that the world today is still in a very chaotic state. History seems to indicate that after every major conflict we must expect to devote a substantial period to readjustment. It seems to me imperative that we find a way to permanent peace and that our own great nation will have to provide leadership in this program.

We have made some progress, but it has been painfully little and slow.

I suppose it is natural to have to exercise a great deal of patience, because it is a very much involved problem, mixed up with selfish attitudes and small viewpoints. But it must be successful; otherwise, due to the advance in science, we will probably destroy all the peoples of the world, thus bringing about the fulfillment of the prediction made many years ago of the end of the world.

To me one of the fundamentals of the world condition is comparable to the weather. When we have two areas reasonably close, with a high barometer in one place and a very low pressure in the other, we have the basis of a severe storm. Likewise, with the world as small as it is today, if we continue to have low economic areas in one place of the world like India, and other places on a high economic plane such as our own country, we have the basis of continuing tension, which always presents the possibilities of war.

It seems to me, therefore, that

(Continued on page 417)

*An address by Mr. Shreve before the Annual Meeting of the American Society of Civil Engineers, New York City, Jan. 15, 1947.

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Problems Facing Banks

By ALLAN SPROUL*

President, Federal Reserve Bank of New York

In welcoming N. Y. State bankers, Mr. Sproul urges all eligible banks join Federal Reserve System and not be "a free rider." Holds banks are not strapped to fixed interest rate pattern and modest rise in short-term rates may be anti-inflationary. Urges banks establish sound labor-management relationships and work more efficiently to establish high real incomes and shorter working hours.

I am very glad to have an opportunity to welcome you once again to the Federal Reserve Bank of New York. Over the years New York has become more and more a Federal Reserve State. 87% of all national and State banks and trust companies are now members of the System, and over two-thirds of the State banks and trust companies are members. Eventually we hope that all of our banks will become eligible, and that all eligible banks will become members. Maybe it is possible to figure that membership costs money; but I question it. And even if it does, I would argue that this is a matter of broad general policy, not something to be figured with a sharp pencil. The Federal Reserve System has proved itself, as a part of our banking machinery, over the past thirty years; every eligible bank should be a member, not a free rider.

Allan Sproul

I am not going to make a speech. I made a speech last month about the subject I feel most competent to discuss—credit policy—and there is no need to repeat it here. If anybody wants to know what I think about credit policy, I'll send him a copy of that speech—we have had it printed. All I need to say now is that what I said to the New Jersey bankers in December still goes.

Not Strapped to Interest Pattern

I do not think the fact that the President, in his budget message, referred to a debt policy designed to hold interest rates at present low levels, or the fact that the Secretary of the Treasury said, in his recent annual report to the Congress, that no anti-inflationary purpose would be served by raising interest rates at the present time, commits us irrevocably to the continuance of the present fixed pattern of rates for Government securities. I think we can defrost the short-term interest rate and still have a low level of interest rates. I think there will be a time when a modest rise in short-term rates, and the significance of that rise in terms of the availability of credit, will serve an anti-inflationary purpose. We want to be ready to act when the time comes; not immobilized in the strait jacket of a pattern of rates. These are my personal views. I have not been commissioned by either the President or the Secretary of the Treasury to interpret their views for them, and I do not keep a stock of trial balloons.

Labor Situation

There is one other subject I might mention because it is a subject in which I, and many of you, are deeply interested. This is a time of ferment in employee-management relations throughout our economy, and bankers should be giving their best thought and their closest attention to personnel problems. I think many of you have been, and the results have been conspicuous in terms of lack of strife and evidence of employee confidence. But the situation presents a continuing challenge; a challenge to management and a challenge to our employees.

The progress of the United States during the present century, in terms of increase in the national income, has been phenomenal. There has been a four- or five-fold expansion, and even when account is taken of the increase in population, the average real income per capita still appears to have increases about 2½ times in less than 50 years. During the same half-century, we have greatly shortened working hours and greatly increased our hours of leisure. Our failures certainly have not been in the magnitude of our gains. They have been in the fitfulness of our progress, in our haste to use increased production to satisfy immediate consumption needs, and in the distribution of our gains among various groups in the community.

How have we achieved these tremendous gains? We have achieved them in large part by increased efficiency in the use of our time, our materials, and our capital equipment. That is the way we must look for further gains. In so far as banks are concerned, we as managers must be alert to improve organization and administration, to place the best possible tools in the hands of our workers, and to see to it that bank employees, as a group, share with other wage earners in the fruits of progress—increased real incomes and increased leisure. Our employees must improve the quality of their work through education and training, through better acquaintance with the tools of our craft, and through individual maintenance of high standards of personal performance. Increased real incomes and five-day weeks are the end product of increased output per hour worked. That is true of the banking business, which performs a service function, just as it is true of those businesses which manufacture and distribute the goods which we consume.

We all want high real incomes and shorter working hours, or most of us do; but we shall have to work, and work more efficiently, to deserve them and to get them. My concern is that neither failures of management be allowed to interfere with the accomplishment of this purpose, nor the cleverly phrased claims of labor organizers be allowed to obscure this fact.

It is a pleasure to have you here. I know that you will have a good meeting and I hope that you will have a good lunch.

*Welcoming address of Mr. Sproul at the Mid-Winter Meeting of the New York State Bankers Association, New York City, Jan. 20, 1947.

Britain's Economic Troubles

By PAUL EINZIG

Coal shortage seen Britain's main. Electric power also inadequate. Price situation seen improved. Black markets gone.

BASLE, SWITZERLAND.—The wave of optimism, that characterized British opinion a few months ago, concerning the progress towards reconstruction, has vanished almost completely during the winter. There has been, indeed, a marked deterioration of economic conditions. Consumers are now much worse off than they were at any time during the war. And producers, too, have to carry on amidst great difficulties.

Dr. Paul Einzig

The main problem is the shortage of coal. The output remains unsatisfactory. There is no sign whatever of any increase of effort on the part of the miners. Those who expected that the men would show that they would work with more zeal for their new employer, the State, than for the former private coalowners, must reluctantly admit that so far there has been no change for the better. The psychological effect of the change has not been favorable. Beyond doubt, in the long run its material effect will be beneficial, since it will be possible to reorganize the industry completely, and equip it with the latest machinery. But this will take time, and meanwhile the temporary effect of the reorganization is likely to be detrimental to the output.

Whatever the future may bring, at present it does not look as though Britain would ever resume coal exports on a large scale. Indeed, supplies for industries and domestic requirements are becoming less and less adequate. Factories have to reduce their output or close down altogether. The Government does not want to incur unpopularity by cutting down supplies for domestic requirements for the sake of maintaining industrial activity. As a result of

(Continued on page 425)

SEC Sets Hearing

The Securities and Exchange Commission has ordered a hearing for Jan. 23 in its Seattle office to determine whether May-Phinney Company of Seattle may continue in the securities business as a registered broker-dealer, and to determine whether an affiliated Seattle company, Washington National Company, Inc., should be permitted to register.

The Commission charges that the May-Phinney Company engaged in certain "manipulations and deceptive" practices and carried out transactions that operated as "fraud and deceit" upon its customers. The SEC also charges that securities of Washington Chemical & Salt Corporation were sold in violation of registration requirements and fraud prohibitions of the securities act of 1933.

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It is planned to issue supplements covering important new projects and major refunding issues. The Pennsylvania Turnpike report has just been revised and a supplement on Cape May County Bridge Commission bonds has been added.

The pages are letter size and bound in durable loose-leaf form.

Publication of the book entailed considerable expense and there is a charge of $7.50 for single copies and $5.00 for additional copies to cover the cost of printing and binding. Immediate delivery.

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Building Shares—Memorandum on three companies furnishing basic products—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Business Booms & Depressions—Including all wars from 1775 to 1947—a graphic picture of American Business and Financial Cycles—Security Adjustment Corp., 16 Court Street, Brooklyn 2, N. Y.

Dual Transfer Agency Services—Transfer service in New York and New Jersey—Registrar and Transfer Co., 2 Rector Street, New York 6, N. Y.

Esky-Pads—Memorandum pad with the Varga girl on the cover—B. S. Lichtenstein & Co., 99 Wall Street, New York 5, N. Y.

Guide to the Perplexed—a challenge to the barrage of pessimistic statements—bulletin with a list of suggested stocks for income and capital appreciation—Strauss Bros., 32 Broadway, New York 4, N. Y.

Handbook of Public Revenue Bonds—Part I.—Highway and Toll Bridge Bonds with supplements—Tripp & Co., Inc., 40 Wall Street, New York City—$7.50.

Houston Banks and Trust Companies—Analytical comparison for year ending Dec. 31, 1946—B. V. Christie & Co., First National Bank Building, Houston 2, Texas.

"Making Money and Keeping It —The Know How of Investment"—Basic material supplied by Stanley A. Russell and Lloyd S. Stock, both formerly of National City Co. and Lazard Freres & Co.—published by Associated Book Publishers, Inc., P. O. Box 3594, Washington 7, D. C.—$1.00 per copy (discount of 40% on orders for 100 or more copies.)

Nathan Straus-Duparquet, Inc.—Memorandum for banks, brokers and dealers—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

New York City Bank Stocks—Comparison and analysis of 19 New York City Bank Stocks with 1946 operating earnings and securities profits—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Outlook for the American Stock Market by David McKnight reprinted from the Quarterly Review of Commerce, University of Western Ontario—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Railroad Developments of the Week—Leaflet of comment—Vilas & Hickey, 49 Wall Street, New York City.

Unbroken Dividend Record—List of 175 common stocks with unbroken dividend record of 15 to 99 years (all listed on New York Stock Exchange)—Waldheim, Platt & Co., 308 North Eighth Street, St. Louis 1, Mo.

Wall Street Commentator—Leaflet of market comment—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Argo Oil Corporation—Descriptive circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are circulars on **Wellman Engineering; Fashion Park, Inc.; Upson Co.;** and **Osgood Co.**

Aspinook Corporation—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **W. L. Douglas Shoe Co.; Hartford Empire; Lanova Corp.; Mohawk Rubber;** and **Taylor Wharton Iron & Steel; Purolator Products; Upson Corp.; Alabama Mills; Diebold, Inc.; Pfauder Corp.**

Bausch & Lomb—Memorandum—J. G. White & Co., Inc., 37 Wall Street, New York 5, N. Y.

Boston & Maine Railroad—Circular—Walter J. Connolly & Co., 24 Federal Street, Boston 10, Mass.

Central Public Utility 5½s of '52 and Consolidated Electric and Gas Pfd.—Comprehensive study and analysis in brochure form—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Clary Multiplier Corp.—Memorandum for dealers only—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Colorado Milling and Elev. Co.—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on the **Gruen Watch Co.** and **Philip Carey Manufacturing Co.**

Commodore Hotel, Inc.—Circular—Seligman, Lubetkin & Co. Inc., 41 Broad Street, New York 4, N. Y.

Also available is a circular on **Foundation Co.**

D. L. & W. — Lackawanna RR of New Jersey — Analysis — B W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

General Phoenix Corp.—Study of situation—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Greer Hydraulics Inc.—Field report on manufacturer of aeronautical testing and servicing equipment as well as equipment for industrial hydraulic machinery—Lambuth & Co., 76 William Street, New York 5, N. Y.

Greyhound Corp. — Circular—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Also available are circulars on **American Bank Note Co.** and **The Muter Co.**

Grinnell Corp.—Research item—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a research item on **Rockwell Manufacturing Co.**

R. Hoe & Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Hydraulic Press Manufacturing Co.—Detailed Analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Long Bell Lumber Co.** and **Miller Manufacturing Co.**

Lime Cola Co.—Late data—Thornton, Mohr & Co., First National Bank Building, Montgomery 4, Ala.

Parker Appliance Co.—Circular—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Pfaudler Co.—Bulletin report for dealers—Ward & Co., 120 Broadway, New York 5, N. Y.

Portland Electric & Power Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Fred B. Prophet Co.—Circular—DeYoung, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

Public National Bank & Trust Co.—Year-end analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available is an offering circular on **Stern & Stern Textiles, Inc.**

Ralston Steel Car Co. — Circular — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Red Rock Bottlers, Inc.—Circular—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Rockwell Manufacturing Co.—Analysis—Steiner, Rouse & Co 25 Broad Street, New York 4 N. Y.

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle write to Mark Merit, in care Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

Studebaker Corp.—Study of interesting prospects—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is a leaflet of comment on the **Outlook for Business and the Security Markets.**

Utica & Mohawk Cotton Mills, Inc. — Circular — Mohawk Valley Investing Co., Inc., 238 Genesee Street, Utica 2, N. Y.

Bertil Ohlin, Head of Swedish Liberal Party, To Give Lectures at Columbia University

Will deliver six addresses first three weeks of next month on general theme, "The Problems of Economic Stabilization." Another outstanding European economist, Dr. Karl Polanyi, founder of historical Hungarian student movement, "Galilei," and author of "Origins of Our Time," will teach courses in General Economic History to graduate students at University next term also.

Two outstanding European economists are coming by invitation to Columbia University, one to deliver a series of special lectures and the other to teach as a visiting professor, during the coming scholastic term which commences Feb. 3.

Bertil Ohlin, professor of economics at the University of Stockholm, former Minister of Commerce of Sweden, and leader of the Swedish Liberal Party, on the recommendation of the Department of Economics at Columbia, will give the Julius Beer Lectures the first three weeks in February and Dr. Karl Polanyi, the famous Hungarian economist who is now a British subject will teach a graduate course in General Economic History and conduct a seminar for students who want to do special work in this field.

Ohlin, author of the book, "Inter-regional and International Trade," served on numerous committees of the League of Nations and in 1944 was in the United States as head of the Swedish delegation to the International Labor Conference at Philadelphia. He will deliver six lectures in all on the general theme, "The Problems of Economic Stabilization."

Dates and topics of the various lectures in the series follow: Feb. 3, "The Economics of Overful Employment;" Feb. 5, "The Swedish Theory of Unused Resources;" Feb. 10, "The Keynes Theory of Unused Resources and Its Practical Application;" Feb. 12, "A Swedish Program for Anti-Depression Policy;" Feb. 17, "National and International Conditions of Employment Stabilization;" Feb. 18, "Employment Stabilization and the Organization of Society."

At the first lecture which will be given in Horace Mann Auditorium, Ohlin will be introduced by Dr. Frank D. Fackenthal, acting president of the university. The other five lectures will be given in the Harkness Academic Theater. The first lecture will start at 8:30 p.m. and all the others at 8 p.m. A dinner for Ohlin will precede the opening lecture.

Born in Vienna of Hungarian parents, Dr. Polanyi founded the historical Hungarian student movement, "Galilei," in 1908 and was identified with the struggle against the Heimwehr in Austria since 1929. He went to England to live in 1933. He is the author of "Essence of Fascism" and more recently of "Origins of Our Time." He was also joint editor of "Christianity and Social Revolution." He taught at Bennington (Vt.) College for two years and is teaching now in the extension divisions of Oxford University and the University of London.

Of Dr. Polanyi's book, "Origins of Our Time," Prof. Robert M. MacIver of the Sociology Department at Columbia, has the following to say: "Here is a book that makes most books in its field seem obsolete or outworn. So rare an event is a portent of the times. Here, at a crucial hour, is a fresh comprehension of the form and the meaning of human affairs. Mr. Polanyi does not profess to be writing history—he is rewriting it."

Firm To Be Known As Dreyfus, Jacquin & Co.

The firm name of Lewisohn & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1, will be changed to Dreyfus, Jacquin & Co.

On that date Jack J. Dreyfus, Jr., member of the Exchange, John Behrens, and William E. Nulty will be admitted to general partnership and Gladys T. Ohrbach to limited partnership. Mr. Nulty was formerly a partner in Francis I. du Pont & Co. Other new partners were members of Dreyfus & Co., which is being dissolved as of Jan. 31.

Sam A. Lewisohn, David M. Heyman, Robert S. Byfield, member of the Exchange, and John G. Greenburgh, all partners in Lewisohn & Co., will retire from the firm on Jan. 31.

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Wages and Industrial Progress

By GEORGE W. TAYLOR*
Professor of Industry, Wharton School, University of Pennsylvania
Former Chairman, National War Labor Board

Prof. Taylor points out lack of competitive conditions and labor's superior bargaining power in industry have distorted wage rate relationships in last year and have ignored effect of wages on relative competitive position of business enterprises. Holds wages can be "taken out of competition" by fixing a relatively low nation-wide standard and by settlements on a higher standard in particular cases, and asserts "there are strong reasons for supporting industry-wide collective bargaining even if working out a wage policy is difficult." Advocates a combination of industry-wide and individual plant bargaining, and sees no reconciliation of labor-management differences from legislation.

I.

It is not surprising that the wage policies most conducive to industrial and social progress are the subject of widely divergent opinions in this postwar period. A search for security and economic stability, even at the possible cost of some diminution in the rate of industrial progress has been a powerful motivating force in the United States for more than a decade. As a part of the search, labor unionism and collective bargaining were encouraged as a matter of national policy. Collective bargaining was specifically adopted as the approved institution for introducing stability into wage-rate structures. The policies which prevail in collective bargaining have accordingly become fundamental to a consideration of wages and industrial progress. Current struggles over those

(Continued on page 453)

Geo. W. Taylor

*An address by Prof. Taylor before the 25th Anniversary celebration of the founding of the Industrial Research Dept. of the Wharton School, University of Pennsylvania, Philadelphia, Jan. 10, 1947.

Pessimists Misreading Economic Signposts

CLEVELAND, OHIO, Jan. 16 — Those who are predicting a routine recession in 1947 are misreading the economic signposts. This view expressed here to-night in an address by Merryle Stanley Rukeyser, nationally known columnist, lecturer and author, before the convention of the American Warehousemen's Association.

Merryle S. Rukeyser

"As I see it, the economic machine is set to complete the transition from a war economy to a peace economy," Mr. Rukeyser, who is author of "Financial Security in a Changing World" declared. "The abnormal sellers' market, in which 'anything goes' is about over. The happy days of mere order takers is over. The customer is again getting into the driver's seat, and is becoming vastly more selective as to price, quality, and specifications. Thus, the readjustment of a free society dedicated primarily to lifting the living standards of the civilian public is proceeding at an accelerated pace.

"If business executives accept the popular mandate for a return to a flourishing competitive situation, they can manage the impending transition along constructive lines. On the other hand, if unwise pressure group action resists cost-reducing measures, needless trouble will be built up. In face if the vast accumulated shortages of durable consumer goods, including housing, there can be years ahead of fruitful employment if we have the wit and the courage to establish a balanced national economy. This must be achieved through intergroup cooperation, not through class warfare.

"The longer term outlook for the material wellbeing of the American people has been enhanced by the new bipartisan attack at Washington on economic quackery and on the philosophy of class warfare.

"President Truman, in his economic report to Congress, made it clear that he no longer sees eye to eye with the CIO-PAC," Mr. Rukeyser declared. He rejected the propaganda that industry freeze prices, and transfer the spoils from the profit account to the wage account. Instead the President urged industry to promote demand for products through reducing prices wherever feasible. Desiring to promote economic balance, he stressed increases in the money incomes of those groups which are currently relatively underpaid. Behind his message could be seen the wise hand and sound judgment of Dr. Edwin G. Nourse, formerly of the Brookings Institution, now chairman of the Council of Economic Advisors (to the President).

Republicans Should Improve Their Public Relations

Mr. Rukeyser, who is author of "Financial Security in a Changing World," counselled the new Republican majority in Congress to supplement their technical drafting of new remedial legislation with a more constructive public relations policy. He recommended that the new majority make it clear that it is not operating in behalf of special interests, but for "the greatest good for the greatest number."

"Specifically," Mr. Rukeyser said, "the revision of the Wagner Act and codification of effective federal labor legislation should be undertaken primarily in the interests of workers—the gainfully employed citizens. Even the rank and file of labor unions have become the forgotten men of the last fourteen years of catering to pressure groups, rather than to the needs of citizens.

"Sound labor legislation lies within the framework of American liberalism. Such outstanding friends of labor as the late Justice Louis D. Brandeis prophetically counselled against the assaults on liberty which came from onesided legislation and onesided administration of the law. Thus it is up to the new majority in Congress to make it clear that the revision in the law contemplated is not intended as a favor to employers, but as a public service.

"As for businessmen, they too received a mandate in the last election. Their mandate is to return to the American achievement of providing the worker with more and better things in exchange for a week's work. The public will not be satisfied with alibis for failure. Regarding business as the services of supply of the nation, the citizens are ready and willing to provide legislative and other tools needed to make the system flourish.

"Thus, it's no time to play politics in a narrow sense. The occasion is opportune for establishing conditions harmonious to the flourishing of a private enterprise economy. The whole world is watching the outcome of the American experiment in continuing human freedom in face of the worldwide trend toward collectivizing.

"Advertising should be used in part as a cultural force to help achieve the climate of opinion needed for a flourishing economy. Through careful word usage, businessmen can emerge from the handicap of the last fourteen years of political blue sky when regimentation was confused with social progress. Advertising can help to adjust citizens to the institutions of a free society, and to create enthusiasm for sound economic principles."

Federal Policy and the Business Outlook

Referring to the implications of federal economic policy, Mr. Rukeyser further stated:

"Congress can contribute substantially to the success of American free enterprise through rigorous economy in federal spending, and through sound tax and monetary policy.

"Whether routine politicians are aware of the fact or not, they are conducting 'economic planning' on a grand scale through the budgetary, fiscal and monetary decisions which they make. The time has passed for letting bureaucrats dogmatically decree how much of the year's output of the people should be channelled through the funnel of government spending.

"Excessive government spending lessens the area of freedom and discretion on the part of the individual citizen. The citizen customer is the boss when he deals through private industry, as he can take or reject proffered private goods and services. On the other hand, government force compels the citizen, willy nilly, to accept and pay for, through taxes, the services offered by government.

"The imperatives of the American free system, as contrasted with the slave systems of Europe and Asia, require a federal economy policy of balancing the budget on a vastly lower level of expenditures, thus permitting the accumulation of a sizable surplus for debt reduction while taxes are substantially reduced.

"It is sheer defeatism to assume that a jumbo budget many times prewar budgets are inevitable. Determining the size of postwar budgets constitutes economic policy making of a high order."

Employee Relations Expert Named Special Mediator in UFE-A. M. Kidder & Co. Dispute

The New York State Mediation Board has arranged to have John Cole, employee relations manager of a large New York department store sit as a special mediator in negotiations between the United Financial Employees, AFL, and A. M. Kidder & Co. for a contract. Mr. Cole was selected at the suggestion of A. M. Kidder & Co. from a list of names presented by the union. A. M. Kidder & Co. could likewise have made up a list of names but decided instead to pick a first choice from the list of the union's preferences. The first meeting of the contract negotiators with Mr. Cole was held last evening.

The UFE has filed with the State Labor Board a request for certification as the bargaining agent for the employees of Asiel & Co., Wall Street bond brokers. This move represents the first attempt by the union to push the organization of the brokerage employees here since the election among the employees of A. M. Kidder & Co. and affiliation with the AFL.

Organized employees of Herzfeld & Stern staged a sit-down which lasted a little over an hour late Monday morning in protest against what their union, the Financial Employees Guild, CIO, said was an attempt by the firm to renege on certain points in bargaining to which it had previously agreed. The New York State Mediation Board is seeking a settlement of all issues in this case.

The UOPWA has requested its national office to seek for it the support of the members of the World Federation of Trade Unions employed by the banks of Great Britain, France, Italy and other European countries in the event of a strike of the maintenance and security employees which, it says, threatens with the Irving Trust Co. The New York State Mediation Board is likewise seeking peaceful settlement of this dispute.

Chas. B. White Admits Neill T. Masterson, Jr.

HOUSTON, TEX.—Chas. B. White & Co., Rusk Building, has announced the admission of Neill T. Masterson, Jr., to partnership in the firm. Mr. Masterson has been with the organization in the sales department.

Bond Club of New York To Hear Eisenhower

General Dwight D. Eisenhower, Chief of Staff, U. S. A., will address a dinner meeting of the Bond Club of New York, at the Starlight Roof of the Waldorf-Astoria Hotel tonight (January 23).

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Real Estate Securities

By EDMOUR GERMAIN

The conviction is growing among close observers of the real estate situation in this country that it will be three years or more before building construction can catch up with the demand for new housing. In fact, some estimates of the time which will be required for any kind of equilibrium to be established between supply and need in this field run up to as much as eight years.

In 1946, work was at least started if not completed on approximately 600,000 new permanent dwellings. It is known that by Oct. 31 considerably more than half of these units had been actually completed but how many more were finished before the year's end of course is something yet to be learned. In any event, by any test that can be applied, the volume of building construction last year can't be said to have been exactly low. This is a fact which is just beginning to be appreciated. What did make home construction seem slow and halting was very likely the greatness of the need for housing.

Demand for housing space has indeed received tremendous impetus from the desire for larger and more pretentious quarters by people who now receive larger incomes than formerly but of course this is not the whole story.

However, if the analysts who claim to see the same forces at work now after this war that were operative after the last war are correct, then demand from this source, that is, from the people whose incomes are larger, will—at least after the short recession which these analysts see as impending and which conceivably many tenants and new home purchasers may be able to weather very well—continue for several years more. Starting in 1921, there was a great flurry of new home construction which didn't reach a peak until 1925 and it would almost appear now that there is to be a repetition of this sort of thing.

Part of the current housing shortage, in some particular areas at least, can undoubtedly be explained by the large shifts which have occurred in the population. Part of it can be accounted for by the very great increase in the number of families during the war. On the supply side, some explanation for the scarcity of quarters is to be had from the fact that there was little new construction during the entire decade of the thirties. Also on the supply side, new construction has been discouraged by the rigid OPA ceilings on rents and governmental restrictions of all sorts. Continuation of the ceilings on rents, particularly in newly constructed buildings, of course, will only tend to prolong the shortage.

Should the much-talked-about recession afflict the economy as predicted, however, much of the pressure for space would undoubtedly subside, especially in the more depressed areas. In some places, the housing shortage of today would even be transformed into an abundance of housing space. Panic would cause many families to seek shelter under one roof rather than under the many under which they live today. The veterans who now have a record of only 1% default on their obligations in connection with property purchases under the GI Bill of Rights, it is said, might start losing their homes. The government, however, has guaranteed these GI loans to 50% of their amounts up to $8,000. In fact, all people buying or renting houses who had committed themselves financially for an extended period of time on the basis of their present earnings would find themselves running into difficulty.

However, the burden of proof for the imminence of a recession lies very much on those who say a recession is actually coming. With individual incomes at record high levels and department store sales skyrocketing, just to cite two rather important business indices which could be mentioned, the outlook is certainly not as depressing as some market observers would like to make out. That there may be room for some caution and a great deal of prudence in all business matters, including real estate, goes without saying. But, for that matter, judgment in business and financial matters must or should always be exercised.

The cost of materials probably will determine very largely the extent to which new homes will be erected in the future, most of the market analysts agreed. Much of the construction that took place last year admittedly was done under the compulsion of a desperation born out of an emergency situation. People without a roof over their heads just had to obtain shelter somewhere somehow. While this factor will undoubtedly continue to be present to some extent, the cost of materials will certainly be an increasingly important factor to be reckoned with. The prices of building supplies are falling somewhat, it is reported, but as the production and inventories of these materials increase, prices will really settle to levels within the available reach of the vast majority of a home-hungry population.

All the evidence would indicate that the market in apartments and dwellings of all classes will continue to be a live one for a long time to come. Economic analysis points out the fact that there must be a great deal of activity in at least this section of real estate for many years.

Watling, Lerchen & Co. To Admit H. Hunter

DETROIT, MICH. — Watling, Lerchen & Co., Ford Building, members of the New York, Detroit and Chicago Stock Exchanges, will admit Herbert D. Hunter to partnership on Jan. 30.

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CINCINNATI STOCK AND BOND CLUB

At a meeting of the Board of Trustees, of the Cincinnati Stock and Bond Club, the following officers were elected for the year 1947:

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James E. Madigan

Frederic F. Latscha

Paul W. Glenn

George T. Grady

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MEMPHIS SECURITY DEALERS ASSOCIATION

The Memphis Security Traders Club has elected the following officers for the year 1947:

W. Groom Leftwich

Frank D. Frederic

Early F. Mitchell

Ed. F. Thompson

President—William Groom Leftwich, Leftwich and Ross.

Vice-President—Frank D. Frederic, Equitable Securities Corporation.

Secretary—Early F. Mitchell, Bond Department of First National Bank of Memphis.

Treasurer—Edward F. Thompson, Bond Department, Union Planters National Bank.

TWIN CITY BOND TRADERS CLUB

The Twin City Bond Traders Club will hold its annual winter dinner in Minneapolis on Jan. 31 at the Nicollet Hotel. The Club will be host to about 60 out-of-town traders, including officers of the National Security Traders Association coming from Boston, Philadelphia, Baltimore, Detroit and Chicago. The Twin Cities is being included in the NSTA "Tri-City Party."

Cocktails will be had in the Hennepin Room at 6 p.m. with dinner in the Junior Ballroom at 7 p.m. Fee is $7.50.

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Missouri Brevities

Scruggs-Vandervoort-Barney, Inc., which operates a department store in St. Louis, on Jan. 16 filed a registration statement with the Securities and Exchange Commission for the issuance of an unspecified number of shares of $4.50 cumulative preferred stock series A, the proceeds of which are to be used (1) to satisfy the appraisal rights of shareholders who objected to the company's plan of consolidation; (2) to redeem at $105 per share and dividends the 10,000 outstanding shares of 4½% cumulative preferred stock of the Denver Dry Goods Co. (which will then be a wholly-owned subsidiary: and (3) for general corporate purposes.

The $4.50 preferred stock, which will be of no par value, and have a stated value of $100 per share, will be publicly offered through an underwriting group headed by Union Securities Corp., New York; Boeetcher & Co., Denver; and G. H. Walker & Co., St. Louis, at a price to be filed by amendment.

The stockholders of Scruggs-Vandervoort-Barney, Inc., on Feb. 3 will vote on a plan of recapitalization, involving the consolidation of this corporation and Neybar, Inc., a wholly-owned subsidiary, into a new corporation which would retain the name of Scruggs-Vandervoort-Barney, Inc. Under the proposed plan, each share of present $5 par value common stock would be converted into four shares of $1.25 par value common stock of the consolidated company, the holders of the 6% cumulative first preferred stock and of the 7% cumulative second preferred stock would be given the right to exchange the same, on a share for share, basis, for new $4.50 preferred stock of no par value, and each share of 3½% cumulative preference stock would be exchanged for 9/10ths of a share of the new $4.50 preferred.

* * *

The directors of Johansen Bros. Shoe Co., St. Louis, on Jan. 15 declared two dividends of 10 cents each, payable Jan. 31 and May 31, 1947 to stockholders of record Jan. 24 and May 15, 1947, respectively. This, it is understood, places the stock on a 40-cent annual dividend basis. Last year, the company paid two dividends of 10 cents each—one on Jan. 1 and the other on July 5.

Consolidated net earnings for the fiscal year ended Oct. 31, 1946, including those of the Valley Shoe Corp., a wholly-owned subsidiary, amounted to $298,753, equal to 94 cents per share. This was after all charges, including a contingency reserve of $100,000, and compares with a net for the Johansen company alone of $81,633 for the year ended Oct. 31, 1945, equal to 31 cents per share on the stock then outstanding. Consolidated sales for the 1946 fiscal year amounted to $7,152,625, compared with the company's sales of $3,244,953 in the preceding year.

* * *

Aireon Manufacturing Co., Kansas City, on Jan. 15 announced that eight banks, which provided a revolving credit during the past year, have agreed to participate with the Reconstruction Finance Corporation in a five-year refinancing program for the Aireon company. The latter had been negotiating for long-term financing (a) to refund its existing short-term bank credits which matured Nov. 30, 1946; (b) to place it in a current position with respect to trade and other creditors; and (c) to provide sufficient working capital for its 1947 manufacturing program. Conferences have been resumed with RFC in Washington.

* * *

On Jan. 10, an issue of 42,500 shares of $1 par value common stock of Ritepoint Co., St. Louis, was offered publicly at $7 per share, by Dempsey-Tegeler & Co. of the same city, the proceeds to be used for working capital.

* * *

Rice-Stix Dry Goods Co. has placed its common stock on a quartely dividend basis and in accordance therewith declared two dividends of 50 cents per share, the first payable Feb. 1 to holders of record Jan. 15, 1947, and the second payable May 1 to holders of record April 15, 1947. Last year, the company paid 75 cents per share on Feb. 1 and Sept. 3, and a special of $1 per share on Nov. 15.

Net earnings for the fiscal year ended Nov. 30, 1946, after a reserve of $2,450,000 for taxes, were $2,824,773, equal to $10.39 per share on the common stock. This compares with a net, after taxes of $2,850,000 for taxes, of $1,212,442, or $3.80 per common share, in the preceding year.

* * *

Fox Brothers Manufacturing Co., St. Louis, on Jan. 13 filed a letter of notification with the Securities and Exchange Commission, under which it proposes to issue $290,000 of 4½% serial debentures, due serially from 1948 to 1957, inclusive, the proceeds to be used to redeem mortgage indebtedness, preferred stock, pay bank loan and to provide additional working capital. The issue will be underwritten by Dempsey-Tegeler Co., St. Louis.

* * *

On Jan. 25, a year-end extra dividend of 50 cents per share is payable on the $5 par value common stock of Stix, Baer and Fuller Co. to holders of record Jan. 10, 1947. This disbursement will make a total of $1.18¾ per share for the fiscal year ending Jan. 31, 1947, as compared with 50 cents for the previous fiscal year.

For the nine months ended Oct. 31, 1946, the company reported net profits before taxes of approximately $3,965,000, as compared with $3,465,000 in the preceding year. Net after taxes totaled about $2,400,000, or $3.95 per share on 584,792 shares presently outstanding, as against $1,063,000, or $1.65 per share, in the fiscal year ended Oct. 31, 1945, on the same number of shares.

* * *

Independence Waterworks Co., Independence, Mo., has called for redemption on Feb. 10, next, all of its outstanding first mortgage 4½% 12-year bonds, series D, due June 1, 1948, at 100 and interest. Payment will be made at The First National Bank of Boston, at Boston, Mass.

* * *

On Jan. 15, the City of Marshall sold $85,000 of its airport bonds to the City National Bank & Trust Co. of Kansas City, one of twelve bidders. The bonds bear 1½% interest, and were sold for a premium of $157.25.

Now Russell & Saxe

The firm name of Biel, Russell & Saxe, 60 Broad Street, New York City, has been changed to Russell & Saxe. Members of the firm remain the same, Russell Safferson and Sigmund Saxe being partners.

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Why Not Industrial Peace?

By HERMAN W. STEINKRAUS*
President, Bridgeport Brass Co.

Terming present labor laws mainly a "hodge-podge," leading industrialist hails imminent action of Eightieth Congress in balancing them to protect people as a whole rather than one segment of society. But lasting industrial peace can be brought about only by understanding, agreement, and cooperation —not by laws. To this end strongly urges management make major effort constructively to give workers actual facts about their respective companies; including effect of wages on its prices, proportions of sales devoted to wages and profits, depreciation and other reserves. Cites survey revealing workers' great ignorance on such matters.

Many observers feel that our recent national election was more a public protest against present industrial unrest than anything else, and puts a demand upon our representatives in Washington to apply themselves more vigorously to a solution of this number one domestic problem.

H. W. Steinkraus

All agree that industrial peace is needed, but when we begin to discuss the means we find leaders at opposite poles in their thinking. Everyone admits there should be a change, but they want the other fellow to do the changing. They want to keep as much of their own position intact as they possibly can.

For instance, some labor leaders do not want to concede one inch of the ground they have fought for and won, either by legislation, government favors, or strikes, while some managements feel things won't ever be better until we get back to the golden days of their running their own business without any outside interference.

Industry and labor will not even agree as to what has happened this past year. Ask them, "Why were there so many strikes?" Manufacturers will say, almost to a man, that it was a case of labor leaders ganging up against industry. They charge that labor had the government's help to make a concrete set of demands on a concerted nationwide scale, with no individual plant consideration in the program.

The Complaint of Labor

Labor leaders say the plain facts were that the cost of living rose so high, workers could not make both ends meet. They see nothing wrong in nationwide strikes. Is not an organized plan of nationwide strikes a better way of getting results than thousands of independent and sporadic strikes that might have been strung out over a longer period of time?

Now Mr. Reuther announces a 23½-cent-an-hour wage demand, saying, "We shall press for wage increases without price increases." "You can't raise wages and not raise prices," says management. "Yes, you can," says labor. Mr. Reuther adds a few phrases about "reckless profiteering" and "stupidity of business leaders." And so it goes.

No wonder the public is confused. But they are no longer complacent. Their mood has changed. They believe there is an answer to this problem, and they want that answer found. They demand action in no uncertain terms.

Growing Unpopularity of the Closed Shop

Ever since last August when a Gallup poll was taken, public opinion has been shown to be against the closed shop. Eighty-five per cent of people who were voters and 58% of union members themselves were then against it. This sentiment is now borne out in the recent election results in those States where they have prohibited the closed shop.

Union leaders feel that such figures are not important since no highly industrial State has taken a vote on this issue, but it is significant nevertheless as an indication of how the public feels. Under the Wagner Act the closed shop is fully protected.

I have every confidence that our 80th Congress is awake to these problems and that the program will be thoroughly threshed out, so that for the first time in many years we may arrive at a fair balance in our labor laws so that they do not favor any one segment of society, but truly protect the people as a whole.

In addition to new laws, much of the labor legislation now on our books needs clarification. Some of it was loosely and hastily thrown together in war time without having been clearly thought through as to how it might work. Much of it was written by people of little practical experience, and those with experience were not consulted, especially if it was thought they might oppose it. So, step by step, we have developed the present hodge-podge.

By all means let us not destroy the advances labor has made, when we try to correct the evils that have crept in, but let us have the courage to correct the things that cry out to be corrected.

Broad Program Needed

It seems to me that in addition to getting ourselves out of our present dilemma, we could well afford to put some thought on a broader program for industrial peace, unless we always want to be patching up errors and applying emergency measures. Lasting industrial peace cannot be brought about by legislation or compulsion —it can only be brought about by better understanding, agreement, and cooperation.

The more I have studied the subject in recent years, the more I am convinced that the principal underlying cause of industrial conflict in an individual company is the lack of understanding of the worker of the true facts about his own company and how it operates, as well as lack of knowledge of simple economic principles of business.

For example, very few workers know that the profit of labor is wages, and the profit of investment is dividends, that they both depend upon the success of the enterprise for their own success. Many a worker believes that the company keeps more money for itself than it pays to the worker in wages, and what is more, very few companies have taken the pains to give their employees any facts on this subject.

Fred Crawford of Thompson Products of Cleveland has spent a great deal of time and thought in explaining to his people some of the vital facts about how the income dollar is divided between the various elements of cost. Yet enemies of the profit motive have made such progress in preaching their doctrine that some ministers have even preached from the pulpit to their congregation that for a company to make a profit is a sin.

Another subject about which the average worker knows very little is that the largest part of the cost of practically all products is wages, and that substantial wage increases can only be paid either by increases in production and individual productivity or by increases in the price of the product. Every business man knows this so thoroughly that he has taken it for granted. Yet much of the discussion of last year, beginning with Henry Wallace's announcement, was based upon the erroneous belief that very substantial wage increases could be paid by industry in general without price increases. After all of the bitter experience which the working man went through, as well as the corporations, one would have thought that this economic truth had sunk in. Yet today, we are getting the second chapter of exactly the same story, namely, that substantial wage increases can be made by industry without corresponding price increases. This time, however, judging from some recent polls taken, the working men themselves in some of these large industries are inclined to believe that further substantial wage increases will raise the prices of goods which they have to buy, whereas their leaders are still proclaiming the contrary.

Company Facts Needed

If every management of a business in this country will take its best accountant and cost men and tell them to prepare in chart form the actual facts about its business, the effect of wages upon its prices, the number of cents out of each dollar which goes to wages, and goes to profits, and would then have a series of conferences with its workers to explain these facts to them by using these charts, workers would know, and no outside organization could cause them to be willing to go on strike for higher wages in the expectation that prices would not also go up. At the same time, if management would show the workers how they could increase their pay by increased productivity without increasing prices, then a really constructive job will have been done.

Ignorance About Reserves and Depreciation

Another matter on which there is very little information on the part of workers is about the reserves set up by a company for depreciation and replacement of equipment. Some of you may have heard how Mr. Charles Hook of the American Rolling Mills explained this matter to his employees. Addressing a group of his workers one evening, Mr. Hook hauled out a pair of old worn-out dilapidated work shoes no longer fit to be worn. He asked them to imagine him to be a worker who had worn these shoes for a year, but now they were worn out, and he needed a new pair. Where was he to get the money for a new pair?

Then he pulled down from a shelf a fruit jar and spilled 52 dimes and said, "Fortunately these shoes lasted me one year, and every one of the 52 weeks of that year I have taken ten cents out of my pay and dropped it in this fruit jar. Now I have $5.20, which is exactly the price of a new pair of shoes." He hauled out a new pair and turned the money over to the company storekeeper. "Now," he said, "that is exactly what the company does to protect your job. The machinery you work at wears out, and unless the company sets aside each month a part of its earnings, to accumulate the money with which to replace that machine with a new one when it is worn out, the plant would soon have to shut down and everyone would be out of work."

Certainly when a worker once learns that wealth is created by production, it is easy for him to understand the quickest way for him to destroy wealth is by stoppage of production for any cause. When there is a work stoppage brought about by a strike the worker loses his wages, the stockholder who owns the business suffers from his investment and the public loses by not being able to purchase the product. It is the old way of force instead of the modern way of reason.

A report made by the American Economic Foundation last year states that from careful surveys made they discovered that economic frictions are based not upon prejudice against business, but upon ignorance of how business operates. Most people who attack business feel completely righteous in doing so. They are simply ignorant of who gets how much for doing what in a production process.

Glenn Griswold made a survey last summer which showed that of all the company executives interviewed in this survey over 75% expressed their belief that less than 10% of their employees had a reasonably correct understanding of their companies' profits; yet only 7% of those companies had ever tried to do anything about it. He further stated, "The workers do not lack intelligence, but they do lack information." Workers replying to a national survey on a question of how many had been given any information by their companies in regard to its future plans and prospects registered 68.9% as having had no such information at all. Is it any wonder that workers are confused, and when told they should demand more money or strike, that they do so?

In the face of these facts manufacturers should no longer think what a manufacturer said to me recently: "If I pay my help well and give them steady work, under good working conditions, that's all they can expect, and what's more —that's all they are going to get."

In a recent public opinion survey made in December by Dr. Claude Robinson of "Opinion Research," in Princeton, New Jersey, 75.5% of all workers interviewed say they believe that companies should go beyond furnishing good jobs and paying good wages, but should help workers and the community in other ways too. The community regards a company as a social as well as an economic unit. But the most important part of this survey, which has just been finished, is convincing evidence of the practical value to a company of furnishing its employees and the community with information about itself. This survey covered six industrial cities throughout the country and eight plants in each of those six cities. The companies were classified according to their policies: first, those companies who paid good wages and good working conditions, but who felt they had no further obligation to their employees; second, those companies who not only paid their employees well, but also kept them well informed about the company; third, those companies who not only paid their employees well

(Continued on page 481)

*Abstracted from an address by Mr. Steinkraus before Economic Club, New York City, Jan. 9, 1947.

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Television Prospects

By H. C. BONFIG*
Vice-President, Zenith Radio Corporation

In discussing future of television, Mr. Bonfig maintains big factor will be cost in relation to other competing media reaching public, and asserts television as a national medium of entertainment, education and possibly advertising has yet to blaze a clear-cut trail. Warns against over-optimism as an advertising medium and points out difficulties in creating television from its business aspect. Foresees no low cost television set that will compete favorably with radios and movies.

In the radio manufacturing fraternity—as far as television is concerned—Zenith has insisted on wearing the red carnation when everyone else was wearing a white one. Quite frankly, much of the confusion in television today is due to the confliction of interests arising from patents and the attendant maneuvering for market position.

H. C. Bonfig

You may not agree with my remarks, but I will endeavor to express a realistic point of view and, I hope an appraisal of a subject that goes beyond the sale of a few radio sets.

I take it for granted that your primary interest in television is its value TODAY and potentially, as an advertising medium.

The problem can be reduced to a few very simple fundamentals—the same basic elements that influence the choice of all advertising. One factor is COST. The others which must be weighed against it are CIRCULATION and EFFECTIVENESS. There is no question of the effectiveness of television as an advertising medium. However, I would like to point out right here that everything you have heard from enthusiastic televisionaries about these three fundamentals is pure speculation. Television, as a national medium (or even as a powerful local medium) of entertainment, education and possibly advertising, has yet to blaze a clear-cut trail.

Almost everybody wants television. The public would like the entertainment, and opportunity to view events as they occur. Educators, statesmen, entertainers, and other interested in reaching the public are looking eagerly toward the opportunities this new medium will bring. Radio manufacturers, with or without patent motives, would welcome the new market that would be presented by successful television.

And make no mistake, gentlemen, Zenith wants television. We probably stand to gain more from it than any other large manufacturer, for the mass production of radionic equipment is the only business we have. We do not manufacture air or hair conditioners, household appliances, or automobile accessories. A large market for television receivers would be to us like manna from heaven—added to FM, it would assure us extremely rich dividends for many years in the future. Nevertheless, we are very dubious about the success of today's television boom, for the simple reason that there still remains unsolved the basic economic problem that proved to be a fatal stumbling block several times in the past 18 years.

Color Television

There is today another problem that is being blithely ignored by exponents of television now. It is the new development of high definition color television, with its terrific impact on public taste.

No program could be better designed to insure the ultimate failure of television than the aggressive promotion of low definition black and white television in the 50 mc band, where it now is. We all know, and one of the Federal Communications Commissioners has even admitted that this band is only temporary. Sets sold for this wavehand will soon be obsolete. Converters are not the answer. Reason—The public has already been fooled several times by false starts in the industry, and by changes in standards which obsoleted the few receivers they had purchased in good faith.

There is no question at all about public preference for COLOR. This is shown in the sale of home movie film, where color outsells black and white 3-to-1, although it is more costly.

About 25% of all feature pictures by major film producers are now done in color, and the only reason that more are not is the question of COST. Moreover, a recent consumer survey shows that people—**sight unseen**—voted for color television vs. black and white in the ratio of 3-to-1. Had they actually seen the difference between the superb color television demonstrated by CBS and the best of the low definition black and white, the ratio, I believe, would have been more nearly 10-to-1.

In the face of this public preference, the sale of any considerable number of black and white receivers would have a disastrous effect on public confidence. We are told that people will buy black and white receivers now and be perfectly happy about exchanging them for color receivers in a year or so. History does not bear out this contention. Consider, for example, the electric light and power industry. In the early days generating and distributing systems were, for the most part, direct current. Then came more economical, more efficient AC distribution. But for many areas, such as the Chicago loop, direct current is still employed. The reason?

The cost of switching from DC to AC appliances is so great that there has been strong resistance on the part of the public toward making this change.

Another example of frozen standards is offered by the railroads. I know of several narrow gauge railroads which ran for many years and rendered inefficient service for the simple reason that the cost of changing to standard gauge was too great. Some engineers say that our railroads would today give faster, safer, and more economical service by widening the present gauge. Even if this is true, it would be almost impossible to make a change because of the billions invested in rolling stock at the present standard gauge.

Similarly, if large numbers of lows definition television receivers are purchased by the public, there will be a terrific clamor against any attempt to change and improve standards.

It is my considered opinion that NOW, when there are virtually no new television receivers in public hands, the industry should immediately concentrate on the development of full color equipment which will at least give the purchaser a run for his money. There may never again be a time in history when a change in standards can be made with so little confusion and expense. However, color vs. black and white is only a relatively minor phase of the whole picture.

The time has come for frank discussion, for a behind-the-scenes explanation of the basic problem that has tripped television in the past, and that is still unsolved today. Only when this problem is solved can we look for prompt realization of the bright television dreams that have been held out to us for years.

In doubting the immediate commercial success of television, I am not speaking as the stagecoach driver who opposed the coming of the railroad, nor as a livery stable owner who predicted failure for the automobile. Zenith is in the television business and has been for many years. Since 1938, when Commandor McDonald warned the industry that launching television without first providing a sound plan to finance its development was a serious mistake, Zenith has been working actively to make television a reality for the American home.

My company's television transmitter, W9XZV, has been on the air with a continuous schedule of programs using modern transmission standards longer than any other television transmitter in the country. We are now completing final tests on our new ultra-high frequency transmitter, and are broadcasting television, experimentally, in full color.

As An Adevrtising Medium

Now, let us forget for a minute all of the visionary talk we have been hearing about this brand new medium, and look at television just as cold bloodedly as we would a new ultra-fancy magazine in which we were considering the placement of some advertising. First of all, what does television have to offer in the way of gaining firends and influencing people?

Television enjoys both advantages and disadvantages that characterize radio, motion pictures, publications and other competitors for popular favor, and also has characteristics that are all its own.

Like the motion picture, television is limited by the camera lens. Each scene must be in accurate focus, and changing from short to long range demands a change in lens or camera. Movies have the advantage here, because several cameras can be worked simultaneously to produce film that will be cut and spliced before being shown. Like radio, television is blessed and cursed with the quality of immediacy. Action occurs this instant, and is gone. If you tune in late, you can't wait and see the first part of the show over again. Moreover, you have to be on hand at a scheduled time to see the broadcast. With movies you have your choice of time over a period of several days. With newspapers or magazines you can wait until you are ready to read. With radio and television you have no such choice.

Television gives you either an instanteous, unedited portrayal of events as they occur, or reproduction in your own home of a film that is being projected in the television studio. In either case you will see it at the moment of broadcast or not at all, because for the vast majority of people, visual entertainment will not bear repetition. For instance, how many movies have you seen a second time? Compare that with

(Continued on page 477)

*Address by Mr. Bonfig before "Advertising Executive Club," Chicago, Ill., Jan. 7, 1947.

Business Man's Bookshelf

Handbook of Public Revenue Bonds—Part I—Highway and Toll Bridge Bonds with supplements—Tripp & Co., Inc., 40 Wall Street, New York City—$7.50.

Trade of Nations, The—Michael A. Heilperin—an introduction and guide to international trade and economics and a vigorous point of view on America as an international business power—Alfred A. Knopf, Inc., 501 Madison Avenue, New York 22, N. Y.—cloth—$3.00.

Making Money and Keeping It, The Know-How of Investment—Associated Book Publishers, Inc., P. O. Box 3594, Washington 7, D. C.—$1.00 (40% discount on orders for 100 or more copies).

James M. Leopold & Co.

A new partnership, under the name of James M. Leopold & Co., is being formed as of Feb. 1, by James M. Leopold, member of the New York Stock Exchange, and J. Harrell Howe. Offices will be at 527 Fifth Avenue. Mr. Leopold was a member of the former partnership which is dissolving Jan. 31. Mr. Howe was with W. E. Burnet & Co.

Joseph F. Crowley Dead

Joseph F. Crowley of 4 Fordal Road, Bronxville, New York, a governor of the New York Curb Exchange and a partner in the brokerage firm of Thomson & McKinnon, members of the New York Stock and Curb Exchanges, died at his home Sunday night, at the age of 50, after an extended illness.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Howard F. Fischer retired from Filor, Bullard & Smyth on Dec. 31. Frank Feinberg retires from partnership in Otto Fuerst & Co. on Jan. 31.

Kenneth Appenzellar Dead

Kenneth Appenzellar, formerly with the investment firm of E. A. Pierce & Co., died at his home at the age of sixty-four. Mr. Appenzellar was a junior partner in the brokerage firm of Swartwout & Appenzellar which was later merged with E. A. Pierce & Co.

Crocker With John G. Perry

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Fred N. Crocker has been added to the staff of John G. Perry & Co., Equitable Building. He was formerly with Kamp & Co., Inc.

du Pont, Homsey Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — du Pont, Homsey & Co., 31 Milk Street, have added John E. Cashman to their staff.

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.

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Revenue Bd. Handbook Keeps Data-Up-to-Date

Two supplements have already been issued for the Handbook of Public Revenue Bonds—Part 1—Highway and Toll Bridge Bonds—recently published by Tripp & Co., Inc., 40 Wall Street, New York City. These supplements are a revised study of the Pennsylvania Turnpike covering the new refunding issue, and the Cape May County Bridge Commission.

This Handbook is a greatly needed and valuable addition to the altogether too scarce centralized reference material and knowledge on the subject of public revenue bonds. The publication presents a detailed case history, including statistical data covering 34 major revenue bond projects with outstanding indebtedness of close to $500,000,000.

In order to keep the subject matter current, additional supplements devoted to large scale new projects and refunding operations are expected to be issued.

Necessarily, publication of the booklet entailed considerable expense and it is being offered by Tripp & Co., Inc. at a price of $7.50 per single copy and additional copies may be obtained at $5 each.

US For'gn Trade Policy And Domestic Economy Special NYU Seminar

The Institute of Economic Affairs of New York University is offering a special seminar in U. S. Foreign Trade Policy and Our Domestic Economy. The seminar will consist of fifteen sessions to be held Wednesday nights from Feb. 5th to May 14th from 8:10 to 9:50 p.m.

The Seminar is open to matriculated graduate students of New York University and to noncredit students from professional, business, and labor groups, who have a serious, practical interest in the content of the course. No formal academic training is required of noncredit students. The fee for noncredit students is $40.50 for the term. Those wishing to enroll as noncredit students should send for an application blank to Dr. Harold W. Davey, Director of the Institute of Economic Affairs, New York University, Washington Square, New York 3, N. Y.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Prices of government securities moved ahead last week as investors, traders and dealers re-entered the market. . . . The reason for the turnabout seems to have been the improved psychological attitude, brought about principally by the pressure of funds seeking investment and the statements in the budget message on the money markets. . . . A contributing factor undoubtedly was the announcement of the return of margin trading in the equity markets, the first of next month. . . .

ENTHUSIASM DAMPENED

However, the prediction by President Sproul of the New York Federal Reserve Bank, (speaking as an individual and not as a Central Bank official) last Monday, at the mid-winter meeting of the New York State Bankers Association, that the time will come when there will be a moderate increase in short-term rates, dampened the enthusiasm for government securities and halted the upward trend of the market. . . . On Wednesday the tone improved with the bank issues again the leaders. . . .

The technical position of the government securities market has been improving right along, because there is a sizable demand that will not be filled for some time to come, and the floating supply of securities has been steadily cut down. . . . Positions of dealers and traders are light and non-bank investors have not been disposing of eligible issues, particularly the taxables, in as large amounts as had been expected. . . . The demand for investments is usually heavy in January, and this year is no exception. . . . Also the large return flow of currency from circulation has had a tendency to ease the money markets, despite the counteracting moves on the part of Federal. . . .

CAUTION INDICATED

Although the market is in good shape and seems to forecast higher prices, it should be remembered that there will not be any wild upswing such as took place last year. . . . Not only are the monetary authorities watching prices, but also are the institutions, particularly those with eligible issues, that will be sold as prices rise. . . .

Despite favorable conditions, it is the opinion of many money market followers that prices will stay pretty well within the limits of previous trading areas although the momentum may carry some issues above these ranges. . .

It might be well to keep in mind the predictions of the financial district, that a good trading market is expected during the year. . . . Since a trading market is one that moves in both directions, there will probably not be too much hesitancy on the part of those that have profits, to take them, if prices should move ahead at too rapid a rate. . . .

SWITCHING PROMINENT

Switching of holdings continues to hold the spotlight, as institutions seek to adjust positions in order to get the maximum return from their securities. . . . This has increased volume as well as activity and has given the market a good tone, since there are interested buyers for both the shorts and the longs. . . . The commercial banks are the most important factors in these exchanges, although non-bank investors have contributed in no small measure to the success of the operation. . . .

BANKS COMPETING

The eligibles, both the taxables and the partially-exempts, were well bought, with some of the out-of-town banks competing with the metropolitan deposit banks for the latter securities. . . . Non-bank investors, which have been taking on certificates and short eligible bonds, are still in the market for these issues. . . .

On the other hand, for the first time in quite a period, savings banks were sellers of fairly sizable amounts of the longer eligible taxable 2s and 2¼s due 1956/59. . . .

These funds, according to reports, are being reinvested in the restricted obligations. . . . Reinvestments of this type, which would improve the income of the selling institutions, are likely to increase as prices of the eligibles move ahead. . . .

COURSE OF INTEREST RATES?

President Truman's budget message assures that there will be a continuation of low interest rates and a stable bond market, through the cooperation of the Treasury and Federal. . . . These statements undoubtedly had a favorable effect on the government securities markets, because here was an official declaration of policy on the money markets. . . .

The statement about continued low interest rates seemed to have put an end to the talk of defrosting the certificate rate, until President Sproul of the New York Federal Reserve Bank, last Monday interpreted low interest rates, to mean a diversity of rates, and not a fixed pattern of rates, which could still allow for somewhat higher short-term rates. . . . It seems as though there are still differences of opinion on money rates between the heads of the individual Reserve Banks and the monetary authorities. . . .

While the statement about a stable bond market was reassuring, it seems as though it contained some words of caution, since a stable market is generally taken to mean a market that does not move too violently in either direction. . . . Interpretation of the budget statement, on the bond market, in financial circles, indicates that there is likely to be interference with the market by the monetary authorities, on the up-side as well as the down-side. . . .

CURRENCY INFLOW

The return flow of currency from circulation in the past three weeks has been heavy, and this has no doubt helped to ease the money market. . . . How long this trend will continue is a debatable point, since the Treasury in an analysis of the wartime currency expansion, looked for only limited amounts to return to the banks. . . . Nonetheless, the practical elimination of black markets, will mean less need of currency for legitimate business. . . . Also, declining commodity prices, greater supplies of goods, as well as clearance sales, have brought and should continue to bring money out of hiding and hoarding. . . . These factors have led some to conclude that the return flow of funds will continue for some weeks yet, in fairly sizable amounts. . . .

Although Federal will offset the effects of the return of currency by the sale of bills and certificates there is always the possibility that it will not be done in its entirety. . . . This would keep the money market easy, and have a beneficial effect on government security prices. . . .

DEBT REDEMPTION

Redemption of $1,000,000,000 of certificates on Feb. 1 is a continuation of the policy of cutting down outstanding debt and interest charges. . . . The amount of the February certificates outstanding was larger than any of the other certificate issues, and this retirement brings it more in line with the others. . . . Although cash balances were sufficient to take care of the redemption, it is believed that the heavy income tax payments on Jan. 15 had an influence on the monetary authorities in their decision to retire part of the February issue. . . .

The March 15 1¼s seem to be the next operation, and while no change in policy is looked for at that time, it would not be surprising if later on in the year the Treasury might refund some of the maturities, with separate offerings to bank holders and non-bank investors. . . .

Business conditions, trend of commodity prices and loans, will be the determining factors. . . . Revival of rights could have an important effect on the market, particularly on the maturing or callable issues. . . .

MARGIN TRADING

Removal of restrictions on margin trading in the equity markets on Feb. 1, is a definite change in credit policy on the part of the Federal Reserve Board, and is likely to be followed by the elimination of other controls. . . . The end of the inflation fear on the part of the money managers, could have an important effect on the money markets, particularly if some of the opinions on business conditions that appear to be held by certain government economists, should turn out to be somewhere near correct. . . .

Political considerations were no doubt very important in the sudden action on margins by the Board, since the amount of bank credit that will go into the stock market will not be large enough to affect the money markets. . . .

It may be that the way is being prepared to take up some of the slack that would develop with a downtrend in business loans, which is expected in some quarters.

This advertisement appears of record only and is not, and is under no circumstances to be construed to be, an offering of this Common Stock for sale or a solicitation of an offer to buy any of such Shares. The offering is made only by the Prospectus.

NEW ISSUE

50,000 Shares

The Pantasote Company

Common Stock
($1 Par Value)

Price $11.25 per share

Copies of the Prospectus may be obtained from the undersigned.

Van Alstyne, Noel & Co.

January 21, 1947.

Sixtieth Anniversary
of
CHAS. E. QUINCEY & CO.
Established January 18, 1887

Securities of
THE U. S. GOVERNMENT
and Its Instrumentalities

Members
NEW YORK STOCK EXCHANGE NEW YORK CURB EXCHANGE
25 Broad Street New York 4, N. Y.

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Canadian Securities

By WILLIAM J. McKAY

It is always darkest before the dawn. During the past week the market for free funds and Canadian internal bonds at one time indicated only gloom and lower prices. In the short space of only one day however the bearish fog suddenly lifted and the large volume of exchange and bond offerings was more than offset by a resumption of general demand.

This strong reaction was by no means unexpected. As a result of arbitrage operations of the past few months internal bonds had been brought down from Canada to such an extent that these securities could be bought at approximately 6½% discount from the Canadian price. Purchasers of internal bonds consequently took the arbitrage bonds instead of following the usual procedure of buying the bonds in Canada with Canadian exchange purchased on market for free funds. As the free rate during this period was quoted in the neighborhood of 5% discount there was a differential of about 1½% in favor of the arbitrage bonds.

Free funds were weak at this time largely owing to the absence of bond buying over the free rate. In addition it would appear that there has been a considerable volume of repatriation of previously blocked foreign accounts in Canada which now appears to have passed the peak. As soon as it became noticeable also that the liquidation from this country of Canadian stocks (which permitted stock arbitrageurs to import Canadian internal bonds) was also on the decline, a sudden investment demand developed for the Dominion internal bonds. The movement was sufficiently strong to erase the differential between the arbitrage bonds and the bonds purchasable over the free rate. As a consequence there was a resumption of bond buying of the latter type which created a firmer tendency for free funds.

The weakness of both the Canadian dollar in the unofficial market and Dominion of Canada internal bonds in this country could have been avoided had the Canadian authorities taken justifiable measures to prevent the arbitraging of Dominion of Canada Canadian dollar bonds. With the official exchange rate established at par, it is not at all surprising that the level of the Canadian dollar in the free market at 5% discount and Dominion of Canada internal bonds in this country at an even greater discount, has provoked adverse commentary on the part of casual observers who have not delved into the complicated ramifications of the case.

It should not be left to the intelligent initiative of investors in this country to maintain the high standing of Canadian Credit abroad. As previously suggested, in view of the fact that the Canadian situation in general can stand comparison with any other in the world, it would be a simple task for the Dominion authorities to remedy these relatively small matters which reflect disproportionately on the Canadian credit standing in this country.

During the week apart from the flurry in Canadian internal bonds the only other market feature of note was the demand for high-grade medium-term externals in anticipation of the addition of these securities to the Savings Banks' legal list. In view of the scarcity of offerings however a negligible turnover was recorded. Canadian stocks were dull in sympathy with the New York market with the exception of the golds which maintained their recent firmness.

Herrick Wadell Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Delbert H. Betts has joined the staff of Herrick, Waddell & Co., 1012 Baltimore Avenue.

Miller at McDonald & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—James W. Miller is with McDonald & Company, 1009 Baltimore Avenue.

Study To Amend Securities Acts Resumed By Securities and Exchange Commission

The Securities and Exchange Commission has announced the resumption of its study of the Securities Act of 1933 and the Securities Exchange Act of 1934 to "bring a set of desirable and workable proposals for amendments before Congress." The Commission's original study of the acts was interrupted by the war.

Representatives of underwriters, issuers, distributors, investors and securities exchanges, as well as other interested parties, have been invited to participate in preliminary discussions in order to reach as large an area of agreement on the proposed amendments as possible. All those wishing to comment on the program of revision are asked to mail a statement of their views to the commission before Feb. 15, and to specify whom they represent and whether they wish to meet with the commission or its staff for conferences.

James J. Caffrey

E. Hopkinson, Jr.

Herbert F. Boynton

Wm. K. Barclay, Jr.

R. Victor Mosley

C. E. Unterberg

An informal preliminary conference was held Jan. 17 between representatives of the investment banking industry and some of the commissioners. Among those participating were Edward Hopkinson, Jr., partner in Drexel & Co., Philadelphia, and President of the Investment Bankers Association of America; Herbert F. Boynton, H. F. Boynton & Co., New York, who will shortly succeed William K. Barclay, Jr., Stein Bros. & Boyce, Philadelphia as President of the National Association of Securities Dealers, Inc.; Mr. Barclay; R. Victor Mosley, Stroud & Co., Inc., Philadelphia, President of the National Security Traders Association; and Clarence Unterberg, C. E. Unterberg & Co., New York, President of the New York Security Dealers Association.

It is expected that a group of representatives will be named by large institutional purchasers of securities to participate in the discussions.

One of the major objectives of the program, according to James J. Caffrey, Chairman of the SEC, is simplification of the registration process. Another is to get the information contained in the prospectus to the prospective purchaser as rapidly as possible during the "cooling off" period between the filing of the registration statement and its effectiveness. The Commission, Mr. Caffrey pointed out, has recently taken steps to aid the general objective such as revising its forms and eliminating much material heretofore required. He added that some of the desirable objectives may be accomplished by the adoption of new rules, but that others may require actual amendments of the acts.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made Jan. 16 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $42,335,000 1% consolidated debentures dated Feb. 1, 1947, and due Nov. 1, 1947. The issue was placed at par. Of the proceeds, $21,500,000 will be used to retire $21,500,000 debentures, maturing Feb. 1, 1947 and $20,835,000 will be for new money purposes. As of Feb. 1, 1947, the total amount of debentures outstanding will be $307,445,000.

CANADIAN BONDS

GOVERNMENT
PROVINCIAL
MUNICIPAL
CORPORATION

CANADIAN STOCKS

A. E. AMES & CO.
INCORPORATED
TWO WALL STREET
NEW YORK 5, N. Y.
RECTOR 2-7231 NY-1-1045

TAYLOR, DEALE & COMPANY
64 Wall Street, New York 5
WHitehall 3-1874

CANADIAN SECURITIES
Government Municipal
Provincial Corporate

Non-Callable

$100,000
Canadian Pacific Railway Company
4% Perpetual Debenture Stock
Interest payable semi-annually in United States Funds
Price to yield 3.80%

Wood, Gundy & Co.
Incorporated
14 Wall Street, New York 5
Toronto Montreal Winnipeg Vancouver London, England

This advertisement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by Prospectus.

119,431 Shares

Frontier Power Company
(a Colorado Corporation)

Common Stock
($5 Par Value)

Price: $10 per share

Copies of the Prospectus may be obtained from such of the undersigned as are registered dealers in this State

SILLS, MINTON & COMPANY
INCORPORATED
STRAUS & BLOSSER
BUTCHER & SHERRERD
BATTLES & COMPANY, INC.
FERRIS & COMPANY, INC.
CHACE, WHITESIDE & WARREN
INCORPORATED
SHILLINGLAW, BOLGER & CO.
GARRETT-BROMFIELD & CO.
LEWIS C. DICK CO.
BIOREN & CO.
BLAIR F. CLAYBAUGH & CO.
CHARLES A. TAGGART & CO.
E. W. GRIMSHAW & CO., INC.

January 22, 1947

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Mutual Funds

By JOHN DEAN

Market Performance

Preliminary estimates for 1946 indicate that for the fourth consecutive year, investment companies have again performed better than the general market.

Results for the full year 1946, as estimated by Arthur Wiesenberger & Co., show superior market performance by investment companies generally, not only by the balanced funds but also by the companies investing predominantly in common stocks.

Study of seven of the open-end balanced funds indicates that the average full year 1946 asset value decline for this conservative investing group was only ½ of 1%. This compares with 7.9% net decline in the Standard-Poor's Index of 90 stocks. During the last half of 1946, when the Standard-Poor's Index was declining 15.1%, asset value of the balanced funds declined an average of only 7.4%.

Three of the seven balanced funds studied actually showed net gains in asset value for the full year 1946—General Investors Trust, Nation Wide Securities, and Scudder Stevens & Clark.

The 41 common stock investing companies studied show an estimated 3.7% decline in asset values for the full year 1946, compared with the 7.9% decline in the Standard-Poor's Index. During the last half of 1946, while the Standard-Poor's Index was declining 15.1%, the common stock investing companies showed an estimated decline of 13.4% in asset values.

Nine of the 41 common stock investing companies are estimated to show actual increases in asset values for the full year 1946, ranging from 0.3% to 3.6%. Open-end funds in this group are: New England Fund and Eaton & Howard Stock Fund. Closed-end companies in this group are: U. S. & International, Lehman Corp., American Cities Power & Light, U. S. & Foreign, General Shareholdings, General American Investors, and Carriers & General.

The specialty open-end funds should be mentioned also in any review of performance for 1946. Specialization by these funds in particular industries or security groups resulted in varying degrees of fluctuation, from the steadiest results achieved by the high-grade bond and preferred stock series, to the wider fluctuation in the various industry series and common stock funds. The opportunity afforded by these funds for specialization, of course, is one of their basic appeals.

This superior market performance by investing companies once again emphasizes the value for the investor of the experienced management and diversification afforded by investing companies. Any medium of investing which can so consistently out-perform the general market cannot fail to have tremendous appeal for individual and other types of investors.

Increasing general acceptance by investors, therefore, is reflected in sales of investing company shares. Net sales for 1946 are estimated at over $200,000,000, compared with $182,000,000 for 1945. Particularly significant was the experience during the last half of 1946. During this period, while the general market decline was occurring, redemptions of investing company shares by investors were lower than in the first half of 1946.

Number of total investors in investing company shares is now estimated at 1,250,000 shareholders, owning approximately $2.5 billion of investing company securities.

News and Views

Affiliated Fund—Bulletin on position of copper concludes that although the price of copper is historically high, its statistical position is strong, and earnings of major producers, even at prices 10% below present levels, could approximate or exceed their 1929 earnings.

Dividend Shares—Folder shows that from beginning of World War II Aug. 31, 1939, to Dec. 31, 1946, net asset value increased 58.55%, compared with 31.84% appreciation in the Dow Jones Industrial Average.

Fundamental Investors—Study indicates that $10,000 invested in the shares Jan. 2, 1933 (inception date) would now be worth $22,679 in net asset value and would have received $12,681 in dividends and other payments during the period.

Group Securities—January Investment Report considers the consumers soft goods industries to be now at the peak of their replacement boom, in contrast to the consumers durable goods industries just beginning to enter their period of peak production. Among the latter, automobile, building, steel, heavy machinery and railroad equipment are regarded as particularly promising.

Investors Syndicate—Announces termination of 3-year voting trust and election of new directors, including B. C. Gamble, majority stockholder. Among subsidiaries are Investors Mutual, Inc., Investors Stock Fund, Inc., and Investors Selective Fund, Inc., which are mutual open-end investing companies, with total assets of $106 millions.

Keystone Custodian Funds—Effective Jan. 17, 1947, Series S-4 added the following common stocks to Reserve List: Anderson-Prichard Oil; Bell & Howell; Casco Products; Copper Range; Cornell-Dubilier; Crown Central Petroleum; Hecla Mining; International Hydro-Electric System "A"; Lakey Foundry & Machine; and Park Utah Consolidated Mines.

Manhattan Bond Fund—Additions to holdings since November 1946 are: Boston & Maine 1st 4s, 1960; and Illinois Central (Chi. St.L. & N.&O.) Joint 1st & Ref "A" 5s, 1963. Directors have also authorized purchase of bonds of American Airlines as eligible for the fund.

National Bond & Share—Net asset value was $28.67 per share Dec. 31, 1946 (after $2.39 per share dividend from capital gains) compared with $33.23 per share Dec. 31, 1945. Assets Dec. 31, 194f were distributed as follows Cash, 5.8%; Government securities, 8.0%; preferred stocks, 11.8% common stocks, 74.4%.

National Trust Funds—Bulletin compares national income, retail sales, bank deposits, money in circulation, industrial production and farm income in 1946 with 1929 shows that all of these fundamentals are higher than in 1929 and points out that industrial stock prices are less than half their 1929 high and 26% below their year-end 1929 levels. Industries favored: automotive, building and household supply, railroad equipment and highway construction.

Nationwide Securities—Net asset value during 1946, first year of operation as balanced fund, declined only 2.32%, compared with 10.26% decline in the Dow Jones Composite Average of 65 stocks. Assets Dec. 31, 1946 were distributed as follows: Cash 3.41%; bonds, 29.03%; preferred stocks, 23.16%; common stocks, 44.40%.

Selected American Shares—Net asset value was $11.76 per share Dec. 31, 1946, a net decline of only 6.3% for 1946, compared with 8.1% decline in the Dow Jones Industrials.

Dividend News

American Business Shares—Announces quarterly dividend of 4c per share, payable Feb. 20, 1947 to holders of record Feb. 5, 1947.

Commonwealth Investment Co.—Tentative tax opinion is that approximately 64% of total 1946 dividends of 42c per share will be designated as capital gain dividends.

Manhattan Bond Fund—Ordinary dividend of 8c per share, from net investment income, and an extraordinary dividend of 4c per share, from realized security profits, were paid Jan. 15, 1947 to holders of record Jan. 4, 1947.

National Trust Funds—Following funds will sell ex-dividend Jan. 31, 1947 by the following estimated dividends, to be paid Feb. 15, 1947: Preferred Stock Series, 14c; Stock Series, 14c; Selected Groups Series, 5c.

George Putnam Fund—Of total 1946 dividends of 80c per share, $0.4705 per share has been designated as ordinary dividend income, and $0.3295 as long-term capital gains.

Detroit Stock Exch. Elects New Officers

DETROIT, MICH.—The Detroit Stock Exchange announces the

Milton A. Manley

George A. McDowell Armin H. Vogel

election of the following officers for the year 1947:

President, Milton A. Manley, M. A. Manley & Co.

Vice-President, Armin H. Vogel, A. H. Vogel & Co.

Treasurer, George A. McDowell, Mercier, McDowell & Dolphyn.

Announcement was also made of the reappointment of John O. MacFarlane as Executive Vice-President and Fred J. Oppat as Secretary.

Edward C. P. Davis, of Dickinson, Wright, Davis, McKean and Cudlip will continue as counsel, and Edward Bower of White, Bower and Prevost will continue as auditor.

Dan Byrne of Paine, Webber, Jackson & Curtis was elected to the Board of Governors for a three-year term, and Max J. Stringer of Watling, Lerchen & Co., and Armin H. Vogel of A. H. Vogel & Co. were re-elected for the same period.

Other Governors making up the Board are: Milton A. Manley, Raymond C. O'Donnell, R. C. O'Donnell & Co., and Charles A. Parcells, Chas. A. Parcells & Co., whose terms expire in 1948, and Samuel Hague, Smith, Hague & Co.; George A. McDowell, and Paul I. Moreland, Moreland & Co., whose terms expire in 1949.

Elected to the Nominating Committee for 1947 are: Paul T. Bollinger, Bollinger, Harris & Co.; Charles B. Crouse, Crouse & Co.; Clyde Hagerman, Wm. C. Roney & Co.; Clarence Horn, First of Michigan Corp.; Raymond Reilly, M. A. Manley & Co.

Muschette With Chapin Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Leslie C. Muschette has become associated with Chapin & Company, Penobscot Building, members of the Detroit Stock Exchange. Mr. Muschette was previously with Walston, Hoffman & Goodwin in Los Angeles.

RAILROAD STOCK SHARES
OF GROUP SECURITIES, INC.
A CLASS OF GROUP SECURITIES, Inc.
A PROSPECTUS ON REQUEST
from your investment dealer or
Distributors Group, Incorporated
63 Wall Street, New York 5, N. Y.

NATIONAL SECURITIES SERIES
Prospectus upon request from your investment dealer, or from
NATIONAL SECURITIES & RESEARCH CORPORATION
120 BROADWAY, NEW YORK 5, N. Y.

Manhattan Bond Fund
INC.
Prospectus from your Investment Dealer or
HUGH W. LONG & CO.
INCORPORATED
48 WALL STREET, NEW YORK 5, N. Y.
LOS ANGELES CHICAGO

COMMONWEALTH INVESTMENT COMPANY
A Diversified Investment Fund with Redeemable Shares
★
Prospectus on Request
★
GENERAL DISTRIBUTORS
NORTH AMERICAN SECURITIES CO.
2500 Russ Building
San Francisco 4, California

Keystone Custodian Funds
★
Prospectus may be obtained from your local investment dealer or
The Keystone Company of Boston
50 Congress Street, Boston 9, Mass.

INVESTORS MUTUAL, INC.
INVESTORS SELECTIVE FUND, INC.
INVESTORS STOCK FUND, INC.
Prospectuses on request from Principal Underwriter
INVESTORS SYNDICATE
R. E. Macgregor, President
Minneapolis, Minnesota
REPRESENTATIVES IN THE PRINCIPAL CITIES OF THE UNITED STATES

The George PUTNAM FUND of Boston
Prospectus upon request
Putnam Fund Distributors, Inc.
50 State St., Boston

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Safeguarding Export-Import Bank

By HOWARD BUFFETT
Republican Congressman from Nebraska

Congressman Buffett explains objective of his bill, in requiring private participation in Bank's loans, is to assure its operation on business basis, and to free it from being used as a "politico-economic international weapon." Cites France's experience after World War I to support his conclusion international friendships based on economic paternalism are counterfeit.

HR 665 would require the Export-Import Bank to secure on all loans over $5,000,000 full risk private participation for an amount equal to 25% of the total loan.

Howard Buffett

The primary objective of the bill is to encourage and require the operating policy of the Bank to conform with section (c) of its statement of basic principles, which reads in part:

As a matter of prudent management and as required by law, THE BANK MAKES ONLY LOANS WHICH OFFER REASONABLE ASSURANCE OF REPAYMENT.

If the loans of the Bank meet this standard, it is likewise reasonable to expect that Export-Import Bank officials would easily find private banks to supply 25% of future loans.

Moreover, this bill would protect the Bank from being constrained to make partial or outright political loans. Fortified by the requirement of private participation in its risks, the Bank would not be embarrassed by requests for outright or quasi-political loans.

Preventing Dollar Diplomacy

This safeguard would eliminate the charge either at home or abroad that the Bank is being used as an instrument for political or economic warfare.

The smaller credits of the Bank are exempted from the proposal in order that this smaller business would not be unduly impeded by participation requirements. Probably the danger of political loans is not as important in credits under the $5,000,000 mark.

Up to this time the Bank has made many loans in which politics were involved. Foreign countries and well-informed people in America are not being fooled by this practice. The victim of this official deception is the ordinary American taxpayer, who desperately clings to the belief that those in high places in his government speak only truth.

If the officials of the Bank mean what they say when they solemnly assert that the "BANK MAKES ONLY LOANS WHICH OFFER REASONABLE ASSURANCE OF REPAYMENT," this bill should be of real assistance to them.

To End Pretense

However, if the Bank is to function as a combination politico-economic international weapon, then obviously the safeguards of HR 665 are unwanted. If the Bank is a political instrument, any pretense otherwise should end.

The text of Rep. Buffett's bill, HR 665, explained in this article, was published in the "Chronicle," Jan. 16, 1947, page 273.—Editor.

Enactment of this plan into law would also encourage the return of international lending to private channels. It would provide a partnership outlet for the gigantic loanable balances of the big banks of the nation.

While this goal is meritorious, it is of minor importance compared to the need for establishing the operations of the Bank on a forthright basis.

The proposal follows the pattern used successfully by the RFC in making small loans, with local banks required to take a part of the risk.

We have seen the boomeranging results of Lend-Lease and UNRRA in several instances. It should be apparent now to the most foolhardy zealot of foreign handouts that international friendships based on economic paternalism are counterfeit.

Years ago I got my first lesson on human relations in finance from a sign on a cigar store cash register. It read:

I loaned money to three friends;
I lost the three friends; also
the money;
I have decided to lose no more
friends.

In case Administration officials do not agree with the moral of this verse, a case study of international loaning by a government may be enlightening.

France's Experience After World War I

After World War I France carried on an ambitious program of direct government loans to European nations. Aside from participation in the two American sponsored German credits, the objective was to strengthen her military position and have strong allies in case of war.

How did this scheme work out? Read the following complete list of French Government post-World War I loans and recall what each country did for or against France when World War II arrived.

When the time came for the borrowing nations to help France, those receiving almost half of the loan total fought France. One nation, Turkey, stayed on the sidelines. The quick collapse of resistance of the other loan recipients is a matter of record.

FRENCH LOANS TO EUROPEAN COUNTRIES BETWEEN WORLD WAR I AND WORLD WAR II

Country—	Date	Amount	U. S. Currency Equivalent
Rumania	1923	£16,500,000	$75,471,000
Belgium	1923	400,000,000 francs	$24,320,000
Austria	1923	170,000,000 francs	$10,336,000
Bulgaria	1923	40,000,000 francs	$ 2,432,000
Germany (Dawes loan)	1924	£ 3,000,000	$13,251,000
Hungary	1924	96,000,000 francs	$ 5,026,560
Poland	1927	$ 2,000,000	$ 2,000,000
Bulgaria	1928	130,000,000 francs	$ 5,096,000
Rumania	1929	561,000,000 francs	$21,968,760
Germany (Young loan)	1930	2,156,000 francs	$ 84,601
Finland	1930	300,000,000 francs	$11,772,000
Poland	1930	25,000,000 francs	$ 981,000
Rumania	1931 (spring)	575,000,000 francs	$22,540,000
Yugoslavia	1931 (spring)	675,000,000 francs	$26,460,000
Poland	1931 (spring)	400,000,000 francs	$15,680,000
Yugoslavia	1931 (fall)	$ 8,400,000	$ 8,400,000
Hungary	1931 (October)	$10,000,000	$10,000,000
Austria	1931 (fall)	$14,160,000	$14,160,000
Monaco	1932 (December)	$13,650,000	$13,650,000
Belgium	1932 (November)	13,000,000 francs	$ 509,600
Poland	1933 (February)	300,000,000 francs	$11,760,000
Poland	1936 (December)	405,000,000 francs	$16,901,350
Turkey	1939 (October)	$13,680,000	$13,680,000
	1939 (October)	£ 5,000,000 (gold)	$19,445,000

Source, Legislative Reference Service, Library of Congress.

Bell & Gossett Stock Off'd by Ames, Emerich

Public offering of 100,000 common shares, $5 par value, of Bell & Gossett Co., an Illinois corporation manufacturing hot water specialities and industrial heat transfer equipment, was made January 20 at $9.50 a share by Ames, Emerich & Co., Inc.; Lee Higginson Corp.; Kebbon, McCormick & Co. and associated underwriters.

Main offices of Bell & Gossett Co., incorporated Jan. 5, 1916, are at Morton Grove, Ill. It manufactures hot water specialities, including an electric water circulator and various types of water heaters, industrial heat transfer equipment and industrial pumps.

Outstanding debenture notes totaling $75,423 and a $420,000 installment bank loan will be retired from net proceeds of the sale of the 100,000 common shares. The remainder of the proceeds approximately $353,000 will be applied to the reduction of current short-term bank loans aggregating $430,000. Such application of proceeds, the prospectus states, will result in an increase of approximately $355,000 in the company's working capital.

Wason, Lubin to Discuss "Boom or Bust?"

A dinner-forum to discuss the topic, "The Economic Outlook for 1947—Boom or Depression? Which? Is Either Necessary?" will be held at the New School for Social Research on Wednesday, Jan. 29, at 7:30 p.m. The dinner is the third forum of the season to be held under the auspices of the Associate Members of the New School. Speakers include:

Isador Lubin—"Economic Elements." Mr. Lubin is United States delegate to the Economic and Employment Commission of the United Nations, former economic assistant to the President of the United States; **Robert R. Wason, "Industry."** Mr. Wason is Chairman of the Board, National Association of Manufacturers; President, Manning, Maxwell and Moore; **Louis J. Paradiso, "Consumption and Prices."** Mr. Paradiso is Chief of the Business Structure Division, Department of Commerce; **Elliott V. Bell, "Banking."** Mr. Bell is State Superintendent of Banks; **William W. Cumberland, "Finance and Securities."** Mr. Cumberland was formerly economic advisor to the State Department; now governor of the Association of Stock Exchange firms; partner, Ladenburg, Thalmann & Co.; **William J. Baxter, "Stock Prices."** Mr. Baxter is head of the Baxter International Economic Research Bureau.

Isador Lubin

Robert R. Wason

A. Wilfred May, member of the New School faculty, is Chairman.

Joins Bacon Whipple Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Claude E. Loden has become affiliated with Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$13,000,000

New York State Electric & Gas Corporation

First Mortgage Bonds, 2¾% Series due 1977

Dated January 1, 1947 Due January 1, 1977

Price 102⅞% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

OTIS & CO. (INCORPORATED) THE MILWAUKEE COMPANY

January 23, 1947

This advertisement is not, and is under no circumstances to be construed as, an offering of the following securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

NEW ISSUE

Bell & Gossett Company

100,000 Common Shares
($5 Par Value)

Price: $9.50 per share

Copies of the Prospectus may be obtained from such of the undersigned only as are registered dealers in securities in this State.

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January 20, 1947

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Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Bank Stocks

At the close of 1946, total earning assets of 15 leading New York City banks aggregated $19,487,309,000, compared with $24,361,905,000 on Dec. 31, 1945, a peak figure. The decrease during the year amounted to $4,874,596,000, equivalent to approximately 20%. Over the same period deposits decreased from a peak on Dec. 31, 1945, of $28,163,149,000 to $23,332,683,000, a decline of $4,830,466,000, or approximately 17.2%. This decline, however, has been almost entirely in the government's demand deposits.

A break-down of the year's decline in earning assets shows the following:

	U. S. Govt. Securities ($000)	Other Bonds & Securities ($000)	Loans & Discounts ($000)
12-31-45	16,003,278	1,220,924	6,877,605
12-31-46	12,080,661	1,175,622	6,013,388
Total decrease	3,922,617	45,302	864,217
Decrease	—24.5%	—3.7%	—12.5%

It will be noted that approximately 80% of the decline has been in Government Securities, and it is of further interest that approximately 96% of this decline has been in Treasury bills, certificates and notes, while the higher-yield Treasury bonds are only fractionally lower.

It is of further interest to note that although total loans and discounts of the 15 banks are lower by $864,217,000 or 12.5%, the reduction has been in loans to brokers and dealers and other loans for purchasing or carrying securities, while commercial loans increased close to a billion dollars or more than 33%.

Hence, although total earning assets have shrunk in volume they are definitely better in character from an earnings standpoint. It is not so surprising therefore, that the net operating earnings of the banks for 1946 held up fairly well compared with 1945, despite higher operating costs.

	Book Value 12-31-45	Book Value 12-31-46	Net Oper. Prof. 1945	Net Oper. Prof. 1946	Net Sec. Profits 1945	Net Sec. Profits 1946	Total Net Oper. & Sec. Profits 1945	Total Net Oper. & Sec. Profits 1946
Bank of Manhattan	$30.26	$31.55	‡$3.12	$2.56	$0.55	$0.85	$3.67	$3.41
Bank of New York	436.20	448.17	33.11	25.97	(Not reported)		33.11	25.97
Bankers Trust	47.77	49.05	3.39	3.10	1.85	0.26	5.24	3.36
Central Hanover	112.63	118.19	8.79	8.04	2.88	1.53	11.67	9.57
Chase National	40.57	42.37	2.36	2.59	1.23	0.40	3.59	2.99
Chemical Bk. & Tr.	40.02	41.40	3.07	2.87	1.33	0.58	4.40	3.45
Corn Exchange	53.34	56.05	5.43	5.50	(Not reported)		5.43	5.50
First National	1,333.79	1,359.80	98.65	92.54	21.69	12.93	120.34	105.47
Guaranty Trust	347.42	357.36	19.06	20.08	5.76	2.23	24.82	22.31
Irving Trust	22.08	22.53	1.32	1.35	0.04	0.05	1.36	1.40
Manufacturers Trust	54.85	57.71	4.90	5.26	1.83	1.35	6.73	6.61
*National City	44.60	46.38	2.84	3.03	1.28	0.64	4.12	3.67
New York Trust	99.82	104.78	7.94	7.40	1.48	2.30	9.42	9.70
†Public National	48.89	52.00	—	—	—	—	3.81	4.85
U. S. Trust	767.74	770.25	46.42	44.07	11.51	3.18	57.93	47.25

*Includes City Bank Farmers Trust. †Indicated earnings. ‡Includes 40c. tax savings.

It will be observed in the accompanying tabulation that six of the fifteen banks reported higher net operating earnings in 1946 than in 1945, exclusive of net security profits. The latter item is lower for all banks except Bank of Manhattan, Irving Trust and New York Trust. Operating earnings of Public are not yet available; only indicated earnings. It is of interest that Public is the one bank in the group to report higher deposits, viz: $552,053,000 on Dec. 31, 1946 compared with $545,498,000 on Dec. 31, 1945; a gain of 1.2%.

The average decline in deposits of the fifteen banks was 15.8%; maximum percent decline was the 25.7% of New York Trust followed by the 24.4% of Guaranty Trust; minimum decline was the 5.2% of Corn Exchange, followed by the 6.1% of U. S. Trust and the 9.8% of National City. Chase National's decline was 21.7%.

Capital funds made substantial gains during the year, as indicated in the column of book-values for both year-ends. It is also of interest that the average ratio of deposits to capital funds of the fifteen banks is now 12.4, compared with 15.2 a year ago. At the present time the following five banks have ratios below the conventional 10.0, viz: Bankers Trust, 9.4%; First National, 4.8%; Guaranty Trust, 7.8%; Irving Trust, 9.0%; and U. S. Trust, 4.3%. A year ago only First National and U. S. Trust had ratios below 10.0.

Corn Exchange's ratio is also low at 10.4; the remaining banks in the list have ratios as follows —Chemical, 11.9; Bank of New York, 12.1; Central Hanover, 12.1; Chase, 14.3; Bank of Manhattan, 16.0; National City, 16.6; Corn Exchange, 19.0; Manufacturers Trust, 19.2; Public, 19.3.

These are rather interesting ratios. On the one hand, they give a comparison of leverages and on the other hand, indications of where one might look for possible capitalization increases. And on this point, one might wonder why Guaranty Trust, with its low ratio of 7.8, should have considered it necessary to increase its capital from $90,000,000 to $100,000,000. The latter figure, it is true, looks better and is easier for bank stock analysts to work with. If nice round numbers are of importance, several other banks with higher ratios could make changes that would be welcomed by statisticians, viz: Chase, Manufacturers Trust, National City and Public National.

Edmund Brown Jr. V.-P. Of Fundamental Inv.

Election of Edmund Brown, Jr. as Vice-President and a director of Fundamental Investors, Inc., Investors Management Fund, Inc. and Investors Management Company, Inc. has been announced. Mr. Brown will be chief research executive of Investors Management Company, Inc., which is a research organization, and will be directly in charge of portfolio administration of the two investment companies which have over $30,000,000 in assets. The research organization is affiliated with the firm of Roosevelt and Son and George Emlen Roosevelt is Chairman of the board of the corporation.

Edmund Brown, Jr.

Mr. Brown was connected with Lehman Corporation from 1929 until 1946 serving as Vice-President in charge of research in later years. In 1946 he became director of research with Clark, Dodge & Co.

AFL Denounces Nathan Report

In January issue of its "Labor's Monthly Survey," it states report presupposes a pooling of profits and therefore is based on figuring "that has nothing to do with realities of industrial operation or with collective bargaining." Points out profits create jobs, and profit reduction will close many plants.

The January issue of "Labor's Monthly Survey," published by the American Federation of Labor, in addition to denouncing the portal-to-portal pay suits, attacks the validity of the so-called Nathan Report compiled under the auspices of the CIO, and which set up a claim that wages could be generally increased as much as 25% without requiring any rise in prices. In commenting on the Report, the publication states:

"The businessman's profit in a free enterprise economy serves two useful purposes, both of which raise workers' living standards: First: creating better products at lower cost. The striving of 10 million businessmen and farmers to gain more profit has made them improve products, invent new things and cut costs so they could sell more goods than their competitors in a free market. Secondly: expanding production and increasing productivity, creating more jobs, more consumer goods and making higher wages possible. Profits furnish the funds to expand industrial plants and equip them with modern machinery. In 1946, American business spent $18 billion[1] out of past profits, reserves, current profits and borrowings for this purpose, creating jobs for almost 5,000,000 workers who built the plant and equipment, and future jobs for over a million who will operate it.

"The amount American business spent in 1946 to expand and improve plants was greater than in any other recent year and more than double the prewar years 1936 to 1939. This means greater productivity in 1947, making possible more jobs and higher wages. Industry must have enough profit for this purpose if our growing population is to have jobs and steadily rising wages.

"The effort of businessmen to make a profit in competition with each other, under our system of free enterprise and strong labor unions, has made American industry the most efficient and productive and American living standards the highest in the world. It is interesting that today in Soviet Russia, where there are no profits, no free unions, and industry is a state monopoly, production lags because management is inefficient, workers' living standards are at poverty levels and 'real' wages have declined. The many purges of managers for inefficiency have not raised Russian workers to decent levels of living. The U. S. S. R. destroys the incentive to produce.

The Nathan Report

"Last year the CIO claimed that industry could pay a 24% or a 30% wage increase without raising prices. Their efforts resulted in an 18½-cent wage formula (about 18½%)[2] and a living cost rise of equal amount. They have learned nothing from this experience. Again this year they are making the same kind of claim, that industry can pay a 25% wage increase without raising prices.

"This claim is based on a report of Robert R. Nathan Associates which reasons as follows: When profits of all corporations (after taxes) are added together, the resulting figure is large enough to furnish a 25% wage increase for their employees, provided that profits retained by the corporations are cut back to the level which prevailed in 1936 to 1939. In other words, a 68% cut in profits would provide a total sum of money large enough to pay a 25% wage increase.

"Clearly this figuring on paper has nothing whatever to do with the realities of industrial operation or with collective bargaining. Unions negotiate with thousands of companies, each faced with different conditions affecting their ability to pay higher wages. Some can pay more, some less. There could be no pooling of profits, such as the report presupposes, except under a totalitarian state. Even if it were possible to force a 25% wage increase on American industry generally, the necessary 68% cut in profits would put thousands of companies out of business, and throw millions of workers out of jobs; it would reduce profits to the low level of 1936 to 1939 when 8½ million were unemployed and industry was not earning enough for the normal new plant and equipment which expands production and raises living standards.

"It is true that many companies show enough profit in 1946 to allow for adequate plant expansion and also provide substantial wage increases for workers. It is vital that workers' wages be raised by the highest amount possible without increasing prices if our high level of production and employment is to continue. But it is not true that industry can afford a 25% general wage increase in 1947. To deceive workers by leading them to believe they should receive such a general increase is a most irresponsible policy.

What Is the Purpose of the 25% Wage Increase Formula?

"The CIO formula is clearly not intended to promote genuine collective bargaining. To give all workers the impression they are to expect a uniform large increase from negotiations will destroy the basis of mutual confidence and good faith which is essential for progress in collective bargaining.

"What then is the purpose behind this proposal? Is it to cause industrial strife, chaos and unemployment? Or does it seek to stir up workers to demand government control and regimentation? Communist policies would explain such tactics. Russia wants to see unemployment increased in the United States,[3] Communists want to create chaos and discredit free enterprise. American workers may well ask themselves whether it pays to follow those who are controlled by the party line. The CIO's $12,000 report made newspaper headlines, but it succeeded only in obscuring the real question every union needs to answer for collective bargaining, namely: How much wage increase can our employer pay?

"When American employers refuse to give responsible union officers financial reports showing operating results of their business, they play into the hands of those who would deceive their employees. Collective bargaining requires good faith on both sides of the conference table. A correct decision cannot possibly be reached if one party has all the facts and the other party is denied them and must negotiate in the dark."

1 Commerce Department figures.

2 The average wage in American factories was roughly $1.00 per hour when the formula was set up, making an 18½-cent increase equivalent to 18½%.

3 House of Representatives Special Committee on Postwar Economic Policy and Planning, Supplement to Eleventh Report, page 29.

COMPARISON and ANALYSIS
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Before the war, the U·S·S Label was appearing on hundreds of products made with steel. Manufacturers of those products found that when articles carried the U·S·S Label, they were more warmly received by the buying public. They sold more easily—in bigger volume.

But during the war years, most of the steels and steel products identified by the U·S·S Label were diverted to the needs of war. The Label practically disappeared from the stores.

Now, the U·S·S Label has definite plans for the future. As articles made of steel again become available in large quantities to the buying public, the U·S·S Label plans to show itself on more and more of them. It plans to be more helpful than ever to its millions of friends in helping them to get their money's worth when they buy things made of steel.

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Railroad Securities

Considering the statements that had been made earlier in the proceedings, it came as somewhat of a surprise when the Chesapeake & Ohio directors early last week agreed to sell its common stock interest in Wheeling & Lake Erie to New York, Chicago & St. Louis at the price set by the Interstate Commerce Commission. Chesapeake & Ohio had originally set a price of $70 a share for this stock and the Nickel Plate management had been willing to pay that. As a matter of fact, the general feeling among railroad analysts had been that at that price the shares represented considerable of a bargain. The total purchase price involved for 78,145 shares had been placed at $5,470,150.

The Interstate Commerce Commission examiner, and now the Commission as a whole, contended that the purchase price should be no higher than $4,168,388 or a little over $53 a share. This finding was not based on any showing that the stock was not worth the higher price on its earnings and prospects. The limit was arrived at on the theory that the lower price represented the cost to Chesapeake & Ohio and that that road should not make a profit in selling securities to its subsidiary. Although it is difficult to support the Commission's ruling on any business basis the important consideration now is that Chesapeake & Ohio has, reluctantly, accepted the condition and agreed to sell the shares to its subsidiary.

Together with the stock it already owns this proposed purchase will give Nickel Plate 73% of the 337,723 shares of Wheeling & Lake Erie common outstanding. In addition, it holds 14,800 of the 102,140 shares of 5½% convertible preferred stock outstanding. As both this convertible preferred and the prior lien stock (practically all the prior lien stock is owned by Chesapeake & Ohio) have equal voting power with the common Nickel Plate will, on the completion of the present transaction, have 47% voting control of the Wheeling. It is generally considered that the present transaction marks an important step towards eventual merger of the two roads.

Aside from any question of future merger of Wheeling & Lake Erie with Nickel Plate or any question of the traffic advantages to both roads stemming from their present affiliation, the holding of Wheeling stock merely as an investment is viewed as an added element of strength in the Nickel Plate picture. Wheeling common has been on a $3.00 dividend rate for the past three years (in the preceding five years the rate fluctuated between $4.00 and $5.50) and this distribution is considered at least safe if not subject to upward revision. At this recent rate Nickel Plate's dividend income from the subsidiary, including dividends on the preferred stock held, will amount to $819,835 per annum. This is equivalent to almost 25% of the road's fixed charges.

One of the aspects of the present transaction that is of particular interest to the preferred stock holders of the Nickel Plate is the question of what disposition will be made of the cash saved to the road's treasury by the setting of a lower price on the stock purchase. The holders of the preferred stock have waged a long battle for dividends and finally were given $3.00 a share in January 1946, $1.00 in April and $5.00 in January 1947. As it appears almost certain that under prospective traffic conditions the road should be able to continue covering the regular $6.00 rate by a good margin there has been growing hope that now the initial plunge has been taken holders might logically expect to receive at least the full rate every year.

The prospect of at least the regular rate has presumably been strengthened by the cash saving on the Wheeling purchase. In addition, there are many who feel that the cash saved might well be utilized for an additional distribution against arrears. These arrears still amount to $84.00 a share. The $1,301,762 difference between the proposed and the finally accepted price for Wheeling common may certainly logically be considered as excess cash in the company's treasury. It works out to $3.61 a share on Nickel Plate preferred.

Kenneth Stanford Is With F. S. Smithers

Kenneth C. Stanford has joined F. S. Smithers & Company, 115 Broadway, New York City, member of the New York Stock and Curb Exchanges in the bond trading department. Mr. Stanford was formerly with Lazard Freres and Eisele & King.

Frederick Johnson Is With Cruttenden & Co.

CHICAGO, ILL.—Cruttenden & Co., 209 South La Salle Street, members of New York Stock Exchange and other principal exchanges announce the addition to their Chicago trading department staff of Frederick F. Johnson, former Chicago manager of Brown, Bennett & Johnson, which he formed in 1934. Except for four years of active duty in the Navy, Mr. Johnson has been identified with LaSalle Street firms for twenty years. He was released from active duty as Lieutenant Commander, a year ago.

Frederick F. Johnson

Old Town Ribbon Stock on Market

An investment banking group headed by The First Boston Corp. on Jan. 21 offered to the public 140,900 shares of Old Town Ribbon and Carbon Co., Inc., common stock, par value $5, at a price of $18 per share. One of the leading companies engaged in the manufacture and sale of record carbon papers, hectograph carbon papers, inked ribbons and related products, Old Town Ribbon and Carbon Co., Inc., up to now, has been a family owned company and this represents the public's first opportunity to participate in its ownership. The company traces its history back to 1917 when it was organized by Joseph S. Eaton and Mrs. Lillian Eaton. Mr. Eaton has always been its principal executive officer.

The stock being offered today represents part of the holdings of Mrs. Lillian Eaton and of Miriam Eaton Girard and Jerome A. Eaton who have been three of the principal shareholders.

Old Town Ribbon and Carbon Co., Inc. has no funded debt or preferred stock. When it was a family owned enterprise its authorized common stock totaled 30,000 shares without par value but this was recently changed to 450,000 shares, par value $5, of which 300,000 are outstanding. All but a small precentage of the company's products are marketed under the company's own brand names, the remainder being sold to competitive manufacturers, jobbers and makers of small business machines for resale under their own names. The plant and executive offices are situated in Brooklyn and approximately 160 persons are employed. The company has had no strikes or serious labor difficulties since its organization.

With Frank D. Newman

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—James O. Evans is now with Frank D. Newman & Co., Ingraham Building.

Management Must Plan for Continuous Employment

By ROGER W. BABSON

Holding we are heading toward declining prices and a buyers' market, Mr. Babson says business must accept the challenge of changed conditions and seek to provide for continuous employment. He urges Republicans to seek to work out a satisfactory plan for keeping employment stable.

With a Republican Congress and the public trend toward conservatism, industry will be getting back again a measure of its beloved freedom of enterprise and freedom from controls at a very difficult time. We are ending a period of rising prices. Following the law of action and reaction, we are heading toward a period of declining prices.

Roger W. Babson

Business Headaches

Many inventories are already very high, production is catching up, and the public is showing a marked tendency to pick and choose in buying or to desist altogether. As I predicted in a previous article, discussing fish prices, we are seeing the beginning of a buyers' market. As this continues, businesses are apt to be left with inventories much reduced in value.

Strikes have so retarded normal production in the nation that reconversion problems have been multiplied. Constant wage-increase demands from labor unions are causing still higher production costs and higher prices. Portal-to-portal retroactive pay suits from some of the greedier unions are further threats to business stability. These are some of the difficulties management is facing today.

Can Business Accept the Challenge?

Now, if business is again to be given free initiative, and at least as much support from government as labor has had since 1932, can a plan be devised that will be profitable to U. S. business and also cause labor to produce at a maximum of efficiency? Management will not and cannot operate without profits. But, given freedom again to make profits, will management be able to unite radical and conservative elements in support of an honest day's work for an honest day's pay? This requires giving an opportunity to get ahead for those whose efficiency and ability have earned that privilege.

Can industry handle unemployment wisely if and when it comes or can it provide eventually for continuous employment? If not, can it provide adequate workable wage guarantees which will give the worker a reasonable sense of security? A government survey on guaranteed annual wages has revealed that fewer than 75,000 workers have thus far come under any sort of guaranteed wage plan in the United States, whereas, there are said to be around 200 such plans in existence. This is because most employers claim that no one of these plans is as yet really practicable. An example of how unreasonably expensive such a plan can be, in spite of the good will it earns from employees, was seen at Hormel packing houses during 1946.

Republicans Beware!

A Hormel plant in Minnesota was able to slaughter less than one sixth of its usual weekly number of hogs and cattle. But employees in that plant, though working less than two hours one week, received a full week's pay. Under continuous similar conditions a guaranteed pay plan of this sort might ruin a business. However, the need of soon finding a mutually satisfactory plan would be desirable. Since it is something labor so desperately wants, the Republicans will be wise to help work out as good a plan as possible in this direction.

Business must operate with reasonable freedom and yet without the narrow, Godless point of view of each for himself. Such a short-sighted attitude has characterized too much labor and business leadership in the past. These questions must be tackled with vision and wisdom for industry to work out a plan of cooperation and fair-play all around. Management must succeed in this as both government and labor have failed. Only by so doing will a period of profitable prosperity be assured for the years ahead. If industry muffs her opportunity to solve some of these problems, management may lose the confidence of the American people and also the thing it cherishes most dearly—freedom of enterprise. I repeat: the Republicans have not yet been given a Victory—but only an Opportunity.

Official Changes At Bank of America

SAN FRANCISCO, CALIF.—Walter Braunschweiger has been elected an executive vice-president of the Bank of America, it is announced by A. J. Gock, Chairman of the board of directors. Mr. Braunschweiger will make his headquarters at the bank's Los Angeles main office and will be associated with Mr. Gock in the administration of the bank's affairs.

Richard S. McCune, Vice-President in the business extension department at Los Angeles headquarters for the past several years, becomes Vice-President in the Los Angeles main office. William F. Huck, Vice-President, has been transferred from San Francisco to Los Angeles as Vice-President in the loan supervision department, and will become a Vice-Chairman of the Los Angeles loan and finance committees.

N. A. S. D. Elects New Officials for Gov. Bd.

The National Association of Securities Dealers, Inc. has elected Herbert F. Boynton of H. F. Boynton & Co., New York, chairman of the governing board for the current year. L. Raymond Billett, Kebbon, McCormick & Co., Chicago, and John B. Shober, Woolfolk, Huggins & Shober, New Orleans, were elected vice-chairmen.

J. Robert Shuman, Shuman, Agnew & Co., San Francisco, was named treasurer, and Wallace H. Fulton of Washington, D. C. was re-elected executive director.

With Vance, Sanders

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Ralph J. Anderson is now affiliated with Vance, Sanders & Co., 111 Devonshire Street.

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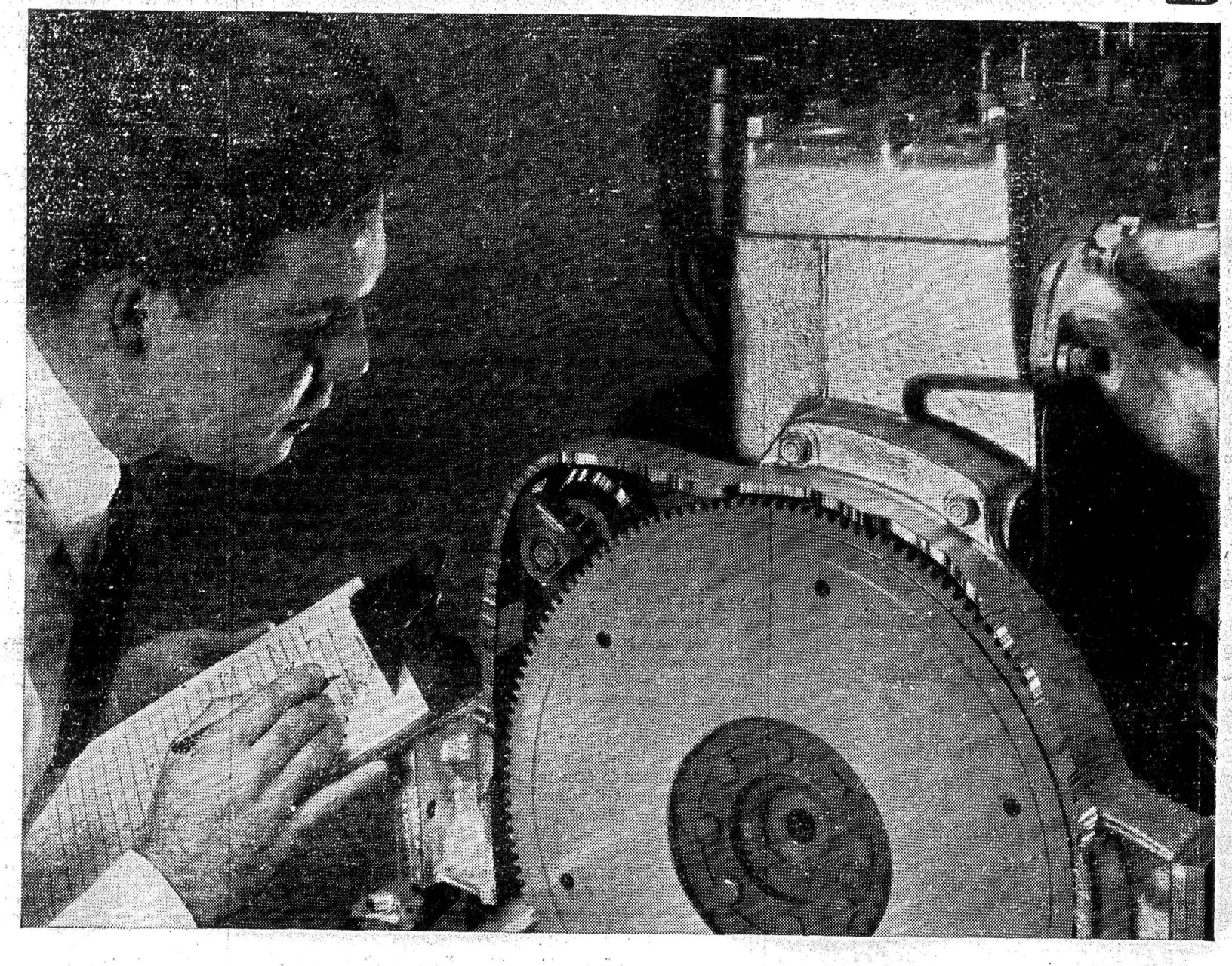

THIS ENGINE TOOK A BEATING TO KEEP OTHERS OUT OF TROUBLE!

You're looking at an automobile engine's "back teeth"—photographed with their protecting cover cut away.

They're the gear teeth that start the engine—regular work that comes day after day, year after year, in all kinds of weather.

Our engineers had some new ideas for making these vital gears even stronger, tougher and longer-lasting—a really important car improvement. But, to test these ideas, they'd need some way of duplicating the punishment the gears get in *years* of starting your car.

So they put their heads together and created this endurance test. It's a robot-controlled car engine, bolted to the floor. *Six times every minute* it starts and stops, at the command of its automatic "driver." *In a few days*, it starts more often than *your* car's engine *ever* will!

Using this severe test to check their research and experiments, the engineers were able to develop and thoroughly prove the better gears. As a result, our car and truck engines come to you with thousands more trouble-free "starts" built into them.

The Starting Test is another application of the practical *imagination* that is responsible for all the good new things our cars have pioneered . . . right up to the Safe-Guard Hydraulic Brakes, Safety-Rim Wheels, and other exclusive features of today's most advanced cars—the beautiful new Plymouth, Dodge, De Soto and Chrysler models.

Plymouth DODGE DeSoto Chrysler

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World Bank Difficulties

Snags there are reducing enthusiasm for International Trade Organization. Bank directorate seeking means for making Presidency attractive.

WASHINGTON, Jan. 22 *(Special to the "Chronicle")*—The difficulties of the World Bank—be they real or fancied—are being cited as a good reason for going slowly in forming the ITO. It is being pointed out here that in Government circles interested in the ITO the argument is made that no time should be lost. "Strike before the iron cools off," is the reasoning. But observers say that to a considerable degree the enthusiasm for ITO evidenced by certain American officials arises from the anticipation of high-salaried tax-free positions for themselves in the ITO, just as has happened in the cases of the Fund and Bank, FAO, ECOSOC, and the like.

The suggestion is offered that it may be better not to put so much pressure behind the drive for an ITO. If some of the hesitant countries are allowed to make up their minds by themselves, a stronger ITO may result in the end.

* * *

Mr. George Luthringer, American alternate executive director of the World Fund, a few days ago appeared before the staff committee of the interdepartmental National Advisory Council and reported on the Fund's mission to last fall's London meeting of the Preparatory Committee of the International Conference on Trade and Employment. Mr. Luthringer's views on the subject have already been reported in these columns.

* * *

The executive directors of the World Bank, who constitute in fact a body of 12 presidents, are reported to be seriously considering what statutory changes are possible to make the post of "President" more attractive to suitable talent. Since amendment of the articles of agreement of the Bank would be difficult, every alternative is being explored.

Walter J. Wade Opens

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—Walter J. Wade, Inc. has been formed with offices in the Michigan Trust Building, to engage in the securities business. Officers are Walter J. Wade, President and Treasurer; John D. Karel, Vice-President; and Mary C. Voss, Secretary. Mr. Wade was with the Western Michigan Savings and Loan Association. Mr. Karel was with the State of Michigan as State Representative. Miss Voss was connected with Merrill Lynch, Pierce, Fenner & Beane.

Nave in Syracuse

SYRACUSE, N. Y.—John F. Nave has opened offices at 404 North State Street to conduct a securities business.

Securities Salesman's Corner

By JOHN DUTTON

Did you ever check up on the many times you have reacted to the power of suggestion? No matter how much you may outwardly take pride in your own independence of action you will find that in all phases of your conscious activity you are doing things which others have suggested to you.

This perfectly normal trait of human beings has its roots far back in the beginnings of man's development. The ability to learn from others, to benefit from experience, to imitate, and to follow a trail rather than make one of our own, have been motivating factors in building present day civilization. Those who have had the courage to lead have always found willing followers..

Here is where we find the core of successful salesmanship. The basis of selling is a state of mind. If you are sold on something yourself you can sell it. If you believe you can build a successful clientele for yourself, you will do so. If you think so, so it will be.

You don't have to be a professional psychologist in order to observe and understand the very subtle mental processes which are going on in people's brains from day to day. You can see in a man's face the state of his mind. You can hear in his voice the extent of his confidence. You can tell by the way he carries his body and the life to his walk whether he is weighted down by indecision or is sure of his destination. Recently wide publicity has been given to the findings of certain scientists to the effect that invisible waves emanate from the brain much the same as those sent into space by a radio transmitter. Be this as it may, most observing persons have witnessed the effect of some one person's mental power upon others. The effects of a single word, or a phrase, has changed the course of history. Think of the mental courage and personal faith in victory that stood behind Winston Churchill's great inspirational messages to his countrymen in the darkest hours. His thought waves spanned the continents, his courage and indomitable will impelled the Allies to victory, and who knows but what Hitler himself read his own doom in the resolute and invincible belief of a man who could not conceive failure.

No one can be a perpetual dynamo of exuberance constantly brimming over with confidence. But above all else it is helpful to understand that no business runs along smoothly day after day. Every man has his ups and downs. We have bull markets and bear markets in our own affairs just as in the securities markets. None of us are perfect, we all make mistakes. Sometimes we do the proper thing and often we make veritable jackasses out of ourselves. The next time you start to mentally kick yourself around because of something you said or did that afterward you heartily regretted, remember that you are not the first one to act like a fool and you won't be the last. Forget your problems and they will tend to forget you.

The constant changes and sharply accentuated ups and downs which are incident to the securities business often have too great an influence on the short term thinking of all of us. They say there are more lambs in Wall Street than any other place. Watch the faces around some of the brokerage firms and the board rooms after several weeks of dull, declining markets. You would think the world was ready to come to an end after you talked with those fellows. Or wait until a few weeks of boiling activity on the upside of the market have taken place—the optimism that exudes from the same individuals is almost a form of fanaticism.

So it is good to take the longer view. If you see things from this vantage point they assume their proper perspective . . . believing in yourself and acquiring the conviction of success is a matter of being honest with yourself. If you are convinced that you have a worthwhile service to render to your fellowmen THEY WILL FOLLOW YOUR LEAD AND YOUR SUGGESTIONS. No man can win every day but he can always have a winning year.

G. A. Nelson Trustee Of Dime Savs. Bank

George C. Johnson, President of The Dime Savings Bank of Brooklyn, announced the election on Jan. 17, of George A. Nelson to the Board of Trustees.

George A. Nelson

Mr. Nelson is President and Director of Stevens-Nelson Paper Corp. (109 E. 31st Street, New York 16, N. Y.), and a member of the Advertising Club of New York, The Grolier Club, and the Cherry Valley Golf Club.

Annual Meetings of Savs. Banks Trust Co.

At the recent annual meeting of the stockholders of the Savings Banks Trust Company, wholly owned by the Savings Banks Association of New York State, the following were elected directors: Paul W. Connelly, President of the Fulton Savings Bank and Chairman of the Group V Savings Banks Association; Frederick W. Barker, President of the Syracuse Savings Bank; William H. Sayer, President and Treasurer of the Warwick Savings Bank. Re-elected were Elliott M. Eldredge, President of the Williamsburgh Savings Bank; John T. Madden, President of the Emigrant Industrial Savings Bank; Dexter P. Rumsey, President of the Erie County Savings Bank of Buffalo; and Robert M. Catharine, President of the Dollar Savings Bank and President of the Savings Banks Association.

At the annual meeting of the stockholders of Institutional Securities Corporation, likewise wholly owned by the savings banks, the following directors were elected: Charles W. Carson, Executive Vice-President of The Community Savings Bank of Rochester, Fred Gretsch, President of the Lincoln Savings Bank; Earl Harkness, President of The Greenwich Savings Bank; James H. McGowan, Secretary and Treasurer of the Watertown Savings Bank; John S. Roberts, President of the Flatbush Savings Bank; and Charles D. Swayze, President of the Middletown Savings Bank. Following the stockholders meeting, the directors of Institutional Securities Corporation announced that Robert E. Pratt was elected President of that corporation to succeed August lhlefeld, who is also President of Savings Banks Trust Company. In announcing Mr. Pratt's election as President, the board of directors pointed out that Mr. Ihlefeld had assumed the Presidency of Institutional as a wartime measure and would henceforth devote his full time to the management and activities of Savings Banks Tr. Co.

At the annual meeting of the Savings Bank Life Insurance Council, of which 58 savings banks are members, Robert W. Sparks, Vice-President of the Bowery Savings Bank, was elected President to succeed Joseph G. Munz, Vice-President of the Hamburg Savings Bank. Other officers elected were: Vice-President, Guy L. Terhune, Vice-President of The East New York Savings Bank; Treasurer, Edward R. Ziegler, Treasurer of the Bronx Savings Bank; Secretary, Karl E. Kaatze, Secretary of The Prudential Savings Bank.

Sales of Savings Bank Life Insurance in 1946, it is announced, were $26 million as compared with $16 million in 1945. There is currently in force $88 million of this low-cost life insurance.

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For your delight I bring in haste
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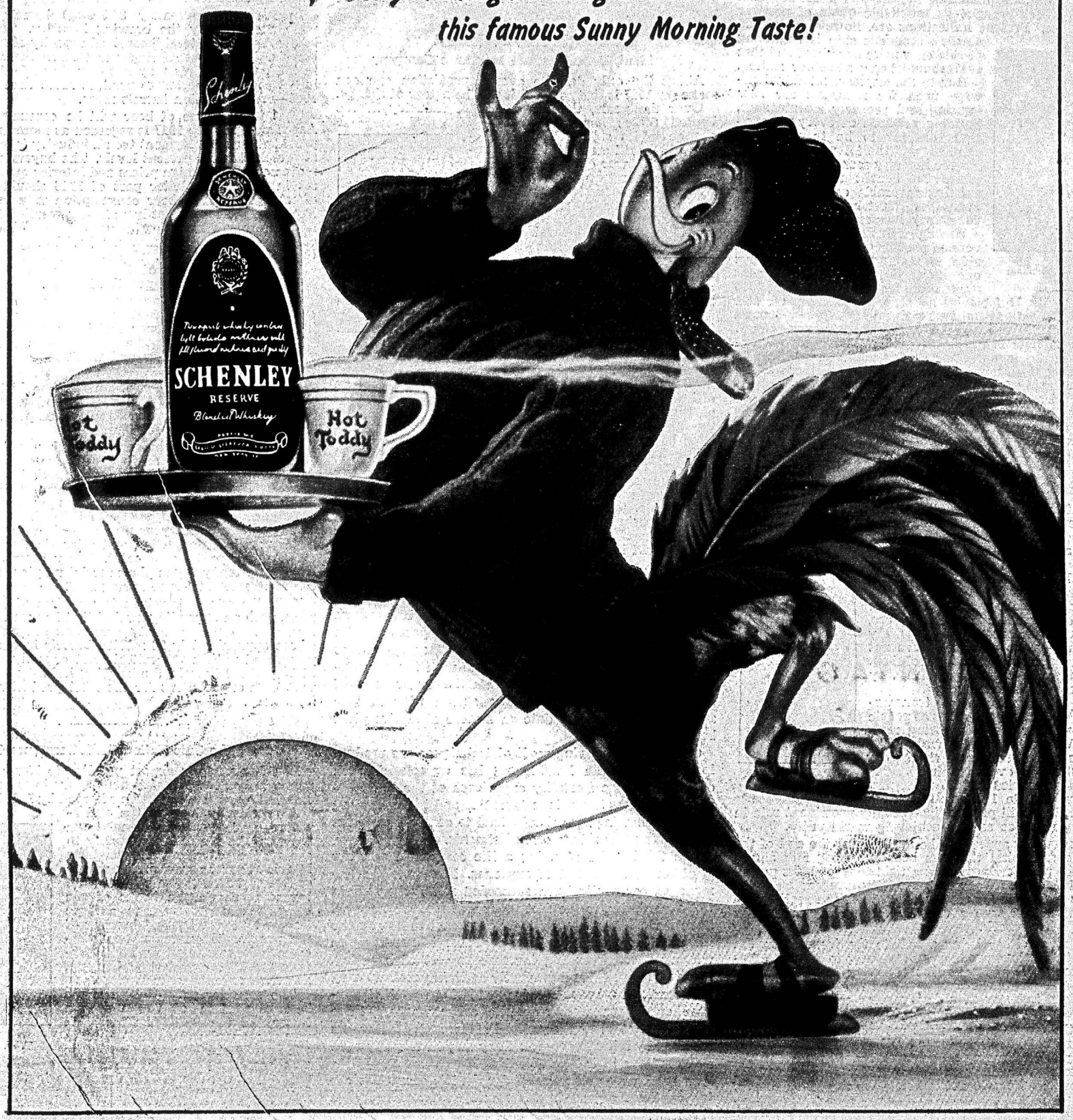

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Business and Finance Speaks After the Turn of the Year

HERBERT ABRAHAM

President, The Ruberoid Co.

To the building materials industry, as to all business, the year 1946 brought its inevitable quota of postwar difficulties. Present indications are, however, that the nation's economic ship is beginning to ride on a more even keel and that 1947 should bring smoother sailing.

Herbert Abraham

Due to the unprecedented, nation-wide need for materials for new housing and property maintenance, building products of every description continue to be in mounting demand, and the immediate outlook for the industry seems highly promising. To benefit fully from the existing favorable conditions, however, there must be continuous and constantly increasing production.

Having virtually no plant reconversion problems, Ruberoid has been able to maintain fairly continuous operations during 1946. To augment production, the company during 1946 added to its 11 factories an asphalt roofing plant and roofing felt mill at Dallas, Texas, and an asbestos-cement unit at Mobile, Ala. An additional asbestos-cement factory is now being constructed at Dallas and is expected to be in operation during 1947. In addition to increasing the company's total production, these added manufacturing facilities will provide more comprehensive service to building material dealers in the Southern and Southwestern states and are in line with Ruberoid's policy of locating its factories at important distributing centers in different parts of the country.

WILLIAM M. ALLEN

President, Boeing Airplane Company

Air transportation, despite a temporary slackening of its recent unusual growth, will continue to expand during the years to come.

We all agree that the airlines are not functioning as smoothly as they were before the war, but that is true with most industries. The airlines are handling a much greater volume of business than ever before, and have been confronted with many problems—some of which have not been capable of immediate solution. Give them a little time and they will correct the situation.

Wm. M. Allen

The full meaning of air transportation, both for the moving of people and goods, is just now being realized. With millions of potential customers still strangers to flying, our domestic and overseas airlines this year have carried 1,000% more passengers than in 1938. It is evident the airplane will play an increasingly prominent role in world commerce and in achieving world unity.

This country appears to be approaching the end of the inflationary spiral that has been gathering momentum over the past few years but a tightening-of-belts period should be encouraged rather than discouraged.

It is high time for all of us to get back to realities, to recognize that true prosperity can be achieved only through hard work.

We must either bring a halt to the increase in the cost of American products or give way to foreign competition. It is apparent that the great increase in the cost of our products over the past few years will put American industry at a disadvantage when faced with foreign competition.

At the same time we must not reduce the quality of our products. This country has built a reputation for quality and technological achievement. However, in the process of producing outstanding products we must make certain that they are not costing more than they should.

Boeing enters the new year with a backlog of nearly 200 million dollars in commercial and military orders.

Our first postwar Stratofreighter has just been rolled out of the door for the Army Air Forces. Before the end of the new year, fleets of its sister ship, the Stratocruiser, will be flying the major air routes of this country and abroad.

During the year, the Boeing Company's orders for the double-deck, 80-passenger Stratocruiser increased to more than 75 million dollars. As a flagship of six major United States and foreign carriers, this first postwar super airliner will bring a substantial increase in speed, comfort and operating efficiency over previous airline equipment.

The Boeing company, meanwhile, continues to share a large responsibility for AAF research, development and production activities.

In addition to ten C-97 Stratofreighters, Boeing has orders for 133 B-50 bombers, the first of which will be produced early in the new year. Described as "similar only in outward appearance" to the famous Boeing B-29, this new Superfort has been designed to exceed the B-29 in load, range and speed, as a key airplane in the AAF's postwar national defense program.

The AAF has also given Boeing two other important assignments for the future, a multi-jet bomber, the XB-47, and a defensive guided missile, called "GAPA" for "ground-to-air-pilotless aircraft."

The company also is experimenting with new types of power plants.

HARRISON L. AMBER

President, Berkshire Life Insurance Company

About the only definite overall prediction one can make for 1947 is that as usual it will be a year of change.

Over the years, the life insurance industry in the United States has always [illegible] change in its stride. While it appears 1947 will continue the change-over from a war economy to one of peace, there appears nothing on the horizon to necessitate any major departures in the operations of the life insurance companies. Granted continued high industrial activity, they should continue to write substantial amounts of life insurance and conversely the operating results of the life insurance companies should continue satisfactory.

H. L. Amber

Not only has the life insurance industry done an outstanding job of making John Q. Citizen insurance conscious, but the Federal Government, in making available war risk insurance to our armed services, has in effect placed an official stamp of approval on life insurance in the minds of thousands who might otherwise never have given the matter serious consideration. This is a repetition of what happened during and after World War I.

The insurance companies will continue to be large purchasers of both United States Government bonds and corporate securities. They will absorb increasingly large amounts of mortgages as building gets under way on a larger scale. This should serve to improve earnings. But with increasing availability of mortgage investments, it appears inevitable that the life insurance companies as a group will be more discriminating in all their investments.

The managements of the life companies recognize that the past few years have witnessed the addition to their portfolios of large amounts of high-cost, low-coupon securities, which at some time in coming years may be selling considerably lower than now. These purchases have been made with eyes open, and with the expectation of averaging down cost by additional purchases of the same or comparable issues, should they become available at some later date on a more attractive yield basis.

Constantly improving medical techniques are producing a nation with lengthening life expectancies. In consequence, the mortality experience of the life companies promises to continue favorable and to some extent the good showing here should tend to continue to offset the existing low return on investments.

The third factor affecting a life company's earnings is of course its control of expenses. Fortunately, well-managed companies have succeeded relatively well in this regard, due to the fact that more modern methods have made it possible for their personnel to handle the increased volume of business available in recent years without a corresponding increase in cost of handling. It is to be hoped that a gradually declining cost of living will result in a better standard of living for life insurance employees, who, as white collar workers, have probably not shared equally in the increased wages received by labor in general. They may in this way reap a reward for their loyalty.

In brief, prospects for 1947 for the life companies are for continuing good business and no insurmountable problems.

EDWIN J. ANDERSON

President, Goebel Brewing Company

1947, the year of productivity is here. Above the blasts of trumpets heralding the new year, and the clanging din of falling shackles which have fettered the American brewing industry for half a decade, there can be heard the resounding clatter of thousands of bottling machines turning out beer for 1947 in a volume greater than the industry has brewed in its entire history in America.

Edwin J. Anderson

Despite the existence at this writing of some shortages (notably tinplate for beer cans and soda ash for beer bottles) the year 1947, barring unforeseen incidents, promises to be a nearly normal year. But it will be nearly normal only in so far as obtaining materials are concerned.

From the production and consumption standpoint, 1947 is expected to be anything but normal for the brewing industry. Certainly 1947 will be unlike any year that the industry has known since 1941. From a period of shortages the brewing industry is moving into a year of surplus.

Approximately 60,000,000 barrels of beer were produced by American brewers in 1941.

In 1946, approximately 84,000,000 barrels of beer were produced by the brewing industry. This is far below the present total theoretical capacity of 100,000,000 barrels. With most shortages and restrictions removed in 1947, the industry may not operate at full capacity, but it can be expected to produce more than it did in 1946—several million barrels more.

That this volume of beer will be consumed by the American public in 1947 is regarded as more than likely provided that employment for all industry is maintained at present or near present levels. The buyers' resistance movement against high prices and inferior quality which set in during the letter part of 1946 should have no effect upon overall beer consumption volume in 1947. However, the movement has already resulted in forcing some brewers of inferior brews to improve the quality of their brews and the movement will continue to have this effect during 1947. The movement may also produce a further shift of beer consumption from on premise to home or off premise in 1947.

General price increases due to higher operating costs can be expected. However, these increases will be held to a minimum. Consumer resistance and competitive action will see to that. The seller's market of the previous half-decade is now and will continue in 1947 to be a buyer's market.

To assure consumption of an all-time high production, to further stimulate sales, the brewing industry can be expected to spend more money on promoting and merchandising than heretofore.

1947 may also see in spite of high production and consumption a reduction in profits for some brewers. A number of fatalities can be expected among the smaller brewers, particularly those who came into the industry just previous to and during the war years. On the other hand, in 1947, well-established brewers should be able to make this year the greatest in the industry's history from a production and sales standpoint, if not also from a profit standpoint. Many brewers if they have not already begun plans for future plant expansion can be expected to do so during 1947.

With the country's return to a system of free enterprise, with an expanding market that has seen beer consumption double in the 12 years since repeal, and increase approximately 22 million barrels in the last five years, and with a theoretical total capacity at present of 100,000,000 barrels, the brewing industry enters 1947 with high expectations for the most productive year in its history.

T. W. APPLEBY

President, The Ohio National Life Insurance Company

Life Insurance is almost peculiar to North America; particularly does this statement apply to the method of distribution of the protection afforded by Life Insurance.

A peculiarity here is the underwriter—more generally termed the "agent." His method is generally to contact the individual and persuade him to "buy" Insurance. By reason of this approach to the business, the business put on the books of the companies is governed, to a large extent, by the individual incomes of the people. When the national income is large, the amount of Insurance "sold" (or protection bought), as a direct consequence is large.

T. W. Appleby

The calendar year of 1946 is the best illustration of this that the history of the business affords. It was proven almost as definitely in the first World War and also in the rich 20's, and proven conversely by the very low sales of Life Insurance in the early 30's. Life Insurance will be governed in 1947 by general business conditions.

Another strange thing in the Life Insurance business is that during times of financial stress and business failures the losses in Life Insurance companies from deaths are much larger than in times when the population is profitably employed. It is true that in a period following prosperity Life Insurance sales hold up to some extent because people will have accumulated funds and will struggle to preserve their Insurance for the protection of their families; therefore the losses by lapses will be much smaller than in mid-depression.

After a depression the sales will gradually decrease and will not regain their full force until we get into another so-called boom.

Now to me, this new year holds much of promise. Although production may not hold up to its high level of the present, the Government must expand huge funds not only to maintain our personnel abroad, but also to maintain our enterprises abroad, although they may be largely charitable, and also to disband our armies and to bring home our fighting men.

Whenever there is money circulating in our economic system, it means labor; it means the creation of goods irrespective of the source of the money, and even though

(Continued on page 416)

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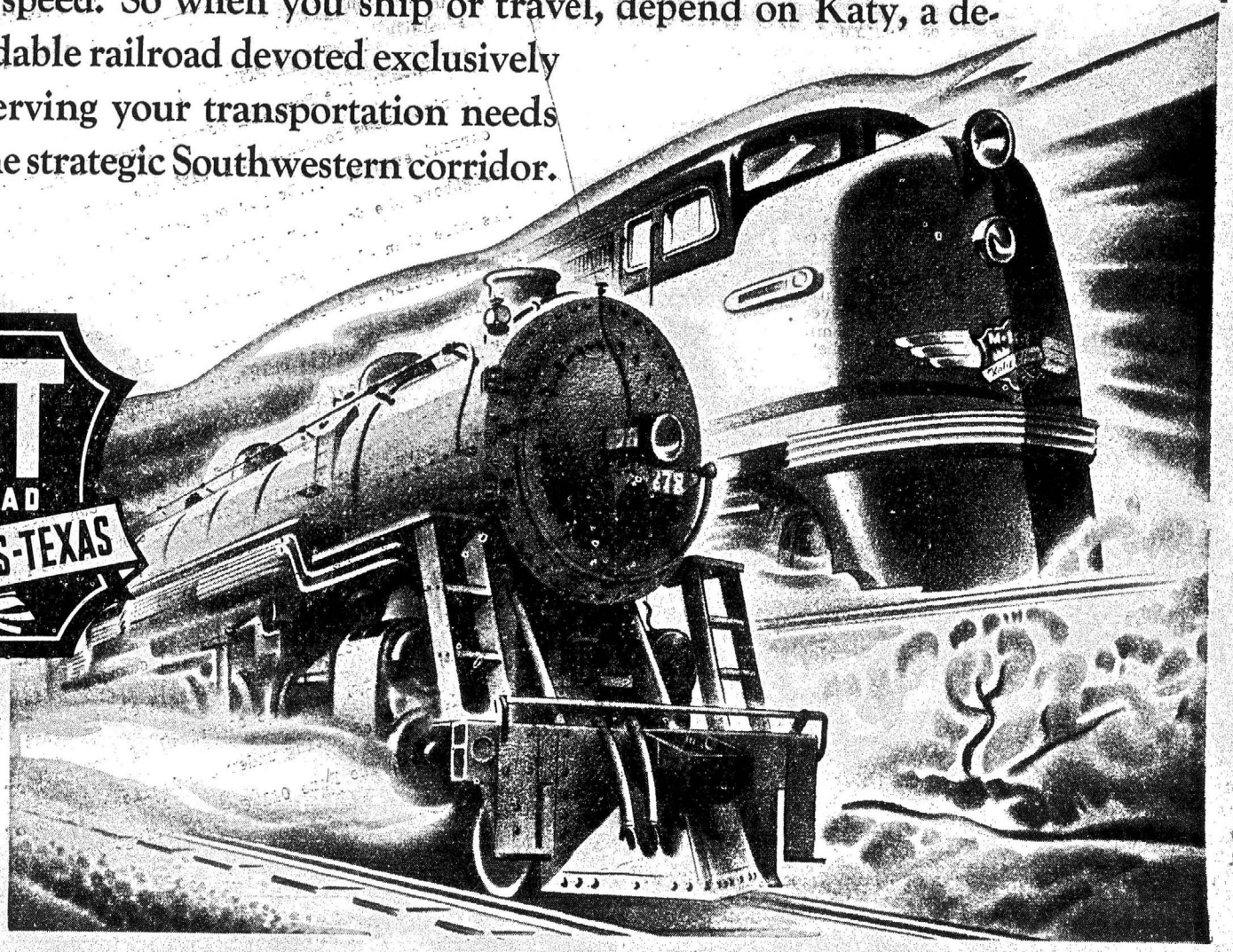

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Business and Finance Speaks After the Turn of the Year

(Continued from page 414)

the money is being spent for charity, it creates demands and supplies this demand by creative enterprise.

This is looking forward for a year, and that may be dangerous, but in spite of whatever may happen, the Life Insurance industry is looking forward more expectantly than in any previous year except, possibly, 1929.

G. F. ASHBY

President, Union Pacific Railroad Company

1947 should, I believe, see the completion of adjustment from wartime to peacetime conditions, and it is hoped that the year will see a greater degree of cooperation between labor and management and thus enable the adjustment to be accomplished to the best interests of the nation as a whole.

G. F. Ashby

Demands for staple and durable goods should remain strong and thus maintain business generally at a high level. The railroads will continue to be the primary means of transportation for the distribution.

Railroads were seriously handicapped throughout the war years by their inability to obtain equipment necessary to properly handle the peak wartime traffic, and the constant use of equipment during the war period prevented proper maintenance, with the result that equipment has worn out more rapidly, causing the existing shortage of equipment. With the return of locomotive and car builders to production for civilian needs and with an uninterrupted flow of raw materials, new equipment to be manufactured during the coming year should substantially alleviate present shortages and enable the railroads to maintain their position as the backbone of the transportation industry.

While rate increases recently authorized by the Interstate Commerce Commission are not sufficient to offset the increased cost of labor and increases in the prices of materials used by the railroads, I am hopeful that the railroads will be able to effect an adjustment to the conditions so as to maintain a healthy financial structure.

G. T. BAKER

President, National Airlines, Inc.

In my opinion, the scheduled air transportation industry can look forward to many favorable trends, such as: Early acquisition of modern post-war air craft, which, in the case of National Airlines, is Douglas' 300 mile an hour DC-6, the delivery of which will begin in April of this year; intense development and rapidly increasing volume of air freight; on-time all weather operation of flight schedules; continually better mechanical operation; more frequent and convenient schedules, operated with four-engine aircraft between major cities of 100,000 population and more, fed at these points by what is known as a "feeder" airline, serving the small communities, which should maintain passenger load factors at reasonable and profitable levels.

G. T. Baker

The unfavorable factors in our outlook are: Increasing costs of labor and materials; adverse and unfair labor laws, which we hope soon will be corrected; the necessity for using ten men to do the work that five men did before the war; lack of interest of some in labor's ranks in the welfare of the Company, and the inclination to "kill the goose that lays the golden egg"; too much interference by impractical bureaucrats who are inexperienced in the phase of business they attempt to direct. We estimate this costs the airlines directly from 10¢ to 15¢ for every mile flown, and does not include costs absorbed by taxes; apparent lack of an over-all plan for a domestic and foreign air transportation pattern.

This gives one an idea of what we are thinking about, without going into detail in connection with simplification of reservations and ticketing, tariff structures, sound, logical route extensions, improvements in service generally, and the many other things, such as competition from charter operators and surface carriers, all of which are undoubtedly important, and have considerable bearing on airlines' revenues.

In conclusion, we in National Airlines believe the outlook is good.

GEORGE A. BANGS

President, American United Life Insurance Company

What 1947 holds in store for the institution of life insurance depends to a great degree upon the extent of prosperity and progress enjoyed throughout other fields of industry, commerce and finance during the year. There is a highly-sensitive interdependence in American business—an interdependence which operates so universally and automatically that prolonged curtailment or stoppage of work in any one field almost instantly has a detrimental effect upon all others. The production and conservatian of life insurance hinges upon general national conditions in industry and finance: When industry and merchandising flourish, money usually circulates widely and plentifully, and it is only under the latter condition that life insurance can experience progress and stability.

Geo. A. Bangs

Each day it is becoming increasingly obvious that the supreme solution for most of our current economic and industrial ills can be found in a single homely and old-fashioned word: Work. Only through the continuous exertion of productive effort—through uninterrupted and conscientious work, whether in factory, office or on the farm—can America hope to regain that level of plenty and true prosperity essential to the contentment and well-being of its citizens and their businesses. Not all the wizardry of science, not all the cleverness of politicians and government, not all the united power of any dominating group or class seeking the best for its members—not any of these can ever discover, legislate or interpose a lasting substitute for work. For work (in some form or another) is an immutable law of life, not of man; where there is no work there is nothing.

Gradually the trend of public thinking is swinging around to a realistic appreciation of the sovereignty of work. Americans, more and more, are acknowledging that only citizens of a producing and toiling nation can hope to possess the things men need and crave. If 1947 is to go down as the year in which Americans went to work as fervently to produce the materials of peace as they once did to provide the arms of war, then 1947 will be a successful year for everyone.

(Continued on page 418)

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all kinds of People

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ANNOUNCER: The Pure Oil Company presents H. V. Kaltenborn, dean of American news commentators, with the news and his own analysis of current events. ...Do you own any oil company securities? You have neighbors who do. For millions do. Why, The Pure Oil Company alone has more than 41 thousand shareholders! You see, contrary to the popular notion, oil company stock is not owned by a few wealthy individuals. The great bulk of it is owned — in modest holdings — by people of modest means. It's spread around. The people — all kinds of people — are the ones who really own these great oil companies of ours. For example, forty per cent of The Pure Oil Company's shareholders own 25 shares or less! And 23 out of every 100 of them are women. They're in every state of the Union. This spread of ownership, typical of all major oil companies, is certainly one key to the very size and strength of the great American Petroleum Industry, which is comprised of thousands of individual companies, all competing under our American system of free enterprise. ...Now, The Pure Oil Company brings you H. V. Kaltenborn.

KALTENBORN: (NEWS)

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A Look Into World and National Affairs

(Continued from page 396)

we have a selfish interest in helping to raise the low economic areas—not by donations, which make for a soft people and a weak nation, but by helpful advice, suggestions and cooperation.

In other words, in order to reach the goal we must reach, will we not have to create a practical operation in accordance with the principles of the Golden Rule, or an approach to a realization of the true brotherhood of man?

A Year of Lost Opportunities

I think we will agree that our own great country is still in a state of confusion. We can surely look upon the year 1946 as the year of lost opportunities.

We had all the basic factors which should have insured a period of prosperity, the like of which the world has never seen. However, due to severe and continual bungling, we kicked our chances out the back door.

Over the years, industry has been able to absorb wage increases at the average rate of approximately 2.2% per year. Last year, industry was called upon to absorb about 15%. This with price controls in effect at the time dictating prices so low, many operations had to be carried on at a loss.

Industry, as we all know, is very interdependent. What affects one industry eventually has some effect upon all the rest of industry, so that even when strikes in one industry are settled, strikes in other fields limit the supply of raw material and parts so as to materially cripple the total production output so sorely needed.

Lower production efficiency added to the large wage increases to produce high costs made it necessary to substantially increase sales prices (where permissible) to the point of curtailing the ability of the public to purchase.

Labor Demands

If labor demands more at this time, the economic result will be that sales prices will have to be put on such a high level as to make the market practically disappear. Such a situation is quite sure to produce deflation, unemployment and depression.

The Nathan Report, which has recently been so much before the public, has been indicated to be a very biased one, setting forth a multitude of half truths—with many statements without basis of fact.

If the labor leaders are sincere, and I believe they are, in their statements that they have the welfare of all people in mind, as well as their members, they have the opportunity of making a tremendous contribution to the welfare of the nation by refraining from making additional demands for at least a year.

This would give business and industry an opportunity to become stabilized—to increase production and efficiency—to realize lower costs—all resulting in lower prices.

We have already witnessed substantial declines in some food prices—others are sure to follow. Through this common sense ap-

(Continued on page 419)

Santa Fe

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One shipper tells another: the way to get better *on-time* delivery of freight shipments to and from the West and Southwest is to ship Santa Fe.

Here are some of the reasons Santa Fe keeps freight service "on the advertised" (which is railroad language for "on-time performance"):

- . . . *world's largest fleet of giant 5400-horsepower freight diesel locomotives.*
- . . . *more double track than any other western road.*
- . . . *Centralized Traffic Control enables freight trains to meet and pass non-stop.*
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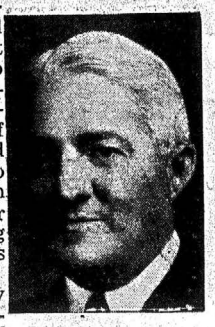
Business and Finance Speaks After the Turn of the Year

(Continued from page 416)

A. E. BARIT

President and General Manager, Hudson Motor Car Co.

I am optimistic on the business and motor car outlook. All the necessary elements for prosperous conditions are present in our current economic situation. However, we must guard public confidence in the future, which goes hand-in-hand with such a situation, and avoid thoughtless statements that might tend to shake that confidence. Too many people are predicting a spiralling inflation followed by "an inevitable deflation." Prophecies of this kind can be misinterpreted and actually cause the buying public to lose faith in the future. You then have the psychological beginning for a deflationary period. But nothing has happened to warrant such a loss of faith.



A. E. Barit

There most certainly are healthy signs in our present economic condition. Among the evidences of strength are . . . the overwhelming need for goods . . . the necessary capacity to produce these goods, which also means jobs for all . . . and the availability of capital to finance all legitimate needs of the economy. All that is needed to maintain these conditions is public confidence and a will to continue working and producing.

It is true that the prices of some things have risen more than others, but there are indications of a corrective process at work, guided by the law of supply and demand, which will have a wholesome and timely effect upon the entire economy. If we all now exercise proper restraint and keep our emotions in check we can sustain a healthy economy for an indefinite period. Please let me repeat that restraint must be exercised by all—none is exempt.

I am particularly optimistic regarding the automobile market of the future. There is an unprecedented demand for automobiles, and people are in possession of the means to purchase them. The Hudson Motor Car Co. has spent and is spending millions of dollars for new machinery, presses and factory equipment, in order to add to the plant's manufacturing efficiency and for the greater safety and convenience of employees.

We have the capacity to produce between 250,000 and 300,000 cars a year. The question is when we will be able to achieve capacity production. Automobile production at Hudson—and in the entire industry—has been less than anticipated. The production that has been achieved has been accomplished through extraordinary effort and at higher cost than anticipated for the procurement of material. We have no assurance of better conditions in 1947, but we are hopeful that the situation will improve.

LEONARD T. BEALE

President, The Pennsylvania Salt Manufacturing Co.

Despite serious interruptions resulting from strikes in other industries during the year, the Pennsylvania Salt Manufacturing Co. sales volume for 1946 was very good, approaching that of our biggest wartime year.

Leonard T. Beale

Largely free from retooling and redesigning necessary in most manufacture, the chemical industry as a whole was in an excellent position to supply the commercial market with chemicals during most of the year. In the case of Pennsalt, this also enabled us to begin at once production of many of the new products developed during the war, such as DDT and fluorine, and to push, as rapidly as material positions would permit, development of new products and expansion of facilities.

While there was some leveling of consumer prices at the close of the year, we do not believe this will result in any immediate widespread recession of industrial activity. Barring a serious wave of strikes or other similar difficulties, it now appears that all industry will be in a good position to produce heavily during 1947 and that there will be a large, solidly based market for these products.

With stock piles fairly well replenished after the drain of the war years, the chemical industry will be in a good position to take part in this production. In addition, we foresee expanding service to agriculture by the chemical industry during this year. The wide acceptance by agriculture of DDT and other new insecticides, fungacides and fumigants will call upon us to produce large quantities of these new products and, in turn, will unquestionably mean greater crop yields.

The new scientific developments of the war years, perhaps the greatest of any preiod in our history, proved the value of research to American industry and public. Despite the gains from 1940 to 1945, much yet remains to be done in these fields, and we feel that many developments will be forthcoming during 1947 and the years to come.

NEAL DOW BECKER

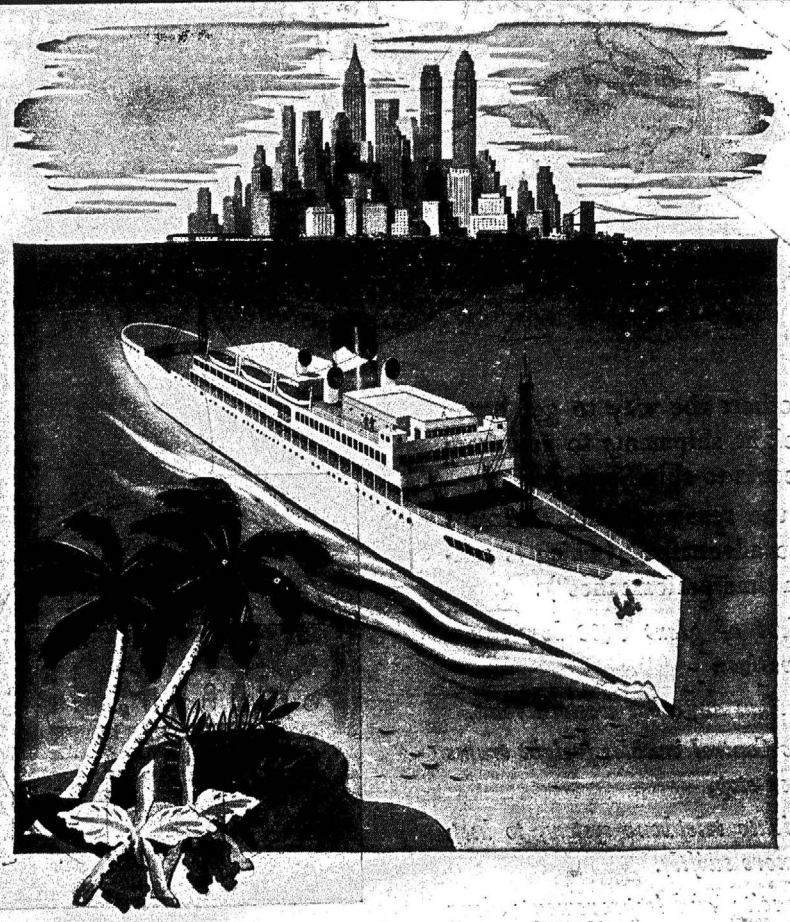
President, Intertype Corporation

The year 1947 could be a good year for U. S. A. Whether it *will* be a good year depends primarily upon whether organized labor is intelligently advised by its leaders and whether it is willing to follow intelligent leadership. If a "second round" of excessive demands, strikes and wage raises runs its course and becomes in effect a chronic ailment of our economic system, we shall arrive at prices so high that consumption will be reduced, unemployment necessitated and the general standard of living lowered. As a manufacturer of automobiles remarked: "It is conceivable that the only persons who will be able to afford to buy automobiles are the people who make them."

Neal Dow Becker

Looking to the longer future: In the past men struggled for economic power through the acquisition of wealth; and economic power often meant some degree of political power. But today wealth no longer possesses political power and the political power is shifting to the leaders of the pressure groups who control votes. The danger in this situation is that men who would like to overturn our economic system may, as has happened in other countries, attain such a degree of political power that they could impose upon this country a system of secret police, a complete subservience of industry and commerce to government and an eclipse of personal liberty. It has happened elsewhere. It *could* happen here.

(Continued on page 420)



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A Look Into World And National Affairs

(Continued from page 417)

proach, real wages or the purchase value of the dollar, would be increased and we would maintain a more nearly balanced economic program which could carry on and realize at least a part of the opportunity for prosperity for quite a substantial period of time.

Public opinion seemed to express itself quite clearly at the last election, which I believe had a sobering effect upon all of us.

Experimentation Wrecking Private Enterprise

The years of experimental legislation, affecting our democratic way of life, had approached dangerously near to wrecking the whole system of free competitive private enterprise. While no one claims that our system is free from faults, nevertheless the fact remains that it has built the highest living standards ever known, which are the envy of all the rest of the world.

Through all of the difficulties experienced by our nation, an alarming complacency has been exhibited by a large proportion of our population.

Can you imagine the people of Pittsburgh taking without protest the difficulties they have recently experienced if it had happened 15 years ago? Yet, I understand during the recent serious situation, when a protest meeting was called, a mere handful of people responded. Such an attitude is a dangerous one for us to get into.

Along this line, how many times has each one of us heard the statement by intelligent people, "We have always come out of a situation like this and we always will." Very stupid from my point of view.

Things have materially changed —many for the better, which we would not alter, but many of a dangerous character. There comes a time when we must expect to work our way back to a reasonable basis. I firmly believe we can have the kind of government and country we want, but we cannot have it by sitting on the sidelines with an attitude of "let George do it."

Citizenship Responsibilities

I firmly believe as an insurance of the future every citizen must recognize his responsibilities and take a greater interest and active part in government and politics. We should know our representatives in government and endeavor to be helpful to them, both directly and by taking an active part in such activities as local chambers of commerce, government affairs committees, and through other mediums.

I believe the greatest heritage we have is the right to vote, but too many of our responsible citizens are the ones who fail to exercise this privilege. Let us wake up to the realization that this is what we originally fought for, and to defend this right have gone to battle many times since. We cannot afford to lose this right. Should we not make a firm resolution to vote ourselves and become active to see that our neighbors vote?

Recently I had an opportunity of talking with a number of the new leaders of Congress. I was delighted to find that they are not looking upon the election primarily as a Republican victory, but rather as a real protest against further experimentation and a demand that we return to sane operation. I gained the impression that this idea is causing the new leaders to feel even a greater responsibility. I feel they are approaching their work soberly—very much in earnest and with a quiet determination to see the things done which will bring us back to some resemblance of economic stability.

Some things have already been done which are constructive, such as the abolition of the OPA, making possible a return to the operation under the natural law of supply and demand.

The declaration by the President of the end of the war, which automatically removes many controls and restrictions. Many remain, however, which should be removed as quickly as possible.

Labor Situation

The labor situation is a must to receive attention. Under the Wagner Act, union leaders are given more power than the Federal Government. This has been demonstrated a number of times in the last several months. This Act must be revised on a basis fair to both labor and management. It must limit such power. It must make labor and labor leaders as responsible as industry, and make labor amenable to the anti-trust laws.

Fiscal Policy

The Congress must establish a definite fiscal and public debt policy, which should be on a clean-cut business basis, and should include a balanced budget, providing a substantial sinking fund for debt retirement.

We will all agree, I am sure, that no perpetual debt should be tolerated.

Also, a reduction in taxes should be made as quickly as possible.

In addition, Congress should make certain that government spending is materially lessened and curtailed, as this is the key to lower taxes, reduced debt and a stable fiscal system.

I think we can have great hopes and expectations that this Congress will make outstanding progress along constructive lines.

We have no problem which high, efficient production, producing low cost, cannot solve.

If labor is thoughtful, constructive and cooperative, there is no reason why we should not experience a high level of prosperous operation for a substantial period of time.

To Overhaul Budget

Representative Knutson (R.-Minn.) who, as Chairman of the House Ways and Means Committee, is head of the Senate-House Budget Committee created under the Reorganization Act, told a news conference on Jan. 12 that the joint Budget group was planning early action on President Truman's $37,500,000,000 budget with a view to thoroughly overhauling it, according to Washington Associated Press advices the same day, which went on to say:

The Senate members of this group, Chairmen Bridges (R.-N. H.) of the Appropriations Committee, and Milliken (R.-Colo.) of the Finance Committee, agreed in separate interviews that the Reorganization Law directs Congress to take full charge of the purse strings.

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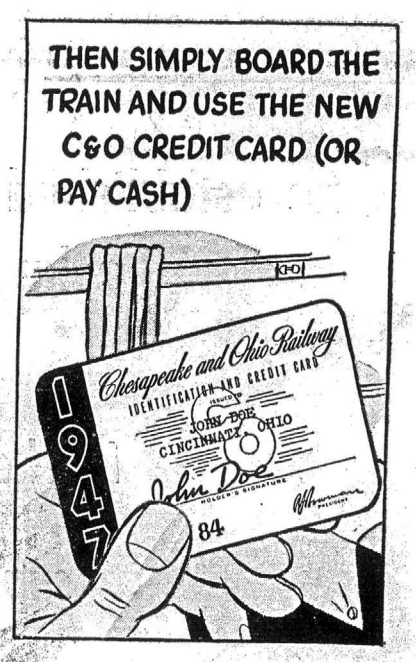

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And there's another important feature to the new Credit Card. You can use it to charge any C & O service on the train or in the station. This includes meals in dining cars and baggage service.

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You're invited to apply for a C & O Credit Card, right away. Just call any Chesapeake & Ohio Ticket Office for an application . . . or write Chesapeake & Ohio, Terminal Tower, Cleveland 1, Ohio. Do it today and take immediate advantage of this new traveling convenience.

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Business and Finance Speaks After the Turn of the Year

(Continued from page 418)

WALTER H. BEECH

President and Chairman of the Board, Beech Aircraft Corporation

I am very much flattered to be consulted again in connection with the outlook for aviation during the coming year. I again must disclaim any ability as a prophet, and it should be clearly understood that anything that I say is merely a personal opinion.

Walter H. Beech

In the year 1946 a great deal of progress has been made by manufacturers in connection with the construction and testing of new types which have been designed since V-J Day. Very few people outside of the military services and the aircraft industry understand that it takes from two to five years to bring out a new model airplane, depending upon its complexity and size. It now appears that quite a few new and improved airplanes will be available to the public and to the airlines during the year 1947. The greatly increased utility of these airplanes over the utility of pre-war types insures a good market for them.

The market for small two-place personal airplanes already has become very selective. This is partly due to seasonal conditions and partly due to a decided buyers' preference for certain types. The companies with the most advanced designs are selling such airplanes as fast as they can make them, whereas other companies are finding difficulties in operating with greatly reduced schedules.

Post-war airplanes for business purposes in the four-place size are just coming on the market after delays due to strikes and other dislocations of industry during 1946. These new four-place airplanes are very superior in utility to anything previously offered the public. They are expected to make significant changes in the operations of many businesses, and I believe that the market for them is virtually untouched. They particularly will appeal to the businessmen in the small communities who, up to date, have been by-passed by all first class types of transportation. The low operating cost of such four-place airplanes and their high operating speed places at the disposal of businessmen everywhere first class transportation at a cost that they can easily afford.

During the new year quite a few of the new airline transport should make their appearance as replacements for the old DC-3's which are serving as the work horse for all the airlines at present. These new types will operate at lower cost per passenger-seat-mile and offer better schedules to the public. They probably will not be built in sufficient quantities to replace the majority of the airline transports now operating, but they will constitute an important market potential for the aircraft manufacturers. The construction of new military types of aircraft is rather selective. Many new types are in the design, testing, and prototype stages and some of the airplanes will emerge from that stage in production quantities during 1947. The cutbacks in Army and Navy military budgets have reduced some of the planned orders for new military aircraft, and I feel that it is possible that some of these cutbacks may be reconsidered during the year.

Speaking for BEECHCRAFT, our new four-place BEECHCRAFT Bonanza will enter volume production in the early part of 1947 with a backlog of 1,500 airplanes now on order. Production will be continued on the Model 18 twin-engined BEECHCRAFT executive transport, and the prototype of the new 20-place short haul air carrier transport BEECHCRAFT should be flying before the first quarter of 1947 has ended. Production of this new model for delivery to airlines probably will not occur until late in the year, due to the extensive testing required. BEECHCRAFT at present has a backlog of business approximating $30,000,000.

R. F. BENSINGER

President, The Brunswick-Balke-Collender Company

1946 was a year of "might have been"; if labor and management had been able to settle their differences amicably and if the government had left them alone to do so, much progress might have been made. But that's in the past, and we must now look to 1947. The only real progress that mankind has ever made has been by hard work—and if we are willing to quit wishing and start working we have nothing to fear.

R. F. Bensinger

It is my opinion that 1946 was the last of the lush years and that from now on we will be selling our products and our services to a critical public who will demand full value for their money. And that is exactly what we as manufacturers should demand of those from whom we buy. We must get a dollar's worth of material, or a dollar's worth of effort for every dollar we pay out. This is fundamental.

The outlook for the billiard and bowling industry for 1947 is very promising. There are millions of young men and young women who learned to bowl and to play billiards in the thousands of recreation centers set up all over the world. These young folks have become enthusiastic about this form of recreation and are joining the many millions who make bowling the largest participating sport in the world. Our servicemen who are stationed abroad are bringing bowling to many lands for the first time, and it is being very warmly received. In the past year, important installations have been made in Germany, Japan, and Italy. Central and South America have also shown a much greater demand than ever before. There, as well as in the United States, there are still some laws and taxes which should be corrected in order to give this form of recreation the opportunity for growth which it deserves.

It cannot be denied that there was a time when public billiard rooms and bowling alleys left a great deal to be desired as a family gathering place. Today, however, it is not unusual to find the entire family bowling together, or each one in his own league. Bowling has received glowing tributes as a morale builder during the war years—both at home and abroad—and today many government rehabilitation centers are praising both billiards and bowling for their great therapeutic value.

The industry, however, has a big job to do in connection with some of the present billiard rooms. A very few poorly operated "pool rooms" have given the sport a black eye and have resulted in unfavorable legislation barring minors from the good as well as the bad billiard rooms. The Brunswick-Balke-Collender Company, who have led the industry for 101 years, and who are largely responsible for the present day bowling alley establishments, are elevating the game of billiards to its proper place in the field of recreation. Such outstanding stars as Willie Hoppe, Charley Peterson, Willie Mosconi, Irving Crane and James Caras are touring the country giving exhibitions and instructions before college students and YMCA groups. Look for an entirely new type of billiard room for the whole family, for it's on its way!

Just as soon as manpower and materials are made available, many communities are planning to erect "Living War Memorials." These are recreational centers conceived by two of the nation's outstanding designers, Donald Desky of New York and Edgar Lynch, Director of Brunswick's Architectural Research Staff. These centers will serve both as a Living War Memorial for our heroes and as a recreational center for the com-

(Continued on page 422)

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Labor, Capital and the Stock Market

(Continued from page 392)

other 95% became employees. The corporate stockholder, on the other hand, as such, is no substitute in political influence for the numerous small business proprietors he has displaced. Besides he seems amorphous and negligent of his corporate interests. Moreover, corporate behavior is also increasingly controlled by heavily taxed salaried managers. They represent business nowadays and it can be said that they are employed by capitalism much more than they are capitalists in their own right. Salaried managers are more and more inclined to get closer to organized labor rather than to the anonymous crowd of almost absentee stockholders.

Political Power Increased by Urban Masses

Political power has thus successively passed, excepting for the farmers, into the hands of salaried urban masses, and they have attained an overwhelming numerical preponderance in our social structure. Urban masses, organized or not, are very volatile, with rapid corrosion of traditions and customary ideas. They become easily class-conscious and have a marked tendency to drift to the left in ideology and political affiliations. Political parties follow the same direction; conservatives expropriate political programs of progressives and liberals. The right shifts more and more to the left. The "Union Reporter," a CIO publication, declared a few weeks ago: "The journalists who describe 'labor' and 'the public' as distinct entities, with different interests are talking nonsense. Labor is the people." Union leaders profess the same beliefs, of course. Such is the general note.

This does not mean that, necessarily, labor became revolutionary or that it would not pay lip-service to free enterprise. Examples are still abundant to the contrary, though getting fewer and fewer. But it means, on the other hand, that a modern urban community cannot spontaneously generate mass acceptance of the still remaining backlog of capitalist values. The fact that the influence of urban labor is markedly anti-capitalist is amply confirmed by recent and contemporary history. The obvious tendency of the labor movement is to drive for the reduction of profits and to influence heavily the distribution of national income through taxation. Modern labor tactics are not directed so much against free enterprise and its representative institutions, as such, but mainly against its incentives, viz., a profit margin which capital would consider an adequate and commensurate with the risks involved. Moreover, an urge for ever greater political power is also evident.

Causes of Labor Inroads

Labor inroads into free enterprise have also other causes: "Intertwined with the motives for union membership is the almost universal desire of workers to tell the boss 'to go to hell'," say two able labor economists, Clinton S. Golden and Harold J. Ruttenberg in their "Dynamics of Industrial Democracy" (Harper Brothers, 1942). The authors add that the causes that manifest themselves in this desire are "rooted deeply in the personal lives of workers." This mental attitude differs considerably from a chip-on-the-shoulder mood and could have in itself far-reaching consequences.

Joint Responsibility for Labor Trouble

Can labor be one-sidedly blamed for such a social behavior and frame of mind? By no means, and management's" mea culpa, mea maxima culpa" has been recently clearly proferred, to everybody concerned, by Earl Bunting, the new President of N. A. M. in his inaugural speech at the Waldorf-Astoria. Alluding to current labor problems Mr. Bunting stated: "Much of our present strife is a 50-50 proposition, caused by stiff-necked management and stiff-necked labor leaders. Employers have been as dumb as it's possible to be, not frank with either their employees or the public." A realistic writer, Felix Morley, says in "Human Events" of Dec. 11, 1946 "organized labor is far more sinned against than sinning," The N. A. M.'s effort to change, concluded Mr. Bunting in his above address, "is an evolutionary thing more than an about face; it is an abandonment of prejudices which some of us had in the past. It's our aim to go right down the middle of the road."

The middle of the road? This is the pious wish of all those who genuinely hope that a solution or, at least, a more or less temporary compromise could be found at this strategic point of the battlefield. A long breathing spell, a sort of protracted Indian Summer for free enterprise, should be the minimum expectation from such a meeting of minds, half-way. All hopes to this end are permitted, at the exclusion of two Great Illusions and several smaller ones:

1. That the wage earner-worker is tied to the capitalist order because he possesses a house, a washing machine and an automobile. That because he may own a bank account, insurance and war bonds he is a devotee of the theory of private ownership of the means of production. In fact, he has no fear whatsoever that an eventual socialization of the means of production will jeopardize his ownership of his house. He is also well aware that in a showdown his government will underwrite his bank deposit and his policy.

2. The masses cannot be wedded to capitalism by high wages, nor can they be appeased by a better standard of living. The labor movement has gone far to the left in high and low standard countries alike, while in the United States disaffection with capitalism is, if anything, further advanced in the high-wage industries than elsewhere. It can no more be bought off by sugar-coated devices. It is too late.

A third illusion might easily be engendered by the possible spreading of the idea so paternally expressed recently by Judge Goldsborough. Speaking of the miners, his Court qualified their case as a "Father forgive them for they know not what they do. . . ." affair. This, when labor expects imperatively to be treated as an equally important factor of production, as a rightful and indispensable partner in it and, by no means, as a turbulent lot of school boys. Labor knows exactly what it wants and so should everybody else. There is just nothing to be forgiven especially by God.

Under what conditions of respective strength will the meeting recommended by Mr. Bunting be held at the point of the line where Labor will encounter Management?

It appears from following data that social peace, or whatever other name could be given to the amicable settlement of recent instances of class warfare, fought by labor with rather aggressive warlike tactics, will depend more on the moderation of a growingly expanding and optimistic labor than on the strength of a retreating management on the defensive. Incidentally, to rely on the perennial virtue of moderation of labor for the perpetuation of a lasting peace with capitalism might constitute a fourth illusion. This reliance alone would also be a too weak foundation for many of our institutions. (Hence probably the desire for new legislation by which free enterprise should be comforted and strengthened for a time.)

Recent Redistribution of Wealth and Income

Few americans realize, in fact, that in the last years they have gone through a social process which has resulted in an extraordinary redistribution of wealth and income. The forces which brought forth this result were the war and, to a certain extent, the strong influence of organized labor itself. The temporary beneficiaries were the farmers, the more permanent ones labor. The losers were the white collar workers, the wealthy and all those who live on a fixed salary or income. Modern revolutions are bloodless. The executioner is the Treasury Department.

No sensible thinker could genuinely expect that the unpropertied volatile masses would ever, voluntarily, refrain from using the considerable power they have gained to redistribute wealth or that they would acquiesce in the inequalities of the capitalist distribution of income. The modifications in our economy proceed according to their concept and here are the results already achieved:

Labor's Improved Status

The average worker, 10 years ago, earned annually $1,133, whereas, this year, his earnings amounted to $2,230. In 1936, to maintain a family of four members, himself included, his budget showed a deficit of $37, taken from savings or borrowing. In 1946, after having bought the same necessities and the same services, he closes his accounts with an active balance of $526, which leaves him a purchasing power in terms of 1936 dollars of $363. In 1936 he paid $12 in taxes; in 1946 $25. The white collar worker, whose income has remained at $4,000, has lost a considerable part of his buying power. On a comparable basis, his income tax has risen to $108 and inflation has cost him $1,145. A $10,000 income is worth only $6,500 prewar, a $20,000 income worth $11,000, a $50,000 income $22,000.

Capitalism or free enterprise which feed on capital formation and accumulation, is equally seriously crippled in other directions. For instance, for every person employed in the United States, yesterday's investors have put about $6,000 of their savings in business —this being the venture capital which made this country great— for buildings, material and tools. Yet, industrial corporations with sales in 1945 of $30.6 billion, paid out only $1 to investors in interest and dividends for every $8.40 paid to employees in wages and salaries.

Viewed from a still different angle for which inherent features of capitalism are mainly responsible, conservative capitalists investing in the highest grades of bonds, or depositing their funds in savings banks, witnessed a con-

(Continued on page 423)

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Business and Finance Speaks After the Turn of the Year

(Continued from page 420)

munity. Billiard rooms and bowling alleys may be operated either by the community or by individuals.

All of these factors can assure the billiard and bowling industry a promising year in 1947. However, much depends on the ability of labor leadership to instill in the minds of its members, the basic economic concepts which have made possible the industrial development of America.

Labor leadership must emphasize that there is no substitute for honest effort—for full production; that, unless industry can produce its merchandise at prices people can afford to pay, there will be no markets and without markets there will be no jobs! This is a fundamental economic concept—one that is vital to both labor and management.

We have been through a period of controlled economy these past 14 years which has brought some serious ills upon our people, but I am convinced that there is nothing wrong with the country that a fair amount of work will not cure.

JOHN D. BIGGERS

President, Libbey-Owens-Ford Glass Company

Total sales of Libbey-Owens-Ford Glass Company for 1946, although influenced by moderate price increases only in the closing months, exceeded $60,000,000 as compared with the pre-war peak of $54,000,000 in 1941.

John D. Biggers

The company used its reserve glass production facilities in the effort to meet the unprecedented demand for glass for the building industry and manufactured an all-time record volume of polished plate glass and window glass for the construction market. Libbey-Owens-Ford furnished an adequate supply of safety glass for the requirements of its automotive customers in the year just closed.

Employment in the plants of the company, located in seven states, is now at a peak of 9,800 and annual payroll is approximately $29,000,000 or more than double what it was in typical pre-war years. Average hourly earned rates of employes in Libbey-Owens-Ford factories have increased more than 65% over 1938, it was reported.

Moderate price adjustments on glass near the end of the year helped to make up for some of the heavy wage increases put into effect during the war and in the post-war period. Volume production also contributed to substantial betterment in earnings during the latter months of 1946.

Production of plastics by the Plaskon Division of Libbey-Owens-Ford was up to peacetime level during 1946 largely due to improved techniques developed within the factories.

The company has had under way throughout the year a building program of about $14,000,000 to increase capacity for both glass and plastics output. Additional glass manufacturing facilities completed may not be effective until there is improvement in the supply of soda ash, promised by the chemical industry for 1948. Critical shortage of this basic raw material in the United States ever since the end of the war is restricting many industries, including glass.

By extraordinary resourcefulness the Libbey-Owens-Ford technical and manufacturing forces minimized the unfavorable effects of the soda ash shortage on factory output.

Some of the new plastics manufacturing facilities will be available early in 1947 at the new Toledo plant being developed at the site where the research laboratory was started in 1941.

The outlook for 1947 is good. Automotive production should be greater than it was in the year just closing. Building has not yet reached its peak. Supplies of materials are beginning to get to market in more satisfactory volume. Building labor supply has considerably improved through training programs and return of men from service with the Armed Forces.

A most important problem for industry in 1947 will be the continued effort to balance supply and demand, and through sound policies on costs and prices stimulate the maximum business activity and employment. This means greater productive effort in most lines of industry and requires the cooperation of management and labor to maintain steady operations.

Reconversion of plant facilities seems to have been an easy step compared with the more serious problems of adjustment of the many other factors which influence business.

In the automotive industry, with which Libbey-Owens-Ford is closely allied, the decision to continue many current models in 1947 will tend more quickly to meet the backlog of demand for cars. It should encourage peak production without any slack period for changeover.

Glass for the building industry is in greater demand than we have ever known. Distributors have been unable to accumulate stocks of glass. This means we will have to continue our efforts to see that the maximum supply of window glass goes into channels for veterans' housing and for other necessary projects.

Industrial demand for glass has continued to grow, notably in the commercial refrigeration field where our multiple-glazed Thermopane insulating window units have been in heavy demand.

I am confident about long-range prospects in both glass and plastics. Architects continue to emphasize the growing trend to daylight engineering in all forms of building and that means a continuing increased demand for window and plate glass. The market for Libbey-Owens-Ford's Plaskon molding compounds, resin glues, and resins for the paint, lacquer and varnish industry continues to feel the effects of the many new uses for plastics brought out by fabricators who are making plans for forward expansion comparable to the big growth of the plastics industry in the last decade.

S. DUNCAN BLACK

President, The Black & Decker Mfg. Co.

We think that the outlook for the electric tool industry for the year 1947 is very bright. It is axiomatic that the higher labor rates go the more everyone is going to be interested in labor saving devices, and the design and manufacture of these articles is our business.

We, in common with our competitors, have very large back orders, and even though they may be subject to considerable discount, due to a possible temporary recession during part of 1947, we believe that we will be able to operate our production facilities to maximum capacity during the year.

Foreign business is particularly good at the present time and we believe this will continue throughout the year, especially in the Latin American Countries.

GEORGE A. BLACKMORE

Chairman of the Board, Westinghouse Air Brake Co.

Concerning the outlook for business during 1947, we can say that with the excellent work that the railroads are doing toward rehabilitation of their properties, bringing up their motive power and cars to their previous level, which was not possible because of the many years of war—during which they did a most excellent job—we find they are generally going ahead on the basis of rejuvenating and augmenting their equipment where necessary, and for that reason we expect a continuance of good business in our lines in 1947.

George A. Blackmore

Braking systems of standard types will contribute to the railroad program and many new devices which we have developed to meet special conditions of modern operation are expected to find increasing usefulness.

The carriers program and our ability to furnish the materials of our manufacture that will be needed are contingent, of course, upon the labor difficulties, shortage of materials from which we are all suffering due to strikes and lack of production, and the disturbing effects of the portal-to-portal pay situation.

It is to be hoped that the new Congress will recognize that legislative action is imperative to meet some of the threats to our economy from these sources and will take prompt action to correct existing impediments to a proper functioning of our industrial system.

L. G. BLUMENSCHINE

President, The Best Foods, Inc.

The year 1947 should bring complete recovery from wartime conditions in the domestic food picture. Although shortages of fats, oils and sugar may continue for months, this is the year when the age-old laws of supply and demand begin to operate again after a five-year lapse.

L. G. Blumenschine

The return of a freely competitive market in what was a $22 billion business in 1946 present manufacturers, wholesalers and retailers alike with serious problems of distribution, inventories and merchandising. Consumers everywhere will rejoice as favorite nationally-known brands, long missing from grocers' shelves, return in unlimited quantities and "war babies" retire to the oblivion from which they came.

There is good reason for confidence in the situation, despite the difficulties ahead. Although, nutritionally, Americans ate better during the war than ever before, the food industry is on the threshold of further startling advances.

Bumper crops of ingredients, deliveries of machinery and equipment long on order and the gradual easing of packaging problems will this year, we hope, usher in a new era of still higher standards of quality, convenience and nutrition in the packaged food industry. Already the advance guard of thousands of war-born new and improved products is appearing on retailers' shelves. Others are becoming available daily and the sum total will be an appreciable rise in the nation's nutritional levels.

Just one word of caution should be added: A new product is not necessarily a better one. The food may be a long-time favorite still merchandised in a familiar package, but of one fact you may be certain. If it's a quality product, it will be better than ever because of the added years of research and quality control which have gone into its making.

E. S. BOWERS

Secretary & Treasurer, Atlantic, Gulf & Pacific Co.

Waterway development is vital to the continuing growth and development of the nation. For this reason we have confidence in the future of our industry, but the present situation disturbs us. During the war there was practically no new flood control or waterway improvement work done except that urgently needed in the war effort. As a consequence, this type of work is behind other developments. In April, Congress made appropriations to be expended on flood control and waterway projects which had already been approved by the Corps of Engineers, U. S. Army, and authorized by Congress. The appropriation bill was signed by the President without comment on May 2. On Aug. 2, the President issued an Executive Order which impounded a large part of the money appropriated as an economy measure which we believe was ill-advised. A portion of these funds has since been released but the amount so released for waterways is not sufficient to take care of necessary maintenance and provides nothing for new projects. For this reason the industry has very little work under contract and very little in prospect for the immediate future.

Emerson S. Bowers

It is wasteful to allow uncontrolled rivers to bring destruction and desolation in the wake of high water floods; or to allow harbors and navigable waterways to shoal, thus preventing economical operation of the vessels which use them. Improvement of harbors and waterways should keep pace with and further the economic development of the country.

These conditions are so self-evident that we are confident that the Federal Government, which is the principal customer of the industry, will provide the funds required to carry on work on new projects which are necessary and economically sound, and to maintain harbors and waterways in the condition necessary for their efficient use.

ROBERT J. BOWMAN

President, Pere Marquette Railway Company

Robert J. Bowman

The present position of Pere Marquette Railway Company has been brightened by the freight rate increase granted by the Interstate Commerce Commission, to become effective Jan. 1, 1947, and an expectation that production and business volume in the areas served by the road will continue at or about the level of 1946.

Industry, generally, has higher production goals for 1947 than were attained in 1946, and, if serious organized work stoppages are not encountered during this year, their plant output and our transportation services that are geared to it should reflect more satisfactory financial results with corresponding benefits to employment.

ELBERT S. BRIGHAM

President, National Life Insurance Company

The life insurance business enjoyed an active and prosperous year in 1946, and there is no visible reason for anticipating any pronounced change in 1947. It is possibly true that sales of life insurance have benefited during the postwar period from the fact that the income of the consuming public has been high while many major items of family expenditure have not been available. On this ground there may be reason to expect that recent extraordinary rates of increase cannot be maintained. However, the trend of new business and insurance in force has been upward with only occasional short recessions for many years. There may be precedent also in the fact that life insurance sales after World War I remained far above what they had been in the prewar period. Another factor favorable to the continued growth of insurance is the prospective high level of income and inheritance taxation for some years to come, which gives life insurance a tax advantage over some other forms of investment.

Elbert S. Brigham

While the sale of life insurance has been no problem, the huge volume of savings flowing through life insurance and other channels has given rise to concern about the difficulty of finding suitable investments providing a satisfactory return. Not only are premium receipts high, but principal repayments upon existing investments have exceeded required amortization by a wide margin. During the war, large amounts of life insurance funds flowed into Treasury obligations, but with the Federal

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Labor, Capital and The Stock Market

(Continued from page 421)

tinuous decrease in the yield of their money since 1932 (before taxes):

	Yield of 30 AAA bonds	Interest earned by Insurance Cos.	Interest paid by Savings Banks
1932	4.59%	5.08%	4.32%
1940	2.84%	4.11%	2.26%
1946	2.48%	3.65%	1.80%

Finally, the cyclical nature of our economy is responsible for the corrosion experienced by capital through losses sustained from purchase of securities. The effect of these causes has convincingly been demonstrated by Mr. Robert A. Lovett in a study published in 1937. "The record shows," Mr. Lovett wrote, "that if an investor had purchased 100 shares of each of the 20 most popular dividend-paying stocks on Dec. 31, 1901 and held them through 1936," adding, "in the meantime, all the melon's in the form of stock dividends and all the plums in the form of stock split-ups and had exercised all the valuable rights to subscribe to additional stock, the aggregate market value of his total holdings on Dec. 31, 1936, would have shown a shrinkage of 39%, as compared with the cost of his original investment. In plain English the average investor paid $294,911.99 for things worth $180,072.06 on Dec. 31, 1936." We can add to Mr. Lovett's demonstration that, without considering the decrease in 1933 of the gold contents of the dollar, the loss in purchasing power, since 1936, would now place on the original investment, as expressed in 1936 vintage dollars, a "real" value of only about $108,000, or a decrease of approximately 63% in terms of purchasing power. With such a record; the word "security" is undoubtedly a misnomer, and no evidence warrants the belief that such a corrosion of capitalist values will be halted in the early ftuure.

Conclusions About Stock Prices

How should securities, particles of American free enterprise, be appraised marketwise? If we believe that corporate earnings, in a deflationary climate, will be successfully assaulted by powerfully organized labor forces, should not their appraisal by the stock market undergo necessary changes? Are earnings or are prices of goods and services the designated casualties?

In some past typical years, the price-earnings ratios on the Dow-Jones averages were as follows:

	High	Low
1929	19.1	10
1930	27.2	14.5
1931	50.7	19.2
1932	year of deficit	
1937	17.1	10
1940	14	10.1
1941	11.5	9.2
1942	13.3	10.3
1943	15.5	12.8
1944	15.1	13.3
1945	18.5	14.3
1946	Approx. 19	13.5
Current	Approx. 14.4	

Leaving aside the "erratic" years of 1929-1932 and 1937, years of unbalance, we could take the period of 1940-1946 as a basis of comparison. During these seven years the average ratio was 15.2 high and 12.0 low. The present level of about 175 on the D. J. Industrials, is historically, by all standards, a high one and general current earnings seem to have more chances for a downward than a upward direction in years to come. Moreover, these figures relate to a period where the ultimate fate of free enterprise was not questioned or even seriously challenged, and earnings were restricted only by temporary wartime regulations and the E. P. T. They relate also to a period where booming business and inflationary trends boosted many earnings upside. Finally, monetary apprehensions, in the later part of said period, pushed many investors into the stock market. These scares and restrictions have disappeared for the time being. We can thus admit, with a fair degree of accurateness, that above average figures concern a rather favorable period for earnings, on the other hand, almost everybody agrees that we are at a peak of our postwar prosperity and all barometric business indexes will show a decreasing trend in a more or less distant but already discernable future.

The question arises, at this juncture, whether and how far downward a revision of above price-earnings ratios is warranted? If the assumption is right that in the planned middle of the road meeting of labor and management, industrial peace has to be bought at the expense of corporate earnings rather than prices of goods which nobody wants to see too high and everybody longs to see as low as possible, an answer has to be given to this question by the stockmarket itself.

What is Wealth?

Wealth is *goods*. It is food, shelter, clothing . . . hairpins and automobiles, mousetraps and refrigerators, railroad cars and pens that write under water.

And the thing that makes goods is *work*.

Only with work can we create wealth. A farm has no value until somebody grows and harvests the crop; nor does a forest until someone cuts the trees, a mine until someone brings out the coal.

Without work, *money* has no meaning. Even if we could suddenly *double* the number of dollars in every American pocket, we would not increase production by so much as a single shirt or steak. The real wealth of the nation would be unchanged. You can't eat money, or wear it.

But, when people are producing, money provides a convenient means of exchanging work for goods. Men receive it for their labor, and trade it for things made by the labor of others. The thrifty save part of their money—and thus store up part of their work for future use.

In America, we have learned how to use this stored-up work to create *new* wealth. Millions of thrifty people lump together their savings—their stored-up work—to start new industries, build new factories, buy better tools. By so doing, they increase the facilities for work . . . which steps up the production of goods . . . which means more wealth for the nation.

This productive use of stored-up work is known as investment. It is one of the wonders of our economy. But it has to start with *work*.

Market Place for the Thrifty

The New York Stock Exchange is the nation's principal market place for investors. It maintains a ready market, at openly disclosed prices, for the securities of millions of Americans who entrust their surplus funds to industry. To them it says this: Base your investment decisions on facts, not on rumors. *Facts* are your best protection against *unnecessary* risk.

NEW YORK STOCK EXCHANGE

THE NATION'S MARKET PLACE

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Business and Finance Speaks After the Turn of the Year

(Continued from page 422)

Budget approaching balance, other outlets must be utilized. The year 1946 was a record mortgage year and in addition witnessed substantial revival of new capital flotations by industry. The outlook for construction promises a large demand for mortgage funds in 1947. In the industrial field the effect of high wages and technical advances will eccelerate depreciation and obsolescence and thus stimulate the modernization of plant and equipment, which in turn should maintain the new capital markets. A number of the larger corporations in the country have recently sought new capital, a fact which suggests that a great deal of rebuilding and modernization of our industrial plants will be required as a corollary to the present high level of economic activity. While life insurance funds in limited amounts are going directly into real estate ownership, it is mainly to the mortgage and new capital markets that the life insurance business must look, and is now looking hopefully, to meet its investment requirements.

PRENTISS M. BROWN

Chairman of the Board, The Detroit Edison Company

Because of the unquestioned and enduring demand for consumer goods, 1947 should be a year of record production and increasing prosperity. Only the failure of management, workers and government to cooperate in grasping this opportunity for the benefit of all, can prevent prosperity.

Prentiss M. Brown

I see reasons for optimism; I see reasons for pessimism. I believe that optimism, combined with courage to see that such a position shall be justfied, is the proper attitude.

Despite postwar reverses in some phases of industrial efforts toward peace-time production, the electrical industry generally has reached new highs and, in contrast to general trends, has been able to reduce costs while meeting increased demands. The Detroit Edison Company is no exception. In fact, it is the outstanding example. It served the great automobile plants, the world's arsenal of democracy, in war time. The pessimists expected a sudden postwar collapse to begin in the Detroit area.

The contrary is true. On three separate days in the last two months Detroit Edison has set new all-time highs in its output of electricity.

The Detroit Edison Company now has 30 more industrial customers than it had when the war began, and industrial consumption in 1946 was only slightly less than in the peak war year.

Five thousand, five hundred (5,500) commercial customers were added in 1946.

Since V-J Day we have had an increase of 17,600 residence customers.

The Detroit Edison Company never failed to meet a demand for power during the war and now, within a month, it will complete the installation of a new 75,000 kilowatt turbine ordered before the war. We see reason to believe that this addition to our power output may prove inadequate to meet future demands—reason enough that we have placed an order for a 100,000 kilowatt generating unit to be completed by 1949.

On January 1, Detroit Edison was able to put into effect a voluntary reduction in industrial rates which will save industry $3,000,000 in 1947. This matches a 1946 reduction which saved residence and commercial customers more than $5,000,000 in the past year.

LOWELL R. BURCH

President, The New York Air Brake Company

Our 1947 oulook for potential business is promising. Ability to produce, which in turn will be largely dependent on materials, is the limiting factor. While we suffered no prolonged over-all shutdown at our plant last year, the maladjustments caused by scarcity of materials were costly to us and prevented a smooth operation. It is my personal belief that the outlook in this respect is now more favorable than for sometime past, and I believe that profit margins will accordingly improve.

L. R. Burch

As to the outlook for business in general, there is, of course, a wide diversity of opinion, but I am inclined to believe that business will be considerably better than those on the pessimistic side prophesy. Some levelling off of prices is already occurring and I expect this will also apply to labor demands. Certainly the political climate has improved, and I base this not merely on the fact that a new party is in the majority but rather on the underlying factors which caused the change.

Altogether I am decidedly on the optimistic side for 1947, as regards at least the heavy industries.

E. J. BUSH

President, Diamond T Motor Car Company

The outlook for truck production for 1947 from the standpoint of demand looks very favorable. Many of our dealers report that the bulk of the new trucks which they delivered during 1946 were used to expand the activities of the purchasers rather than to replace worn-out equipment. These dealers feel there is still a large demand to be supplied for replacement purposes as well as some further expansion. This applies to both the domestic and the foreign markets. whether these trucks can be produced in greater volume than in 1946 will depend upon the availability of basic materials such as steel and iron, and upon a continuous supply of materials which will be possible only if production interruptions due to labor difficulties are avoided.

E. J. Bush

There is also the very important factor of prices. Prices of basic materials and finished units have been advancing sharply, and while the market up to the present time has shown little resistance to higher prices, it is hardly reasonable to assume that this situation can continue indefinitely.

Labor is clamoring for higher wages, management is endeavoring to protect its profit position, and it is to be hoped that some method can be devised where both of these objectives can be attained through increased efficiency and higher production per labor dollar instead of a pyramiding of labor cost increases with nominal production efficiency which eventually must drive prices upward to the point of buyer resistance and eventual collapse of the market.

IRVING T. BUSH

President, Bush Terminal Company

I have been asked over a long period of years, at this season, for an expression of my views upon business conditions during the following 12 months. I believe that 1947 is probably the most difficult year about which to make an intelligent forecast. If the labor unrest and recurrent strikes are to continue, there cannot be great prosperity in the lines of business affected by such conditions. I have, however, great confidence in the common sense of the people of the United States and it must be that they will realize that the wage they receive is not numbered by the dollars in the pay envelope, but what those dollars will buy. This is true in all industry, but as you have asked me particularly for my views concerning the field in which the Bush Terminal Company operates, I will point out that we have certain great advantages. A large part of our income comes from rentals which are on a cash basis. That which comes from warehousing and our railroad operations is secured by the merchandise stored or handled. In addition, we are not burdened by inventories. I feel, therefore, that I can be reasonably optimistic about the conditions during 1947, in our particular field. As to business generally, in other fields of effort, labor I am certain must ultimately recognize that its workers must pay for their share of the increased cost of production, and that while wage boosts may give temporary satisfaction to certain labor leaders, it will be of little or no advantage, when the cost of maintaining a home and supporting a family is reckoned with.

Irving T. Bush

I am enough of an optimist to believe that the general business conditions in the United States will be better in 1947, than they have been in 1946, but there are many factors which can upset this view. There are selfish and arrogant business leaders, just as there are selfish and arrogant labor leaders, and it is essential that if 1947 is to be a prosperous year for the country as a whole, there must be harmony between business and labor.

TOM CAMPBELL

News-Market Editor, "The Iron Age"

Whether or not they realize the full significance of it, steel labor and steel management have entered a period when the law of diminishing returns is definitely operating against both. The wage increase which the steel union will wring from steel firms this year and the price raises necessary to partially offset the resultant increase in steelmaking costs may set in motion a chain of events which will eventually cost both groups far more than they are expecting in lost wages and lost production.

Tom Campbell

Because users of steel have never been able to get enough material to set up a production schedule that would anywhere near satisfy demands made upon them, there has been a disposition to pay any price, submit to any conditions or to take something other than what was wanted in order to keep plants in operation and skilled workmen on the payroll. This will not always be the case. The cost of steel is a universal gage in pricing items into which steel goes. It has always been this way and most firms utilizing steel use a formula to establish their prices the base of which is the net price paid for steel.

Steel wages have almost the same relationship to other wages as steel prices do to items made from steel. This was well demonstrated when early in 1946 the increase in steel wages and in steel prices caused a breakthrough in the "hold the line" policy. This action formed a pattern for other idustries and the gains made by steel labor were shortlived. No single group can obtain wage avantages for long when other groups are well organized and can demand similar concessions. The same general condition applied to steel management. When the price of steel was increased this set off a wave of prices in other fields with the result that the cost of making steel went up again due to higher material and equipment prices.

If conditions in 1947 follow the pattern of 1946, the long awaited and long debated period of four to five lush years may never come, or before it does show its tardy head, both labor and business will take a drubbing at the hands of those who make or break prosperity for both—the public. Already many would-be consumers have given up buying that treasured dream—either because they have found they can now get along without it or because when they pay their bills they have little or nothing left over.

Another year with from 14 to 16 million tons of steel lost because of steel and coal strikes would so upset the system of distribution in the United States that a complete breakdown in the economy of the country might result. Most steel leaders know this and so do intelligent labor leaders. Both, however, are so driven by the immediate demands of their respective groups that it is hardly likely that either will be able to do anything in 1947 except the obvious—the union obtaining higher wages and business heads raising prices to make up for wage increases which they will give only to keep the wheels of production going.

All efforts of economists and management to portray the fact that real wages are the ones which pay the bills failed of their purpose in 1946. No attempt to show that higher wages followed by higher prices mean static conditions or even a loss in real wages was successful. The suspicion of the average workman towards his company and towards economists in general is as strong as it ever was. The workmen feel that to get an increase in actual money is better than taking a chance that if they don't get it prices will not go up.

Steel production in 1946 amounted to about 65,900,000 tons of ingots compared with 80 million tons in 1945. Barring strikes and other slowdowns, the industry in 1947 will probably turn out close to 80 million tons of steel ingots. However, should the inventory situation and the overpricing in general economy, have the effects which some quarters look for, steel ingot production in 1947 may not range more than 70 to 75 million tons of steel ingots.

Total pig iron production in 1946 is estimated at 45,450,000 tons, compared with 54,919,000 tons in 1945. Blast furnaces throughout 1946 were shut down a number of times because of strike conditions.

Finished steel production in 1946 amounted to 46,868,000 tons compared with 56,946,000 tons in 1945. The pattern of distribution of finished steel in 1946 was almost identical with the prewar year of 1939. The automotive industry in 1946 obtained almost 13% of total finished steel production, but a substantial part of this still remains in manufacturers' plants as unbalanced inventories. There seems every reason to believe that the distribution of finished steel in 1947 will follow the same percentage figures as in 1939 and 1946. A rough presentation of these percentage figures is as follows: Agriculture, 3.5%; automotive, 14%; construction and maintenance, 16%; containers, 9%; machinery and tools, 6%; oil, gas and mining, 4%; pressing, forming and stamping, 6.15%; railroads, 9%; exports, 7.5%; miscellaneous, 24.5%.

Three or four good months of steel operations at close to 90% of capacity with some increase in worker productivity either by better management or by greater worker output would clean up the excess demand which has been hanging over the steel market since the war ended. By that time it would be seen whether the industry can operate at high rates continuously and whether the consumer demand which has been on paper for some time actually exists in fact or in the minds of the market experts. This much needed test cannot be made, however, if the steel industry in particular must go through a wage-demand-strike-wage-increase-price-increase cycle every year. For that reason alone it must yet be proved that "prosperity is just around the corner."

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Britain's Economic Troubles

(Continued from page 397)

this policy, industrial output in general suffers.

The electric power supply, too, is inadequate, largely because of lack of equipment needed in order to replace the equipment worn out during the war. Curtailment of electric current has become an everyday event. It affects industries and domestic consumers alike.

Progress in the housing "drive" —if the supreme slow-motion picture of building and repairing houses can be called so—remains most unsatisfactory. The targets fixed by the Government are extremely modest, but even so actual results remain far behind them. Now that the fighting forces are almost completely demobilized the housing shortage has become almost intolerable.

The food situation is going from bad to worse. Bread rationing, which was originally expected to be a purely temporary device, has evidently come to stay, and the possibility of a cut in the ration cannot be ruled out. Other food rations have been curtailed. There is a growing resentment in many quarters on account of the fact that the British consumer is kept on short rations for the sake of feeding Germans.

There is very little evidence of any substantial increase in the industrial output of essential goods. Furniture is still virtually unobtainable. Curtains, carpets can only be bought at fantastic prices, far beyond the means of nine households out of ten. The clothes ration has been increased very slightly, and is still far from sufficient to enable men and women to replace their prewar clothing which is wearing out. Purchasing power is still increasing at a more rapid pace than the volume of goods available. This year the Government intends to make large payments on accounts of compensation for war damage. These payments will further increase the demand for goods, and will more than absorb any increase of the supply that may reasonably be expected on the basis of prevailing conditions.

Pressure in favor of the universal adoption of the 40 hour week is on the increase. The Trade Unions are unable to enforce discipline among their members, and "unofficial" strikes are an everyday occurrence. They are organized by "shop stewards" who are rivals to trade union officials, and are largely under Communist influence.

The export drive has failed to check the drain on the Treasury's dollar resources. The volume of exports to "hard currency" countries remains a small fraction of the volume of imports from those countries. Thus, the home market is deprived of much-needed consumers' goods, not in order to pay for vital imports but in order to repay holdings of sterling balances or to pile up big frozen claims against "soft currency" countries who are unable to pay for British goods either in hard currencies or in goods.

It is true, there are also favorable points in the situation. Prices and the cost of living have been kept down. The extent to which the law is evaded through black market activity is negligible compared with continental countries. Although strikes are troublesome, there have been so far no major strikes comparable to those experienced in recent times in the United States or France. The reconversion of industries to peacetime requirements is making good progress. Unemployment caused by the change-over has been so far moderate. For all practical purposes the country is still fully employed. Money rates have been reduced to a level below those prevailing in some hard currency countries such as, for instance, Switzerland. The budgetary situation is improving.

Even allowing for all this, the economic position and outlook is anything but reassuring. Nevertheless, the Government does not appear to have lost until now the support of the electorate that brought it into office in July 1945. This is because it is realized that the troubles are largely due to circumstances over which the Government has no control. Food difficulties are international. The inadequacy of the housing drive and of the coal output is ascribed to the fact that the nation is inadequately fed and is tired after the exertions of six years of war. Should, however, the situation continue to deteriorate, the development of a wave of discontent of political importance must be expected.

Freight Traffic Handled Dropped 13.3% Last Year

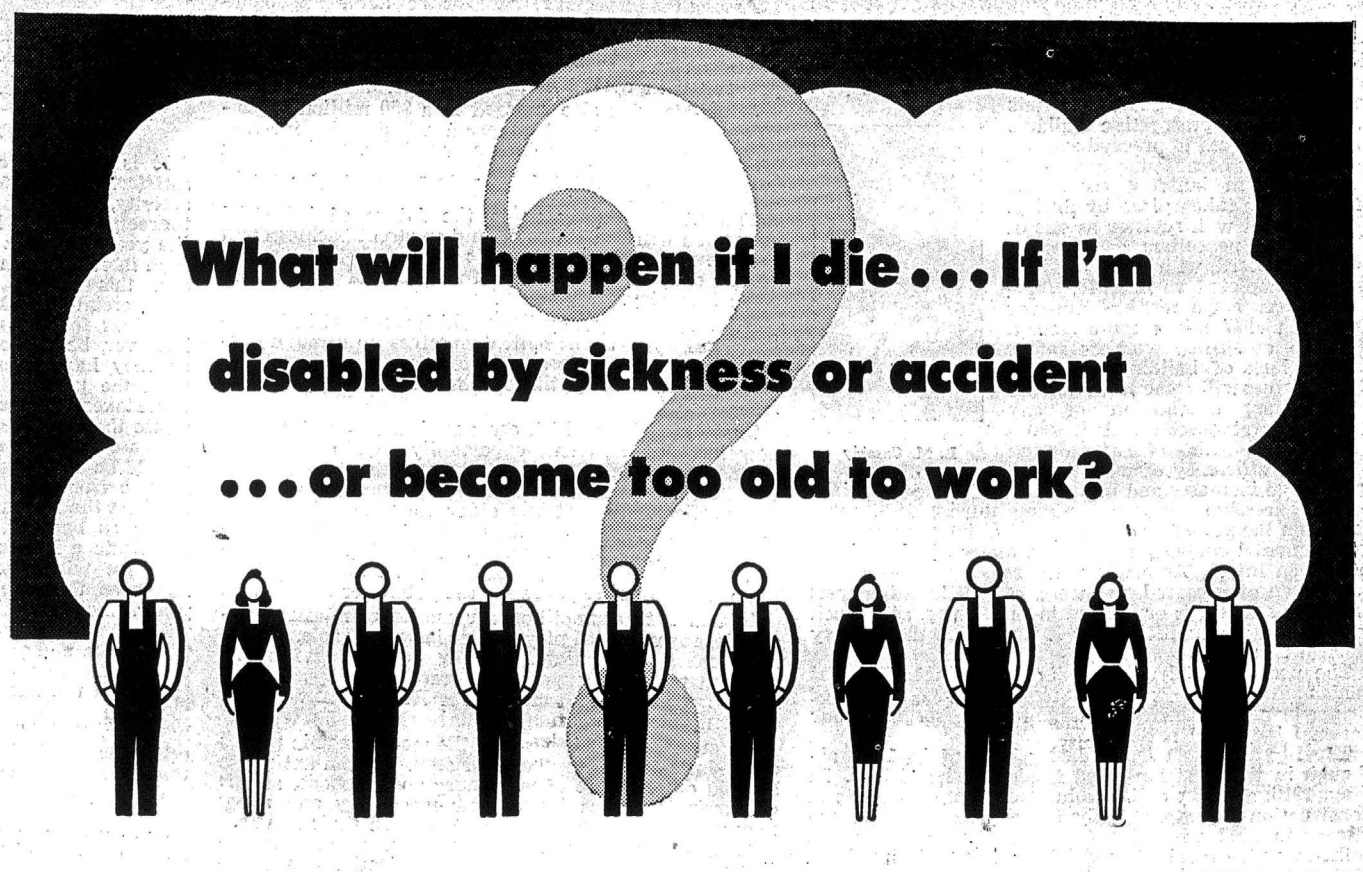
The volume of freight traffic handled by Class I railroads in 1946, measured in ton-miles of revenue freight, was approximately 13.3% under 1945 and about 20% less than in 1944, according to a preliminary estimate based on reports received from the railroads by the Association of American Railroads. Freight traffic in 1946 totaled approximately 590,500,000,000 ton-miles compared with 681,000,757,000 ton-miles in 1945. Compared with two years ago, the decrease was 147,000,000,000 ton-miles.

December traffic amounted to about 48,500,000,000 ton-miles, an increase of 4.8% compared with December, 1945. The amount of traffic handled by the Class I railroads in December this year was 69% greater than the the volume carried in December, 1939.

The following table summarizes revenue ton-mile statistics for 1946 and 1945 (000 omitted):

	1946	1945	% Change
1st 10 mos.	490,444,064	584,608,521	—16.1
Mo. of Nov.	*51,500,000	49,762,306	+ 3.5
Mo. of Dec.	†48,500,000	46,295,117	+ 4.8
Total	590,500,000	‡681,000,757	—13.3

*Revised estimate. †Preliminary estimate. ‡Total includes adjustments not made in monthly figures.



HERE IS WHAT WILL HAPPEN TO WORKING PEOPLE THIS YEAR
(as based on averages for American industry)

1 out of 7 will be disabled for more than a week...
An Equitable Group Plan will provide for weekly benefit payments.

3 out of 5 will require a doctor's care
An Equitable Group Plan will pay the doctor bills.

1 out of 12 will go to a hospital
An Equitable Group Plan will cover room, board and other hospital costs.

1 out of 16 will require an operation
An Equitable Group Plan will defray surgical expenses.

3 out of 4 workers who die this year will have little or no individual life insurance
An Equitable Group Plan will provide family security for every employee.

1 out of 3 will still be working when they reach 65
An Equitable Group Annuity Plan or Pension Trust will provide for comfortable retirement.

Most of us ask ourselves these questions. In fact, these queries have always been a source of worry and fear. For here are hazards which jeopardize not only our own future but the future of our dependents as well...

Back in 1911, The Equitable proposed a solution to these common problems. Many people considered it a daring experiment at the time. Briefly, The Equitable maintained that many *more* working people could be protected against the hazards they feared most—*and protected more simply, more conveniently and at the lowest possible net cost*—if life insurance management, business management and the employees themselves could "team up" and work together towards achieving the adequate financial protection which all of them wanted. Thus it was that Group Insurance was born.

Since then, that "daring experiment" has proved to be one of the most important social and economic undertakings of all time.

Last year, for instance, The Equitable alone distributed more than 57 million dollars in Group Insurance benefits... to continue the paychecks of a family's "breadwinner" who had died... to pay doctor and hospital bills ... to defray the cost of an operation... to provide comfortable retirement for employees in old age.

Today, more than 3500 employers throughout the country are safeguarding their employees through Equitable Group policies. To them, Group Insurance is far more than the most economical and efficient method yet devised to assure their employees financial protection when it is needed most.

Group Insurance, they have discovered, represents a most valuable labor relations policy as well. For secure workers, freed of financial worries and fears, are far better workers—more loyal, more co-operative, more productive.

• • •

WOULD YOU LIKE A FREE COPY OF THIS HELPFUL BOOKLET?

"7 Important Aids to Better Employee Relations" contains a message that is well-worth your attention. A copy will be sent you free and without obligation—immediately upon receipt of your request.

The Equitable Life Assurance Society of the United States
THOMAS I. PARKINSON, PRESIDENT 393 SEVENTH AVENUE, NEW YORK 1, N. Y.

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Business and Finance Speaks After the Turn of the Year

(Continued from page 424)

G. H. CASSELBERRY

President, The Third National Bank & Trust Co.

Any statement regarding the outlook for business for 1947 hinges on a lot of IFS, but I am not one of those with a pessimistic view.

I do not believe that the labor leaders will hitch business to the whipping post, and consequently the country should enjoy a very good year, in which case this business should also enjoy a good year. I feel positive that Dayton, Ohio, will get its full share.

L. M. CASSIDY

Vice-President for Sales, Johns-Manville Corporation

Much better value for the home builder's dollar is in prospect for the spring and summer of 1947.

The real trend in construction costs actually started down around July, 1946, according to industry economists A lower building costs level is now in prospect for the Spring of 1947, and this should enable prospective builders and home buyers to proceed now on delayed plans because the downward adjustment in building costs will already have taken place by Spring.

L. M. Cassidy

1947 might well register as one of the biggest peacetime construciton years on record, with twice as many homes completed as in 1946. Indications are, that a possible cause for delays in 1947 might come from a shortage of skilled workers rather than a lack of building materials. Better values will come from quicker construction, elimination of any black market prices, a better organized distribution of materials and increased efficiency of workers, despite wage increases and higher costs of some materials.

The excessive costs of building during 1946 were forced on the public by disorganization due to unrealistic governmental controls of industry, many of which have now been lifted. As many of the reasons for excessive costs have disappeared, the trend of real building costs is downward and is or will be in the Spring, at a much lower level from which point it is possible that it may start to rise.

The prospect of lower building costs in 1947 might vanish and, in fact, costs might rise sharply, if a wave of strikes or sharply increased wage levels disorganize our national industrial pattern.

The light construction industry boomed in 1946, although in the most lop-sided fashion in its history. In May, 1946, a larger dollar volume of contracts for total construction was awarded than in any month on record except in 1942 when the building of war plants and military projects raised construction to an all-time high. But this dollar volume represented a low physical volume of building because of the excessive costs.

The apparent construction "boom" in 1946, was in reality a "dollar" boom at inflated costs and it is therefore not surprising that the National Housing Agency was only able to report 110,000 permanent new dwelling units both started and finished in the first eight months of the year.

The construction industry has been only partially freed from its fetters. Price control has been taken off building materials which helps greatly, but it was only on Dec. 14, that the President announced the apparent end of the $10,000 dwelling ceiling. Furthermore, nothing has as yet been accomplished in the adjustment of rent control. Capital will not flow into rental housing in an ample volume as long as building costs and maintenance expenses are far above prewar, whereas the income from rents has been allowed to rise only a small fraction above prewar levels. Rent control on new dwellings should be revised upward.

As to rent control on existing dwellings until there is some substantial upward adjustment of rents, a very large volume of modernization and creation of new dwelling space through sub-division of old houses, will be deferred.

During 1946, the building industry worked against terrific handicaps. The war-depleted pipelines of building materials had to be filled; labor, widely dispersed in the armed services and war industries had to return to forest, factory, and building-site jobs; contractors and dealers, out of business during the war, had to reestablish their operations, and realtors had to have time to buy and assemble land plots.

On top of these conditions, the Government intervened, home-building became a political football, the realities of building industry conditions after a prolonged war were swept aside by government officials who had no practical construction experience, and the Government set an entirely unrealistic goal of 1,200,000 homes for 1946, the first postwar year.

The result of these conditions was that on nearly every construction job, the contractor ran short of some necessary material preventing him from finishing the job; his expensive labor stood idle, sharply reducing output per man-hour and correspondingly contributing to increasing construction costs; labor hoarding developed; black markets appeared in scarce building materials; building costs generally rose excessively; the elapsed time between starting and finishing a house which is normally about 3 to 4 months widened to 7 to 10 months.

During this unsettled period Johns-Manville, large producer of building materials, insulations and allied industrial products, stepped up production of asbestos shingles, asbestos-cement flexboard, rock wool home insulation and other badly needed building materials until double the rate of prewar production in 1940 was achieved. Johns-Manville production of insulating board, transite asbestos-cement pipe and conduit, in heavy demand by the construction industry, was increased by 50% in 1946 over the prewar 1940 rate of production.

Among the principal reasons for the increased production of these materials of Johns-Manville plants was the growing stability of the company's labor relations, an attendant increase in worker productivity and an improvement in available manpower.

Johns-Manville also engaged in a $50 million expansion and improvement program which will increase factory floor space by 42% and provide 25% greater employment than in the company's peacetime year of greatest employment.

Present uncertainty as to the future of industrial expansion will be eliminated and apparent backlogs will become real orders as soon as the flow of goods gets more nearly in balance and the forces of competition come into play.

During the war many firms which were not in important industry positions built themselves up through government emergency contracts to the point where they are in postwar competition with old-line companies in many fields.

Those industries which can spend money and expand now have an excellent opportunity to improve their business position. Every company, both old and new, will be engaged in a vigorous competition for markets and particularly must the older companies build and expand not only to meet the competition from the war-strengthened newer companies but to maintain the progress which they demonstrated before the war in producing more and better goods for the public for less money.

In this 1947 competition for markets, industrial research programs will play a most important role. During 1946, many companies including Johns-Manville announced plans for expanded research facilities to help meet the consumer's demands for less expensive, more efficient goods.

We are now entering one of the most dynamic phases our industrial economy has ever seen. We can anticipate a rapid obsolescence of machinery and methods, as this country's industries install new machinery and adopt new methods of manufacture to capture their markets.

Particularly due to the unprecedented rise in production costs, a wave of increased mechanization and industrial plant streamlining has become almost a vital necessity to keep prices within consumer buying limits.

In 1946, government controls and labor unrest, impeded much of the progress which might normally have been expected in that period, but for the next four or five years, there is the prospect of a substantial volume of activity in the manufacturing and heavy construction industries.

D. L. CHAMBERLAIN

President, The First National Bank and Trust Company of New Haven

Industry in this district, I think, barring any serious interruptions to production through labor difficulties, can anticipate an excellent year. Practically all of our 442 plants in this area are operating at full capacity, employment should continue at the same levels as it did during the peak war years, and we have 386 concerns employing under one hundred persons, while fifty-six employ from one hundred to five thousand. In our area there is a wide variety of metal specialties produced, together with other diversified lines, which are in considerable demand, and I believe will continue throughout the year.

D. L. Chamberlain

Our wholesalers, I believe, are warranted in expecting a good year, providing merchandise can be obtained. I think there is some basis for expecting an adjustment of prices, which will be offset by increased volume, and not materially affect net operations.

In the matter of retail trade, sales are continuing at a high level, and although there is a very definite amount of buyers' resistance, which is bound to result in some price adjustment in consumer goods, there will still be a large demand. Prices and quality are a large factor now, and most of our merchants being aware of this, are adjusting inventories as rapidly as possible, and the over-all prospects for this year are good.

In the matter of real estate, there is now being evidenced a leveling off in prices, which it is expected will continue through 1947. Buyers are showing increased discrimination in their purchases of homes, although there is a large demand for housing, which apparently will not be met for several years, and there is also a substantial demand for modern buildings for industry and commercial uses.

In the building trade an increasing flow of materials is being anticipated, which should result in increasing volume of construction, with satisfactory profits.

In the field of labor, while employment is still at a high level, there remain many unfilled jobs in industry, and our area has been particularly fortunate in the matter of labor disturbance, although many of our operators will be faced within the next six months with signing new contracts with the unions. As our labor has been paid average or better wages, prospects for peaceful adjustment seems to be fair, but on the whole the future of our financial position is dependent upon the outcome of labor and management's ability to bargain amicably.

Ample bank credit for eligible borrowers is available here, so that business, in general, will not lack financial assistance where warranted, and barring any of the untoward developments which I have touched upon, I think that business in general is entitled to view the future with considerable optimism.

C. J. CHANDLER

President, First National Bank in Wichita

It is believed that commercial banks can expect a satisfactory experience during the year 1947. Business activity, which is the basis of our prosperity or lack thereof, may well be spotted during the year, but, as a whole, it will be high in comparison to past averages, and this should insure favorable commercial banking operations. Earnings for the new year cannot, however, be expected to be as high as they have been in 1946. Costs, with the possible exception of income taxes, will continue to rise, and while there is quite likely to be an increase in loan demand, unless this should be very large, the additional income from it cannot be expected to offset the increased overhead.

C. J. Chandler

We, as bankers, will do well to anticipate a less uniform credit experience with our customers than has been the case during the war years. The economic period into which we are entering will take many war-born executives from administrative chairs, and quality of credit, especially as it touches those industries and businesses which will catch up in 1947 with the backlogged customer demand, will prove to be more pertinent than it has for a long time. It is felt, however, that loss totals will be moderate, unless the economic readjustment during the year is much greater than is anticipated.

It is to be believed that 1947 will see a return to more normal banking conditions than has been experienced during these last years. The shift from a buyers' to a sellers' market in many lines, inventory maladjustments, and probable surplusses in finished goods, and even in some raw materials, will cause bankers to scrutinize statement figures more closely, and inaugurate controls that have been impossible during the war years. Mortality of poorly established and economically unsound businesses is likely to be high, and justified refusal to cooperate in perpetuating artificial situations will be common. It is not believed, however, that there will be a widespread tightening of credit, but that a more realistic approach to business finance will hold sway. This does not mean that credit extensions as a whole will be curtailed; on the contrary they will increase both in number of borrowers and in the amount loaned; but only that, as should be the case, intelligent and efficient business operation will receive the attention and encouragement which it deserves. Such an adjustment will be much in the interests of the stability and long range welfare of the country.

Barring unforeseen political and economic crises of a most severe nature, there is no reason to feel that 1947 should not bring more normal and more satisfactory relationships between banks and their customers than has existed at any time since the beginning of the decade.

SAUL COHN

President, City Stores Company

1947 will be a decisive year. It will begin to prove whether our business system can adjust itself between forms of economic action fundamentally opposed to each other. For a part of our national history the business system operated on the the conviction that it needed no external help and would work out its own corrections. It was felt that the forces which drove it up or down in cycles were inevitable. When this produced its last depression, the opposing theory of underpinning the business system by government action was given a trial. It was found that government cannot basically create maximum or productive employment or enduring purchasing power. The best it can do is to supplement and support production by sane tax and fiscal policies. It cannot supply the flywheel.

Saul Cohn

Business is on its own. One of its main jobs is to provide a freer and more competitive

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Independent Banking—It Must Be Preserved!

(Continued from page 394)

ing ever enjoyed by any people, then we, as bankers, will have committed a default, the seriousness of which would be a national tragedy.

The American banking system as it has heretofore existed and now exists, is the mature product of long and steady growth, reflecting changes in economic and industrial conditions occurring with the development of our country; a system, consequently, peculiarly adapted to meet the needs of our people; a system based upon those fundamental principles which underlie the great concept of State rights—namely, that we should build from the bottom up, and not from the top down, that control should lie with those possessing the necessary information on which to act, that problems local to a group, a city, or a State, should be decided by those affected thereby, and not by others; that system upon which American Government, American industry, American finance has been built—the exact opposite of the system embodied in the governments of England, recently, and of Russia, and recently, too, of Germany and Italy.

Proper Function of Banking System

We are concerned to see that the American banking system shall never be diverted from its proper function of serving the needs of industry and of the individual, self-reliant man or woman engaged in making his or her own way toward an old-age competence.

We are necessarily concerned, therefore, with any indicated tendency leading, or looking toward, centralization which might result in diverting the resources of that system to ends other than those above outlined.

I am sure you all feel, as I do, deep gratifciation for the Boston Resolution adopted at a meeting of the American Bankers Association. I shall refer to this again. The Association, by the adoption of that resolution, placed itself squarely on record against any attempts to impair our traditional American banking. We must not now deceive ourselves, grow apathetic, and think the fight won and the system preserved. There are attempts being made, and vigorous ones, indirectly if not directly, and notwithstanding the position of the Association on that question.

We must beware, too, of the specious argument that only when the banking system is so unified can money management be made effective.

Money created to meet the demands of political expediency is wild money—it cannot be put to harness, it cannot be managed or controlled. In the long run, all efforts to do so must fail from the very nature of the thing sought to be managed. On the other hand, when sound money has been restored, the need of money management will largely disappear. Sound money can be put to harness. It wants to work. It is willing to do its part in the functioning of business.

Local Banking Control

As banker-citizens, in order to preserve and perpetuate State rights in banking, we must ever be alert against the creeping paralysis that comes from unsound innovations of government that would destroy the basic concepts of local control and local responsibility in money and credit. These unsound practices I have referred to, have crippled the world, and were taking their toll in this, our land, right down to Nov. 5th.

If we remain sound, then we are in a position to minister to those who are succumbing to the false notions and destructive theories which are being constantly dinned into their ears by every known device of communication, and by every avenue of approach to the human mind.

In a word, are we, as bankers, conscious of the fact that we have obligations as citizens — as defenders of those substantial philosophies which guided the struggles and successes of our predecessors? Do we live beyond the four walls of our institutions? Are we making our influence felt in our respective communities? Are we helping to construct barriers against this tidal wave of illusion? Are we helping to mold a healthy, constructive sentiment among the people who look to us for inspiration and guidance?

First of All, Banker Must Be a Citizen

It is my profound belief that I am addressing men of that caliber, men who recognize that the banker of today and tomorrow must be, first of all, a citizen—that he must participate in the movements that will determine the destiny of this great, noble endeavor to perpetuate a decentralized, a non-monopolistic credit and money system, the foundation stone of a representative government.

Let us get down to the real essence of the problems which confront us as banker citizens. Let us, for the moment, set aside those intimate details known as the mechanism of banking, which must be preserved if a free banking system is to survive.

Our problem is to bestir ourselves to take an intense, continuing interest in this thing which we call government, this machinery which has been set up to help us live in peace, happiness, and prosperity with one another—this government which has been threatened with violent changes in its objectives, its functions, its direction in fiscal affairs. It is this government whose course is now being determined by majority opinion, by those whose participation in its affairs is the liveliest. No matter whether that majority opinion, or that participation is intelligent or unintelligent, uplifting or debasing, government trends are always in the direction indicated by the greatest force, whatever that force may be.

Clearly, we have had before us demonstration of the application of forces that were determined to sweep men of our type aside and to take into their own hands the control of government. And they nearly succeeded in that undertaking—not by physical force, but by the exercise of those rights and privileges of franchise bestowed upon us under our Constitution, referred to by someone as the greatest document ever struck off by the pen of man.

Pause for a moment while I read what Daniel Webster said 110 years ago about the Constitution, in his matchless elegy on General Washington:

"Other misfortunes may be borne or their effects overcome; if disastrous war should sweep our commerce from the ocean, another generation may renew it; if it exhaust our Treasury, future industry may replenish it; if it desolate and lay waste our fields, still under a new cultivation they will grow green again and ripen to future harvests; it were but a trifle; even if the walls of yonder capital were to crumble; if its lofty pillars should fall and its gorgeous decorations be all covered by the dust of the valley; all these may be rebuilt: but who shall reconstruct the fabric of demolished government? Who shall rear again the well proportioned columns of constitutional liberty? Who shall frame together the skillful architecture which unites national sovereignty with State rights, individual security and public prosperity? No, if these columns fall they will be raised not again. Like the Colosseum and the Parthenon, they will be destined to a mournful and melancholy mortality. Bitterer tears, however, will flow over them than were ever shed over the monuments of Roman or Grecian art, for they will be the monuments of a more glorious edifice than Greece or Rome ever saw—the edifice of constitutional American liberty."

Sound Money Essential

The first line of defense to protect that matchless document is sound money and credit, provided through a balanced budget and a banking system proof against devolving into a monopoly, providing money through government issue to keep the voters purchased.

As bankers, let us not succumb to early optimism, and to view with too little concern the operations and activities of those who sought to destroy the very foundations of constitutional government. Those who would have destroyed these principles may return. They will be everlastingly trying. Witness, if you will, the phrase-making sugar coating with which their deadly potions were administered to us; how quietly and unassumingly these advocates nearly won over the unsuspecting masses by the sweet music of catch phrases and the charm of a pleasing vocabulary. It was this almost imperceptible, yet rapidly moving, disintegration that pro-

(Continued on page 429)

Who owns the Corporation?

This question was asked and answered recently in the Voice of Business program broadcast over station WJZ and the ABC network. Cities Service was selected as an example of widespread ownership, and this is what the broadcast revealed:—

"Cities Service has more than 350,000 stockholders. These stockholder-owners are located in every state of the Union. Their holdings as individuals are small, but together they provide a plant and natural resources and tools which in turn furnished last year a third of a billion dollars' worth of useful products and services to millions of fellow citizens. With their families, the stockholders and employees of Cities Service represent a population of 2,000,000 people, a city the size of the great metropolis of Philadelphia. One in each 70 people of the entire country's population is a member of the Cities Service family."

This is capitalism at work, and upon this foundation the Company has built its program for 1947:

—Complete modernization of the East Chicago Refinery

—The building of a second major pipeline extension of 400 miles to the Hugoton natural gas field in Kansas

—The expansion of the Company's tanker fleet by acquisition of latest type ships

—Numerous improvements in service stations and other marketing facilities

—Research will be greatly developed

—Additions to oil reserves both here and abroad

—A line of household products from petroleum and its derivatives

—Other new links in the chain of production, refining, marketing and transportation facilities for petroleum and natural gas

This program for 1947 is in line with a growing public demand for the Company's products and services — an expanding market which has made necessary the expenditure of more than $450,000,000 since 1930 in acquisitions and the construction of new and modern facilities.

Every member of the Cities Service family is appreciative of this public confidence and will strive to merit a continuance of it.

Cities Service Company

W. ALTON JONES, President

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Business and Finance Speaks After the Turn of the Year

(Continued from page 426)

market, without which "free enterprise" cannot be achieved. Unfortunately, to date, this has not been done adequately. The market is subject to monopolistic and cartel influences by both capital and labor, to administered prices, to resale maintenance agreements, and to many other contraptions which enslave a substantial area in the market place and narrow the number of customers. These are obstacles to full production and create a business system which frequently prices itself out of its market.

Retailing's top management will have to devote more time and energy to resource relations. Distribution should urge fiscal and tax policies which help consumption and work out a better balance between the value of hours of labor and prices of things which the customer needs. The quality of selling should be stepped up and selling made a career and a profession.

In 1947 many favorable elements appear which can be utilized to make a high level of employment and production. There are also unfavorable factors but these can be gradually ironed out. However, conditions favor a good year if management measures its responsibility and makes an aggressive effort to overcome the stoppages of production.

It will take a heap more of spade-work and long-visioned policy on the part of business and labor to solve the problems of a capitalistic system which seeks to create economic as well as social, religious and political liberty. All interference of production, either by government, industry or labor, is an aggression. It stymies the kind of prices which should be worked out as a democratic objective of our business system.

We need some new sights; we need not only more goods at lower prices—we need more goods *for more people* at lower prices, in order that more people may be brought within the benefits of our productive democratic system. We need a more intense and enlightened sense of cooperation between the makers and sellers of goods. We need a more engineered approach to handling transactions and a greater vigilance against rising costs. The system must demonstrate not only that it can add to its own security by consistently strengthening its financial body; it must also demonstrate that it can produce customer gains from year to year.

JOHN S. COLEMAN

President, Birmingham Trust National Bank

Industrial activity is at a high level in this district and is expected to continue for the remainder of the year barring strikes or other national economic upheavals. The available labor has improved in quality and supply, especially in the unskilled and semi-skilled groups. Some of the companies are providing courses of instruction for the development of more skilled labor.

John S. Coleman

The Tennessee Coal, Iron & Railroad Company has announced plans for the installation of fifty-four inch cold reduction mill at Fairfield. When it is completed it will be the most modern sheet mill in the steel industry. Another major improvement is the installation of equipment for the production of galvanized sheet metal in coils which will mean that the Southern manufacturer will no longer be limited by the size of mill cut sheets but can unroll his coils and cut off the metal in needed lengths. Other plans of the company include the construction of another open hearth furnace, a new battery of 63 modern coke ovens, the opening of a large new coal mine and increasing the facilities of present coal and ore mines.

The cast iron pipe companies have booked orders for the next 12 to 14 months and are now running five days a week with two shifts and production is about 70% of capacity. The bottleneck is lack of an adequate supply of pig iron and scrap. During the war the blast furnaces ran with little time out for repairs. Now many are in need of relining and other rehabilitation. The strike some months ago caused severe shortages in the raw material stockpiles and these supplies must be built up again before pig iron production can be fully resumed.

The five cement mills in this area are running at capacity with large orders for future delivery. The prospect for increased building and road construction makes the outlook good for this industry for sometime to come. The consumption of cement in the Southeast now is above the national average, due in part, however, to more favorable weather conditions in this section.

The farmers are in better shape than they have been in years. While agricultural production was below that anticipated early last year as a result of excessive rainfall, it is thought that most of them sold their cotton at peak prices before the market break some months ago. The use of modern machinery on farms and diversification of crops are advancing steadily.

The housing shortage remains acute but there is evidence of much more selective buying, also of a material recession in real estate prices for business property and older residences.

Alabama is one of the largest timber and lumber producing states. The removal of many governmental restrictions has greatly improved the situation and lumbermen look forward to a favorable year. The paper mills have done well in the South and plans for further expansion in this region are now being formulated.

The Alabama Power Company is erecting a new steam generating plant at Gadsden, Alabama, with a capacity of 120,000 kilowatts, at a cost of approximately $12,000,000 to take care of the increased demand for power in the state. The company's plans call for an expenditure of $50,000,000 within the next four years for the further expansion of its facilities in Alabama.

The Birmingham Electric Company has announced plans to spend in the next four years $9,500,000 on its properties in the Birmingham district. The principal expenditures will be for the expansion of its electric distribution facilities and the replacement of the present street cars with modern street cars, trackless trolleys and gasoline motor buses.

The Southern Natural Gas Company has plans to increase its production 60% at a cost in excess of $20,000,000. It expects to not only increase its present facilities but also expand in many sections in the South not now served with natural gas.

The Southern Research Institute has grown considerably and is attracting attention and support not only throughout the South but also in the nation. It is supported entirely by private enterprise and over a $1,000,000 has been raised for capital purposes. It has 46 scientists and other trained personnel, devoted to a study of the agricultural, mineral and manufactured products best suited to be produced in the South.

JOHN L. COLLYER

President, The B. F. Goodrich Company

America's rubber industry operated at an all-time high level of production in 1946. It topped the million-tons mark in total rubber consumption for the first time, with about 73% of that amount being American-made rubber.

John L. Collyer

Through most of 1947 we should still be producing at top speed in meeting the yet-unsatisfied backlog of demand for tires and other products. Our company's estimates are that in the coming year—assuming no serious material shortages or work stoppages and the production of five to six million automotive vehicles—total rubber consumption will be around 950,000 tons. This also would surpass even the peak wartime years, and be considerably higher than any previous year other than 1946.

Best available statistics indicate that there will be no surplus of crude rubber at least through the coming year. Rubber officials of the world's leading rubber-producing countries estimate total world consumption of rubber in 1947 at 1,700,000 tons, whereas total production of crude is expected to be only 1,200,000. Man-made rubber of course can and will make up the difference. It should be noted that for the year 1946 man-made rubber accounted for about 60% of the total tonnage of rubber used in the world, not quite so high a proportion as the 73% contributed by American-made rubber to this country's total use.

However, it is clear that as the supply of crude rubber becomes more and more able, in the late months of 1947 and subsequently, to satisfy America's rubber tonnage requirements, the need for maintaining the nation's facilities for production of American-made rubber will become less and less obvious.

Because of this B. F. Goodrich, in keeping with the position it took as early as 18 months before Pearl Harbor of calling attention to the importance of American-made rubber to national security, has been strongly urging prompt and decisive action at the law-making level. The nation must make sure that adequate standby production capacity is maintained, and that there are certain minimums of both production and use of American-made rubber, regardless of strictly economic factors, even after the supply of crude rubber becomes almost completely sufficient to meet normal demands.

In addition to the national security need, maintenance of American-made rubber-producing facilities even at modest levels of output can serve to lessen the hazard of high rubber prices resulting from cartels, which in the past have been reflected in the cost to American users of tires and other products, and have caused rubber price skyrocketings that reached $1.23 per pound as recently as 1925.

Probably by the middle of 1947 the supply of passenger-car tires will be, barring unforeseen disturbances to production, in a fair state of balance with respect to demand. Even though total rubber consumption is likely to be less in 1947, the total units of tires should be about the same as for 1946—about 87 millions—because a larger proportion of them will be passenger-car tires. Of the expected 1947 total, probably 70 to 72 million will be for passenger autos and about 12 million truck and bus casings, whereas the 1946 totals are expected to be 66,700,000 passenger-car tires and 15,500,000 casings for trucks and buses. The remainder of the 87-million unit total is accounted for by farm service, airplane, industrial tires and motorcycle tires.

D. A. CRAWFORD

President, Pullman Incorporated

(A.) In the railway car manufacturing field the following situation obtains:

As regards *Production:* Given a smoother flow of essential materials in adequate volume, increased labor productivity, and non-recurrence of general strikes, we anticipate that shipments for the first half of 1947 should nearly double the estimated figure for the last half of 1946 when all railway car builders continued to be plagued with shortages of steel and other critical materials. Taking the long view, high production schedules in 1947 will be assured if the manifold gears of the domestic economic machine mesh as a single productive unit throughout the whole year, unchecked by the unprecedented succession of slowdowns and stoppages that characterized the stop-and-go production of 1946.

D. A. Crawford

As regards *Orders:* The 17.6% increase authorized by the ICC Dec. 6th in rail freight rates, effective Jan. 1, 1947, may release the expected flood of railway car orders that the railroad equipment industry needs to maintain high level production of the cars that railroads and shippers are demanding. (Orders for $25,000,000 worth of new freight cars were announced Dec. 9, immediately following the ICC announcement.) This freight rate increase will add about $1 billion to the railroads' prospective annual operating revenues. That this can be translated into huge equipment orders in 1947 is indicated by a recent Office of Defense Transportation report that the railroads of the nation will enter 1947 with fewer freight cars than they owned at the beginning of 1946 and that lack of steel and other materials has slowed up output, while freight has continued to move at high levels.

(B.) In the sleeping car operating field traffic volume as at the highest level for any comparable *peacetime* period in history and about three-fifths again as large as the previous boom-era of 1925-29, with prospect for a sustained good traffic volume in 1947, although at a somewhat lower level than in 1946. Profits are squeezed, however, between the swift rise of prime costs (wages and materials) and the fixed level of rates charged for the sleeping car service.

(C.) In the field of petroleum and other chemical process engineering and construction, production has been fairly well maintained despite difficulties in material-procurement throughout the year. Unfilled-order backlogs are large and still increasing. Newly developed processes and equipment therefor are attracting many new inquiries and orders.

In conclusion, business has started the New Year at a high level and with reasonably good prospects. Unfilled-order backlogs are still huge and total buying power is unimpaired. There are some sour spots in the national economy, including price distortions, unbalanced inventories and union demands for new wage increases plus retroactive portal-to-portal pay. It is hoped, however, that these adverse factors will be corrected without a severe business recession.

FREDERICK C. CRAWFORD

President, Thompson Products, Inc.

All the potentials for an extraordinary run of good business in 1947 are present. Unhappily, however, the makings of a national recession are also here.

The American industrial manager today finds himself in the analogous position of a skipper on the bridge of a stout ship, well-manned and equipped, homeward bound with a rich cargo, feeling his way through uncharted seas on a night of fog, with hidden reefs all about.

F. C. Crawford

Our country has the productive plant, the improved tools, the skilled manpower and management know-how. Great markets beckon, with customers eager and able to buy if goods can be produced of high quality, in sufficient quantity, and at prices people will be willing to pay.

The rough course we are sailing is wholly of our own making. It results from the unsound policies which we as a nation have been following.

Minorities Can Paralyze

First we have to contend with the great labor monopolies—the international unions—minorities which draw their power to paralyze our economy from the privileges and immunities granted by New Deal law and policies during the past 14 years.

These monopolies—the recent coal crisis is an example—threaten free America fully as much as the great business trusts which were legislated out of existence years ago. It is difficult for American industrial management to plan wisely for sustained job-making production in the face of the constant threat of crippling strikes and resultant shortages.

A prime issue today is whether power-hungry leaders, who now boldly challenge the sovereignty of our republic, shall be permitted to run America. Public opinion,

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Independent Banking—It Must Be Preserved!

(Continued from page 427)

ceeded under our very eyes in orderly fashion, all canculated to disarm us.

"Diagnosed Europeanism"

Let us review this pageantry of disguised Europeanism that crept into our way of life:

1. A jovial, but disarming repudiation of the constitutional guarantees.
2. An attempt to destroy the fine balance of power between the three Departments of Government established under the Constitution.
3. A bureaucracy in full flower, the like and extent of which never was thought possible.
4. A spoils system in active operation, extending into every hamlet and recess of our nation.
5. The independence of a State and local government purchased outright by the extension of elaborate and unprecedented grants from a paternalistic central government.
6. Expenditures of government exceeding its income annually by billions of dollars.
7. An Administration demanding as the price of its operations over a few months' period, as much as was exacted from the public treasury by all the Administrations during peace and war, from Washington down to Wilson.
8. Central control exercised over the daily lives and operations of our citizens under the benevolent title of "the more abundant life."
9. A reign of terror and fear of reprisals crushing the spirit of independence of our citizenship —a veritable inquisition, inspired, promoted, and controlled from the seat of government.
10. Confiscation of property going on apace through the staggering burdens of taxation.
11. Private initiative, private holdings, swept aside to give way to political manipulation and usurpation.
12. Inexperienced college fledglings constituting the advisory council to men in high governmental places—sparrows in eagles' nests — hazarding the heritage of 140 million people.
13. A Federal Government determined to make itself its own banker, with unrestrained and uncontrolled power to determine its own expenditures—to write its own ticket; to escheat the savings of the people, deposited in the banks of the country, by making summary demands upon the local banker; to substitute in our financial system political control for managerial skill and experience; to institute a colossal orgy of spending in order to perpetuate itself in power; to flood the country with its own securities, upon which it placed its own value, to be purchased by the defenseless and powerless custodians of the savings of the people—the throwing off of all moral and legal restrictions and responsibilities which, heretofore, have guided the fiscal operations of government as well as all private banking; the passing of the Wagner Labor Relations Act, probably the most inflationary, most unfair and unconstitutional act every placed on the statute books of a free country, unfair most of all to the rank and file of the honest laboring man and woman.

All this before the advent of the war!

Each and every one of these activities and movements, financed out of the public treasury, represented a formidable, relentless foe, well equipped, adroitly directed, swept along with the mania and zeal of a crusade.

Banker Held Up to Scorn

Witness the manner in which it was made to appear that the banking problems are far removed from any general public interest. Witness the shrewdness with which the bankers were held up to scorn; how the wedge of suspicion and distrust was driven between the banker and his clients; how the banker himself was isolated in the minds of the people as the one and only sufferer if this proposed threatened political banking system was inaugurated. Remember how a soothing quietus was placed upon all the fears and suspicious of the saving, thrifty people, so that they would not see that they, too, would be victims.

There is but one answer—there is but one course for banker-citizens to pursue and to continue to pursue if we are to preserve the liberties which we now possess and which we wish to bestow as a legacy upon those who are to follow. It is:

1. Be active participants in the affairs of government — local, State and national.
2. Give to the cause of government our time and our effort and our means.
3. Tear off the mask of corruption and incompetence wherever or whenever it appears in government.
4. Take vigorous, personal part in organizations established to preserve the American way.
5. Interest ourselves actively in constructive politics.
6. See to it that only men of proved integrity, acknowledged experience, and genuine capacity are elected to serve in public life.
7. Throw off the blighting psychology of fear.
8. Speak out boldly for the things we know are right.
9. Make the needed personal sacrifices necessary to preserve sound, safe leadership in government.
10. Brand economic lies whenever and wherever they appear, irrespective of their source or their manner of presentation.
11. Identify by name, if necessary, those in high or low places, upon whom the stigma rightfully should be fastened for corrupting, demoralizing and despoiling the citizens of the republic.

To do these same things, our leaders were given a mandate on Nov. 5th.

Branch Banking

In conclusion, I refer again to the Boston Resolution on branch banking. All that is written into that mandate has a very direct relationship to all I have said about the American way of life, and the obligations of the banker-citizen to do his part in its preservation. The first take-over, according to Karl Marx, in order to exchange free government for slave government, is the money and credit system. Let us not be blind and arrive at the illogical conclusion that the take-over is impossible in America.

The American Banking Association, when in session in Boston, and in subsequent meetings when that resolution was re-emphasized, had no doubt of its meaning, implications and importance; and that meaning was to prevent a money and credit monopoly in this land of the free. Here it is, word for word:

"Branch Banking—

"We emphatically reaffirm the action of the Convention held at Boston in 1937, wherein the position of the Association was stated with regard to the dual system of banking, branch banking and the autonomy of the laws of the separate States with respect to banking and definitely opposing any proposal or device looking to the establishment of branch banking privileges across State lines, directly or indirectly. We reaffirm the statement presented in the Preamble to the Boston Resolution that this declaration is binding on all divisions, committees and commissions of the American Bankers Association."

It demands that the American Bankers Association relentlessly carry out that injunction. It stresses the fact that failure to carry into effect this charge will bring disunity, which will ultimately lead to disintegration of the Association. It admonishes the official family of the American Bankers Association to ponder the words in the Boston Resolution, particularly the words "by indirection," which word is synonymous with "holding companies." No one can maintain that at this time there is not branch banking across State lines through the vehicle of holding company camouflage. It calls to the attention of the 15,000 members of the American Bankers Association how easy it was to take the first backward step in dear old England, to initiate totalitarian socialism—easy for the reason that there were only five branch bank systems involved in the tragic deal. It made each succeeding step easier, because the Socialists had obtained control of money and credit after nationalizing the banks. Would it have been easy in this country? No! Because there were 15,000 organized American "bobcat banks" with sharp claws, constituting the first line of defense against concentration of banking resources. Such a concentration would create a money and credit monopoly more dangerous to, and destructive of, the American system of State rights than any other form of capital concentration. That must not come to us. The world is watching and waiting to see to what lengths we, the most blessed of all other lands, are willing to go to maintain and perpetuate what we still possess, but what they have lost, perhaps forever.

Let us not be blind and fail to understand that centralized control of money and credit was the first step in the destruction of British free economy, and repose in the false notion of "It Can't Happen Here."

NEW JERSEY MEANS TO PROGRESS IN 1947

Progress is an acknowledged fact today in New Jersey.

Small in size, but large in residential, commercial and industrial growth, this many-sided state offers unusual opportunities to its citizens, its businessmen and its manufacturers—and to you who wish to locate here.

During 1947, Public Service Corporation of New Jersey and its subsidiary companies will continue to participate actively in the steady growth of "The Garden State".

PUBLIC SERVICE

PUBLIC SERVICE CORPORATION OF NEW JERSEY

AND SUBSIDIARY COMPANIES

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Business and Finance Speaks After the Turn of the Year

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as reflected by national polls, overwhelmingly demands the repeal of the closed-shop monopolies which have made it impossible for men and management in a large segment of American industry to understand each other and to go down the road to industrial peace together.

The business outlook is further clouded by the dangers of inflation resulting from the New Deal's fiscal policies of borrow, spend and waste, which continue to pile deficit upon deficit.

Planning Difficult

Industrial management today doesn't know what money is worth or what taxes are going to be. It is impossible to stabilize a business or to plan intelligently on such a basis of uncertainty.

Still another hidden shoal which threatens to wreck the ship is the curious reluctance of the administration to relinquish war controls and emergency powers after 18 months of peace. We have been living in a state of emergency by edict for the past 14 years! How can management plan soundly when the whim of an unpredictable administration may change the rules at any minute?

Industrially speaking, there is nothing wrong with our country that buckling down to honest work won't cure. America did not become great, with the world's highest standard of living, by following the line of less work and more pay for reduced production.

All that America needs to do it to stop griping and go to work and produce so that the floodgates may open and fill our markets with goods. Only then will the working of free competition and the law of supply and demand check the inflationary spiral, restore the purchasing power of the wages of labor and capital, and bring stability to our land.

Unless Americans are willing to follow this course, and to work diligently for the good things of life, we can resign ourselves to a wallowing economy with continuing shortages and crises.

Any one of these hidden reefs could wreck our economy in the coming year, but if we can steer safely through them, we can steam at full speed ahead straight into a promising future of high production, steady employment, and the fulfillment of the real American dream.

RALPH S. DAMON

President, American Airlines System

1947 should be an important year for the airlines.

1946 has not been a good year. Problems of reconversion, delays in receipt of new equipment, labor interruptions and increasing cost all along the line placed many companies in a far worse position in 1946 than the preliminary forecasts indicated.

Ralph S. Damon

Losses that occurred for most airlines during the first six months were expected. Air mail revenues were down because of the decrease in armed services mail. Millions of dollars were earmarked for new equipment. The expenses of materials, wages, depreciation charges, and airport facility costs also rose sharply.

Converting airplanes received from the military services proved expensive and much of this equipment will have to be written off quite rapidly.

At today's mail and cargo rates and passenger fares, it is essential that we have the most economical equipment. That is why American Airlines is reducing the DC-3 mileage appreciably.

These planes will be supplanted as quickly as possible with larger, faster, and more effective Flagships.

American Airlines, in the Douglas DC-6, already has received the first of its post-war luxury transports. They will be in service by the spring of this year. American has on order 50 of these giant Flagships, 15 of them to be modified sleeper planes.

Later in the year we should receive some of our Consolidated 240s which will permit us to retire all of our DC-3s in 1947. American has placed an order for 100 of the 240s, a twin-engine plane capable of traveling at 300 miles an hour.

Inadequate airport and terminal facilities are being improved as quickly as possible.

A forward move has been made by all the airlines in their formation of the newly organized Airlines Terminal Corporation. The corporation will coordinate many of the ground activities, streamline their operations and result in a reduction of ground costs and a speed-up in service.

Airway traffic control is another major problem. Radar was advanced to a gratifying degree during the war, but thus far has not proved a cure-all for the airlines. Our own company has a DC-3 which has been flying daily for a year on an intensive study of radar possibilities. Our engineers and pilots have learned a great deal. They still find that there is a vast difference between military or naval flying and the demands of commercial flying. The restrictions on what may be done by airline transports will make the application of radar something for the future when there have been much improved developments.

One of the biggest problems facing our business today is the large amount of duplication of competitive routes diluting the earning power of all air carriers—both big and little—which have been approved in the past few years by the Civil Aeronautics Board. American Airlines believes in competition and has thrived on competition.

Yet competition is like fire. A reasonable amount of it keeps you warm—too much of it burns you up. Reasonable competition is in the public interest. Too much duplication of service is very definitely against the public interest and will require the approval of higher mail rates and, perhaps, higher passenger fares and cargo rates.

Given reasonable competition, new equipment, a lack of labor interruptions, and stable costs, American Airlines should have a good year in 1947. Eradicating our problems, we will be offering speed, dependability, comfort, and convenience, at the lowest practical cost to our passengers.

H. W. DAVIES

President, The Syracuse Trust Company

I do not profess or intend to be a prophet but 1947 holds so many promises of good and of bad that when I try to gaze into the crystal ball, I see all the bubbling enthusiasm of the manufacturers who, from the springboard of large order backlogs, feel certain that this year's market holds great promise for their products and resultant profits for their companies.

H. W. Davis

Good business, large sales volume, healthy competition, all resulting from large sums of money in circulation, will brook no interference from doubting Thomas's or just plain pessimism peddlers. On the other hand, the very people who will benefit most from a 1947 prosperity may turn on the hand that feeds and guides them. If they do, through bad or misguided leadership, tie knots in our industry by strikes, walkouts and continued inefficiency, then clouds will gather and the warmth and happiness of expanded business and full employment will disappear, perhaps long enough to wreck all of our hopes for what has the right to be the greatest year in our history.

As for banking, no single bank or small group of banks can shape our 1947 destiny. We are living and working in an era of low interest rates, rates that do not always adequately measure the risks that we are taking in loaning our depositors and stockholders money.

I hope and expect a modest increase in interest rates, for only a 1% increase on the average will mean so much to the banking system and afford us the opportunity of doing that with which we are all now charged, the duty to improve the standard of living for our employees—the forgotten men and women who worked doggedly throughout the war and long before at wages hardly sufficient to maintain the white collars that classify them in industry—and to add to our reserves for the valleys of the future.

The power of the Fiscal and Monetary authorities over our economy can and should be so efficiently conducted that banking and bankers from messengers to presidents may stride side by side with all America to continued sensible prosperity, health and happiness.

C. McD. DAVIS

President, Atlantic Coast Line Railroad Company

If the problem were simply one of securing an adequate volume of business for rail transportation, I would be optimistic with respect to the outlook for 1947. Continued industrialization of the territory served by the Atlantic Coast Line, together with further diversification of agriculture and other evidences of a greater awareness of the natural advantages of that territory, continue to justify the faith I have long held in the potentialities of the South. Further, I do not believe that 1947 will see the same interference with the nation's industrial production as did 1946, and, therefore, do not expect any sharp or general business recession.

C. McD. Davis

However, the problem of the Atlantic Coast Line, which is that of the railroads generally, is to preserve a sufficient margin between revenues and expenses to enable continued providing of rail transportation service acceptable to the public. The wage increases, increased costs of materials and supplies of 1946, produced for most railroads the paradoxical situation of being called upon to handle the largest volume of peacetime traffic in history, at a loss or at a margin of profit so thin as to prohibit furtherance of the modernization of rail transportation facilities which the public has a right to expect.

We began 1947 with a further substantial increase in the cost of doing business in the form of increased pay roll taxes under the Crosser Bill. The Interstate Commerce Commission has granted some relief in the form of increased freight rates which became effective Jan. 1, 1947, but the Atlantic Coast Line is one of those railroads which derive a substantially greater proportion of total revenues from passenger train operations than the average. While the cost of passenger train operations has increased in exactly the same measure as the cost of freight train operations, there has been no increase in passenger fares or charges for passenger train services except the interim increase in express rates and charges which became effective in December, 1946. Therefore, I foresee for 1947 a volume of business which might be termed satisfactory but, because of the cost situation, a necessary continuance of rigid control over expenses.

C. E. DENNEY

President, Northern Pacific Railway Company

Prospects are bright for a reasonably prosperous 1947 in the territory served by the Northern Pacific Railway, due to the favorable outlook for agriculture in this territory. Farmers' purchasing power is high and their requirements for agricultural implements and other supplies, difficult to obtain because of the war, are tremendous. Furthermore, livestock and winter wheat in the Northwest are in excellent condition and heavy fall precipitation indicates favorable moisture conditions for the Spring and early Summer, thus auguring well for another highly satisfactory crop. The Government is again asking heavy agricultural production. Farm product prices are expected to continue satisfactory to producers the coming year.

C. E. Denney

The railroad industry, with dwindling revenues and much higher operating costs due to wage increases and soaring prices of everything we buy, has experienced a most difficult year. However, with the freight rate increase Jan. 1, our immediate future looks somewhat brighter, assuming industry is permitted to produce in abundance the goods which make tonnage. The Northwest itself will produce very substantial tonnage in products of agriculture and lumber.

Railroad passenger traffic should be stimulated by the many new streamlined trains being put in service this year. Northern Pacific's contribution to "Passenger Progress" is new streamlined North Coast Limiteds which will begin service early next Summer on a fast schedule between Chicago, the Twin Cities and the North Pacific Coast.

R. R. DEUPREE

President, The Procter & Gamble Company

The outlook for the soap and shortening business during 1947 is still clouded, through the maintenance of governmental controls, as regards the amount of materials which this country will be allowed to use for its own consumption. Guessing at the net result for the next 12 months, we would be inclined to say that there will be increased production in 1947 over 1946, and that if fats and oils are released completely, establishing a free world market, as the year progresses volume will be greater.

Richard R. Deupree

There is no doubt that in the country as a whole production was retarded in 1946. As everyone knows, it was a very difficult year due to strikes and troublesome labor situations. With all of that, the record of the year was surprisingly good.

Looking ahead — if there is a realistic acceptance of the situation by labor leaders and business leaders as well as a sane government viewpoint — it is our belief that production will materially increase and that there will be a gradual downward adjustment of prices. Prices generally are now too high, and with more stable labor conditions and greated production from plants and farms, costs will come down. We think this will make for a much more healthy economy than the one that exists today.

ARTHUR O. DIETZ

President, C.I.T. Financial Corp. and Affiliated Cos.

It is reasonable to expect that 1947 will be a year of very good business, in spite of temporary setbacks which may delay the attainment of full production and distribution. We look for a very real increase in the use of consumer credit, which will contribute importantly to national prosperity.

A. O. Dietz

If strikes and higher prices are permitted to get out of hand, serious short-range damage can be done to our economy but such a strong market demand for both goods and services exists that a period of high business activity appears nearly inevitable.

If it is permitted to function soundly and freely, consumer credit will enable millions of families in lower-income brackets to satisfy their needs for new products as these become available. Offsetting high prices and the reduction in individual cash savings, this can be a major factor in supporting the durable goods market.

At present, the terms of installment financing continue

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Formula for Prosperity

(Continued from page 391)

a blacksmith shop of the horse and buggy stage of little business. An automobile that millions of people can afford to buy can be produced only in the great plants and integrated organization of mass production.

Business gets big because the market gets big. And the market grows when prices are cut, goods are improved in quality, jobs are created and millions of consumers are able to buy the products of the highly organized mass production industries.

That is sound economics in this home of mass production and low prices. I repeat here this principle of sound business because it is being challenged by the clamor of a new fallacy.

Fallacy of New Wage Doctrine

The new-fangled fallacy is the headlined argument that wages can be increased out of profits without increasing prices. That argument is the specious pleading of a CIO economist. It was served up to the headlines as a screen for another round of wage increases.

Previously published writings of the CIO pleader for higher wages out of profits indicate he might have turned out that brief for his employer with tongue-in-the-cheek skepticism. Nor do I believe that experienced union leaders around the collective bargaining table will be fooled by a statistical mirage conjured out of overall figures which are meaningless when specific companies are involved in wage-hour negotiations.

Profit and loss is the final result of business after everything else has been taken care of—wages, salaries, taxes, costs of raw materials, rent, interest and so on. In fairly good business years, a large percentage of businesses make no profits. In poor business years, losses are the rule.

The facts of business profits and losses have been set forth at length by the National Chamber in an analysis of the wages-out-of-profits mirage. What I want to emphasize here is the threat the mounting wage-price spiral raises to the low-price, mass-market industries.

There is a real danger that higher prices forced by higher wages for union labor will reduce the market for mass production industries and upset the classic formula for prosperity in these industries. That is the formula of reducing prices, increasing sales, multiplying jobs, raising wages out of production gains and distributing more and better goods to more and more people.

That is the concept of mass production, and big business, which has made the American standard of living the highest standard of living anywhere and the American worker the best paid worker. It is the formula that can be used for a further rise in living standards and for an enduring period of prosperity, unless labor is fooled by the myth of wages out of profits and insists upon exacting the last possible penny through its bargaining power, regardless of what happens to the market for the products of industry.

The argument that wages can be increased without raising prices will not alter the hard facts of nature. Wages are costs. And business must recover its costs or die in the throes of bankruptcy. As sure as higher costs lead to higher prices, so does a rising wage scale without corresponding gains in production bring higher prices.

Higher Wages Come from Expanding Markets

Over the last century wages have increased in the United States through the natural forces of competition and by reason of the increasing productivity of labor. Government records show that from 1840 to 1930 hourly wage rates rose seven-fold while prices increased only about 20%.

This was the rising wage trend which accompanied the development of expanding markets, the improvement of transportation, the application of power and machinery to productive processes, the organization of the mass production industries. The most spectacular exhibits of rising wages, while prices were held steady or decreased sharply, have been provided right here in the Great Lakes region.

The automobile has become a world-recognized symbol of the remarkable feats of mass production, operating on the principle of lower costs, lower prices, more sales and small profit per unit of sales. The real wages of workers in automobile and allied industries increased greatly on this trend.

Until recently there were no monopoly unions to tie up production and to raise the belligerent banners of the new economic fallacies. A question to ponder in retrospect is how far these mass production industries would have gotten with their formula for prosperity under the handicap of current union doctrine that wages should be increased every time a contract comes up for re-negotiation, regardless of what happens to prices and the market for goods.

The automobile that once sold as low as $1,000 now carries a price tag of $1,500 or more. Automobile producers say another round of wage increases will mean still another round of price increases. The fallacy of higher wages out of profits was propounded with particular reference to the motor industry. You men of the Great Lakes region know how little profit there is in an industry hit as hard by strikes and material shortages as the motor industry was hit last year. Meanwhile, with the rise of wages and other production costs, the price of cars has gone up. The formula for continued expansion of this industry is endangered.

Statistical Mirage of National Income

Another statistical mirage can be blown out of aggregate figures on national income. Some say that national income has doubled over prewar figures and therefore the automobile industry should be able to sell as many cars as before at double the prices.

That delusion can be as deceptive as the argument that wages can be increased without increasing prices merely because aggregate corporate profits are above prewar levels. National income is no more a common pool of income than aggregate corporate profits are a common pool of profits, out of which wage increases can be ladled like water from a bucket.

From 1939 to September, 1946, the average hourly rate in manufacturing industry, according to the Bureau of Labor Statistics, increased from 64 cents to $1.12 cents. From 1939 to VJ-Day, consumer prices rose by 30% while hourly factory rates rose by 58%, according to the Department of Labor. During this period, the rise in wage rates was almost twice as fast as the rise in the cost of living index. Since then, prices have risen relatively faster, to correct the distortion of relations between wages and prices during the artificial OPA repression of prices.

On balance, industrial labor is a winner in terms of buying power in the market. If organized labor were the whole market, there might be some point in the bootstrap thesis that all you have to do to increase the market for goods is to increase industrial wages.

Inequitable Distribution of Wage Increases

Today that formula for bootstrap lifting in the mass production industries is manifestly spurious. The income of the bulk of the consumers has not kept step with the increase in the wages of the better paid industrial workers.

Think of what has happened to the income and the buying power of the school teacher in relation to the wages and the buying power of an automobile worker. Think of what has happened to the incomes of millions of unorganized workers in relation to the incomes of industrial union members. Think of the stationary, or the declining incomes of those who live off pensions, insurance, rents and other fixed or relatively fixed incomes.

The unorganized workers—the farmers and salaried and professional people, the small business proprietor, the pensioners and government employees—constitute the bulk of the mass market, not the members of industrial unions. Altogether, union labor claims some 15,000,000 members out of a total labor force of 60,000,000 or more. Can business be prosperous by tieing prices to the union segment, rather than to the whole market?

I doubt it. More than that, I caution management and labor alike against the acceptance of any bootstrap thesis of prosperity.

A ride on a rapidly rising wage-price spiral is a sure ride to a spill. The higher the spiral goes, the more painful the drop.

This is the time to resist the siren music of the wage-price merry-go-round and to get back to the firm earth of lower costs, lower prices, more sales, more jobs, more goods for more people.

Effect of Prices on Markets

America has prospered on large scale production and sales . . . millions of sales to millions of people . . . millions of automobiles coming off the assembly lines to be bought by millions of factory workers, farmers, school teachers, miners, doctors, pensioners, white-collar office workers and by a few people on the top rungs of the income ladder.

The over-pricing of a popular product like an automobile could set in motion a depressing chain reaction in business. When millions of people can afford to buy an automobile, other millions find markets for their products and services in the endless ramification of supply growing out of motor manufacturing.

Activity in the automotive and building industries largely contributed to business prosperity in the 'twenties.

Again the pent-up demand in the automotive and building industries holds out the strongest assurance of a prolonged high level of employment and business when wages, prices and profits have found the proper balance for lasting prosperity. It is essential, therefore, to keep the mounting wage-price spiral from destroying time-proven formulas for prosperity.

You have heard statisticians count up the unfilled demand for automobiles, for housing and other items in short supply. The estimates of pent-up demand for automobiles run into many millions of cars.

But there is a big IF in such estimates. That "IF" is the price in relation to the buying power of the customers. At $1,000 an automobile will find so many buyers. At $1,500 the number of prospective buyers will drop. At $2,000 many more will drop out of the market. And so it goes until the market disappears if the price rises high enough.

Business has been created, and profits made, in this country by

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Announcing

A FREE ADVISORY SERVICE FOR BUSINESS EXECUTIVES

HE RAPID increase of light and precision industries on Long Island, both during and since the war, has led many far-seeing business executives to give the Nassau-Suffolk County area prime consideration as a place for starting or relocating their plant operations.

To assist management in handling such problems our Business Development and Research Departments will be glad to furnish expert guidance not only in the matter of plant location but also in the more technical problems of production and marketing.

Just write our Business Development Department and present your problem. They will be glad to answer your specific inquiries and supply complete information on what Long Island has to offer your business. There is no charge for this service nor is there any obligation on your part.

Address: Business Development Manager

Long Island Lighting Company

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Business and Finance Speaks After the Turn of the Year

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under wartime restrictions, through Regulation W of the Federal Reserve Board. The terms established make it exceedingly difficult for the average wage earner to become a time purchaser, while a cash purchase is out of his reach. The requirement for overly-high initial payments and overly-high installments must be eliminated if consumer credit is to be broadly available and mass-marketing plans are to be realized in 1947.

Unless Regulation W is ended, the buying public will be unable to absorb the expected output of automobiles in 1947 because terms of installment sales are fixed above the capacity to pay of the mass market.

DONALD W. DOUGLAS

President, Douglas Aircraft Company, Inc.

A realistic estimate of aviation prospects for the new year demands that we take a long-range view of the steady progress that has marked its history since the first heavier-than-air ship lifted itself off the ground.

Donald W. Douglas

As happens with any human activity that attempts to apply scientific principles to social needs, that rising curve of progress has had its occasional dips of failure or disappointment. But these have served more to emphasize the speed and certainty of future development than to retard or becloud it with doubt.

In gauging the rate of aviation progress, it is easy to swing back and forth on the pendulum of opinion from one extreme of optimism to another of pessimism. Extravagant attitudes, however, are not justifiable in the long-range view.

I have implicit faith in the future of aviation. I am confident that the minor difficulties and irritations resulting from the rapid world-wide expansion of air travel at home and abroad are being solved and eliminated. The problems are known, the remedies have been applied or are available. Basically, people everywhere have faith in aviation. Confidence and support will grow stronger as service and performance improve.

Our faith is demostrated in the losses we are willing to incur in the perfection of aircraft. To develop the new DC-6 transport, we absorbed an experimental cost of $5 million in 1946, plus more than $4 million on manufacturing losses on the six DC-6s delivered toward the end of the fiscal year on Nov. 30.

These losses on early deliveries of a model arise regularly in the aircraft industry. As production continues, it is expected that costs will decline to the point where a profit is realized on each airplane. At Douglas, we feel we can best serve the long-range interests and show our confidence in the future by developing and making available to the airlines aircraft with the highest standards of performance, efficiency and economy of operation.

Even at the height of the reconversion period, aviation has not stood still. Great strides have been taken in new procedures, navigation facilities, better airports and airline services.

Furthemore, a strong aircraft industry and a solid establishment of airlines are national assets in both peace and war. The manufacturer and also the airline operator, in this connection, need the encouragement and support of the government for a five-year program of technical development which shall include improvement in commercial airline operation as well as in military construction. All these factors point to 1947 as an unusually active year in aviation.

I feel, therefore, that a realistic approach and intelligent evaluation of problems, difficulties, advantages and achievements, are more than ever necessary today. True progress in aviation can only be based on sound, steady and constructive accomplishment.

LEWIS W. DOUGLAS

President, The Mutual Life Insurance Company of N. Y.

There are many factors which, if permitted to operate in a favorable environment, should produce a long period of healthy economic activity. The ravages of war have created a world-wide deficiency of capital of huge proportions.

Lewis W. Douglas

In the United States there still remains a *substantial* pool of heretofore unsatisfied wartime savings that at proper price levels provide a large demand for the ordinary commodities of peaceful living. Housing facilities are insufficient. The aftermath of war promises large overseas demand for the products of our farms, factories, and of the individual effort of the American people.

All of these factors, among others, if allowed to work in a favorable economic and political climate, set the stage for a prolonged period of full prosperity — broken by only short intervals of adjustment.

The danger, however, is that we may not create an environment in which these factors may fulfill the promise they hold out.

If, for example, when the first interval of adjustment comes, the system has become so inflexible — costs have become so rigidly high — that it is impossible for many manufacturers, farmers, and others to accomodate their costs to lower price levels, then we may well experience the sort of frustrated recovery that marked the post World War I period in England and that characterized our own 1934-1940 experience. That is, we may have, as England had in the twenties and as we had in the thirties, a substantial body of permanently unemployed, with its accompanying economic ills.

Moreover, if we continue to insist on a foreign economic policy which is restrictive and isolationist — if we do not set ourselves to the task of lowering our presently prohibitive tariffs and of withdrawing many of the subsidies which now make it difficult, if not impossible, for foreign nations to earn dollars, we will be repeating the tragic errors of the twenties.

No amount of credit extended to nationals of other countries or to foreign governments can sustain foreign trade for a protracted period unless our policy permits the repayment of the loans. What a person or government buys from us, he or it must be allowed to repay. No array of paper tricks, no mechanism of pure currency or monetary manipulation, can for long support a foreign trade which rests on the incongruous partnership of foreign loans on the one hand and an isolationist trade policy on the other.

If we persist in high tariffs, we shall, I fear, after a lapse of time, defeat, as we did after World War I, the processes that would otherwise operate to produce a sustained world recovery, and produce the same general sort of collapse that we experienced in the late twenties.

If we are successful in pushing further forward toward our goal of establishing a lasting peace, and if we will only permit the powerful forces of economic prosperity to play their part, we may be entering one of the most prosperous periods of modern times.

GEORGE A. EASTWOOD

President, Armour and Company

The 1947 outlook of the livestock and meat industry is good because an increase in volume is predicted and continued strong consumer demand is expected. These are prime essentials in a mass production industry where profit margins are small and where the perishability of the product calls for speed in selling.

Geo. A. Eastwood

Pork production during the spring and summer months will doubtless be somewhat less than in the corresponding period of last year, reflecting a decrease of 11% in the crop of pigs farrowed during the past fall. However this decrease will be more than offset by an increase in beef coming to market from corn belt feedlots. The huge feed crops harvested in 1946 have encouraged cattle feeders to expand their operations. Some reduction in sheep and lamb marketing is expected during the year ahead but in terms of total meat supply, the volume of mutton and lamb is not large. Considering the meat supply in the aggregate, a per capita supply of 151 pounds is predicted against the 1946 figure of 145 pounds for civilian use.

Negotiations with the labor unions which act as collective bargaining agents for the bulk of the employees in the packing industry have resulted in contracts which promise continuity of operations during the year. Materials and machines for maintenance and improvements are not as difficult to obtain as during the war and the end of artificial price controls has been beneficial. Viewed in its broad aspects the coming year should be a good one for the livestock and meat industry.

HARRY EDISON

President, Edison Brothers Stores, Inc.

A high rate of productivity and industrial peace is paramount in making 1947 a prosperous year. These two fundamentals will definitely create lower prices for consumer goods generally and decidedly more beneficial to labor itself than new demands for higher wages. With business having regained most of its freedom, it must now rely upon its own management to function from here on in a free, competitive market. Management functions by the formula of money and men and should intergrade to produce for the common good of both. This will establish the common denominator necessary for productivity for the full benefit of the consumer public upon which the very existence of management and labor rests.

Harry Edison

The year 1947 must bring peace time production to the highest possible level. This will assure full time employment to all who desire to work at a high earning wage. Such will add greater purchasing power to an already large backlog of savings in the hands of the consuming public eager to buy the many necessities not available in the past.

Industry and business generally is now taking on huge amounts of added capital for tremendous expansion facilities. Many billions of dollars will be spent in this direction and will give steady employment to many thousands of workers for a long period of time. Farm prices will continue at a high level during 1947, insuring farmers a healthy income, and if our export market will be so controlled as to not create any artificial price boosts on our own commodities so that a proper balance between supply and demand shall prevail, consumer prices for our own people will continue to be stabilized in a healthy manner. This is indeed most essential for the control of our hide prices in order that tanners may be able to lower leather prices to shoe manufacturers, in keeping with the demands of our consumer public who have already shown a definite resistance to high price footwear. Production of shoes has expanded materially in the last half of 1946 and will likely well exceed five hundred million pairs for 1946. With increased production of shoes already evidenced at an accelerated pace, the increased output will continue to lower retail shoe prices to a necessary stabilized level, and the law of supply and demand will from here on control prices and values. What holds good in shoes is, likewise, necessary in other fields of production for consumer needs.

All of this adds up, as I see it, in building healthy economy for our own people for the year ahead. Only by reason of a second wave of wage demands and unjustified strikes will we be thrown in reverse, and if this occurs, it will be most destructive both to labor and management, and decidedly costly to all our people. I do feel we shall not experience such a set back; that 1947 will find industrial peace on our own home front; and peace, which is now in the making, become an actuality for all nations now striving for it, for only in a world of peace can we all endure and our own democratic way of life survive.

JOSEPH L. EGAN

President, The Western Union Telegraph Company

Western Union plans to proceed vigorously in 1947 with its nation-wide mechanization program which is now well under way in spite of the continued shortage of materials. Important new developments, which had to be held in abeyance or which had only limited use during the war, are now being placed in wide use to increase the speed, capacity and reliability of telegraph service.

Joseph L. Egan

A radio beam network is planned to connect the major cities in the United States. It will employ high radio towers 30 to 50 miles apart with antennas to transmit the microwave signals in a narrow beam, and will eventually eliminate the need for the familiar pole lines and hundreds of thousands of miles of wire between main telegraph centers. The network will furnish a vast increase in the number of channels or circuits now available for the handling of telegraph traffic, and provide amply for the telegraph growth of the future. Through application of carrier system to the beam, it will be possible to send over 2,000 telegrams in both directions, simultaneously over a single system. Since atmospheric static is not felt in the microwave region, radio beam transmission is unaffected by electrical disturbances. It will eliminate service interruptions due to ice, high winds and falling trees. In addition to affording the ultimate in service continuity, installation and maintenance of a beam system costs less than maintenance of the familiar pole line.

A beam system has been in experimental use between New York and Philadelphia since Feb. 1, 1945. Construction of the first leg of the radio beam network, between New York, Pittsburgh and Washington, will be completed in 1947. The next link, between Pittsburgh and Chicago via Cleveland, Detroit and Cincinati, is scheduled for completion by the end of 1947.

A number of new carrier telegraph system also will be installed in 1947, in addition to the more than 200,000 miles of carrier channels already in operation. Carrier equipment superimposes a number of different frequencies on a single pair of wires. This makes it possible to obtain as many as 36 independent telegraph circuits, capable of carrying 288 messages simultaneously, over a single pair of wires.

Reperforator switching systems which eliminate manual retransmission and greatly speed telegraph service, are being installed at major relay points. Merely by touching buttons telegrams are automatically switched through to destination, making it unnecessary to manually retransmit them at relay centers. In addition to the systems already installed at Richmond, Atlanta, St. Louis, Dallas and Oakland, Cal., reperforator units will be placed in operation at Philadelphia and Cincinnati early in 1947 and will be followed immediately by others to complete the nationwide network.

The use of Telefax, the fascimile telegraph developed by Western Union engineers, will be extended in 1947. Telefax can best be described as fully automatic "picture" transmission. A drawing, picture, telegram or what-have-you can be dropped in a slot in a machine which automatically scans and thereby transmits directly to the receiving machine. This is accomplished through a moving electric eye that views the picture or message as it turns on a revolving cylinder. A similar cylinder equipped with electro-sensitive recording paper in the receiving machine records a true reproduction.

Telefax operation already is used to transmit telegrams from many customers' offices and branch telegraph offices to main telegraph offices. In the future,

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selling deeper and deeper into the lower levels of income. Many here will remember the years when you could not buy as good a radio set for $250 as you can purchase today for $25. Memory also will recall similar experiences with other products turned out by manufacturing industry.

Wealth Is Shared by Reducing Prices

That is the soundest way of raising wages and living standards. That is a sure ride to prosperity. The American way of sharing the wealth is by reducing prices.

In recent decades, profits in this country in large measure have been the reward to enterprise for reducing costs and prices, and raising real wages, through the improvement of productive processes. This improvement has been achieved mainly by the application of machinery and power and by efficient organization of management, technical skill and labor.

The master works of this organization can be seen in the industrial centers around the Great Lakes . . . Milwaukee . . . Detroit . . . Cleveland . . . Chicago and other production centers.

In the wealth created by this industrial genius, the country and the world have shared immeasurably. The principal medium of this distribution of goods for the general welfare has been the price. The lowering of prices for manufactured goods has opened a constantly widening market.

This process of sharing the wealth must continue. Over-inflated wages and prices are poor foundations for a mass market. Organized labor can price itself out of the market, by pushing its monopoly advantage too hard, just as the business man can price himself out of the market by raising his prices too high.

An important fact must be considered in judging the effects of the wage-price spiral. This fact is the strategic location of the industry-wide unions in relation to mass production.

Industrial Unions

The industrial unions have grown strongest in the larger manufacturing and supply industries. It is pertinent to observe here that the wages-out-of-profits doctrine was publicized in connection with impending CIO wage demands in the steel, automotive and electrical equipment industries. The round of strikes and wage increases last Winter and ensuing price increases initially affected the mass production industries—automobiles, steel, electrical equipment, coal. Higher prices for steel, copper, coal influence the price of automobiles as certainly as do higher wages on the automobile assembly lines or in the plants of parts suppliers.

The growth of industrial unions in the highly integrated industries is a new factor to consider in appraising the outlook for further broadening of the mass-market through lower costs and prices. I repeat that the soundest wage increases are the wage increases which come from increasing productivity.

An expanding mass-market cannot be built on a philosophy of more pay for less work . . . nor on a union policy of slugging business with the strike club every time wages are up for discussion and insisting upon continual jacking up of pay rates, regardless of what happens to the consumers.

Must Supply a Formula for Lower Prices

Union leadership now must accept with management the responsibility for applying the formula of lower prices, more sales, more jobs to the proven development of the mass market. Management alone cannot make that formula work if organized labor insists upon elevating the wage scale indefinitely, regardless of the relation of higher wages to productivity.

What happens this year will show how well we can apply the old formula of large production under the new circumstances. Certainly the mounting wage-price spiral cannot go forever without reducing the size of the mass market. The school teacher, the white collar worker, the pensioner, cannot go on losing always, in the race between wages and prices.

Millions of people cannot be driven out of the mass market without destroying jobs on the production lines.

Disillusionment lies at the end of the false-hued rainbow spun out of the fallacious doctrine that industrial wages should go up and up, in a lone flight to the stratosphere of everlasting prosperity.

I suspect the fallacy of wages-out-of-profits was tossed into the public arena for the purpose of trying to shift the blame for whatever price increases follow new wage increases. There seems to be an uneasy conscience behind this profit mirage.

The new wizards of economics concede an unhappy ending to a joy ride on the wage-price spiral. Nevertheless, they are beating the drums for higher wages. They don't want to be blamed for the higher prices . . . or for the unhappy ending to the joy ride. So they have concocted this doctrine of lifting wage increases out of profits—profits which don't exist at all for many companies facing wage demands.

This time the public is wiser. People will not be so easily fooled by the juggling of figures and the spouting of spurious economic doctrine. Two and two still make four on the balance sheet . . . and the man in the street knows it. Also, the man in the street wants an automobile. And when he can't get one, he will do some thinking and figuring about it.

Importance of Mass Markets

Industrial prosperity will continue to depend upon business thinking in terms of the millions, instead of the few. This is the hard-headed business of giving more for less, of taking less profit per unit in order to sell more in the aggregate. That is the kind of business which has made America what it is today.

That is the kind of business which created the jobs from which

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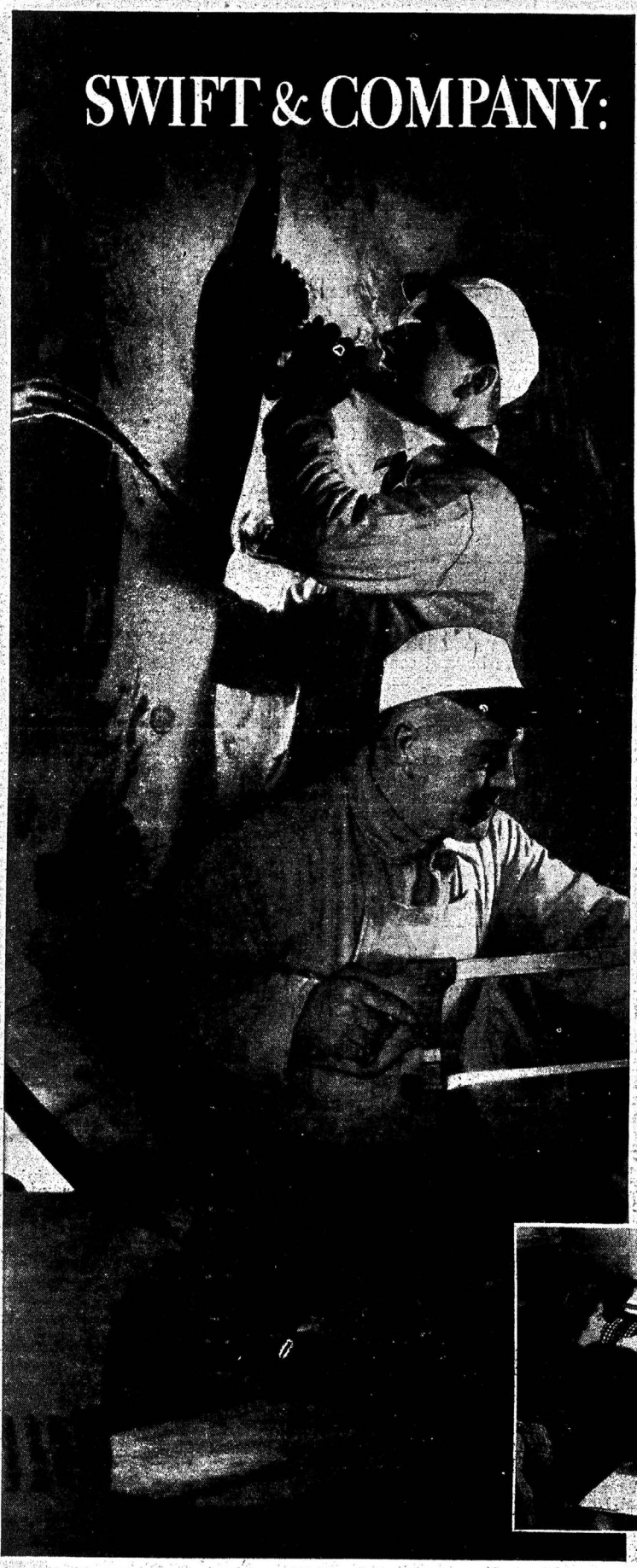

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This famous packing house is an excellent example of the type of important concerns using National Accounting-Bookkeeping Machines made by The National Cash Register Company.

National Payroll Machines are used at many of the large Swift & Company units for handling its payroll records. They produce at one operation: employee's pay check, employee's statement of earnings and deductions, employee's earnings record, payroll summary record.

National Payroll Machines produce entries that are clear and legible, and are proved correct at time of writing, thus obviating discrepancies due to human error.

Swift & Company is also a large user of other types of National Accounting Machines on other applications in their business. Among these will be found sales distribution and accounts receivable in their branch houses throughout the United States and Canada.

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Business and Finance Speaks After the Turn of the Year

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Telefax machines will be placed in hotel lobbies, railroad stations, office building lobbies, airline terminals and other places where the public may transmit telegrams quickly and conveniently, by simply dropping them into the slot of the machine.

At the same time that it is improving its facilities and service, Western Union is actively promoting the use of the telegram in the business field where its fast, written-record service is invaluable. The use of the telegram for greeting and other social purposes is likewise being promoted.

CHARLES ENGELHARD

President, Baker & Co., Inc.

The platinum metals industry is returning to normal conditions under the force of supply and demand operating in a market freed of price control since April 29.

Charles Engelhard

The heavy drain on supplies of platinum during the war, when restrictions applied to civilian use and price was fixed by government order, made the market for platinum vulnerable to speculative trading. Upon removal of price ceilings this speculative trading forced the officially posted prices of platinum to $90-$93 which applied for a short period during the latter part of September. At that time weakness developed in the jewelry demand for platinum, which had been maintained at high levels throughout the price rise, and the retail price of platinum subsequently declined to the current level.

During the first nine months of 1946, the United States sales of platinum to all consuming industries averaged 19,775 troy ounces monthly, including 12,734 ounces for jewelry and decorative uses, according to United States Bureau of Mines reports. In the same period United States imports averaged about 15,000 ounces monthly.

Palladium has reached an important position in the industry. Sales of palladium to all United States consuming industries during 1946 are exepected to approximate or exceed platinum sales. Platinum and palladium are the two principal metals of the platinum group, which also includes rhodium, ruthenium, iridium and osmium.

The increasing use of palladium results from wider knowledge of the metal, and especially from recognition of its merit and value both for adornments and for industrial purposes. United States Bureau of Mines reports for the first nine months of 1946 show that the United States sales of palladium to all consuming industries amounted to 152,983 ounces. This was distributed 40% for electrical, 30% for jewelry, 18% for dental and medical, and the balance for chemical and miscellaneous uses.

In the electrical field, palladium is used for small electrical contacts required to operate frequently over long periods without failure.

In jewelry, the white color of lustrous palladium mirrors the flashing beauty of diamonds which are strongly held. Rings made of palladium are durable as the metal has the strength and hardness to withstand wear. The lightness of palladium is utilized in earrings which are worn with more comfort and also in brooches and other jewelry of large size. Used in the most expensive pieces, palladium is also being employed in moderately priced jewelry and recently has been introduced in the form of palladium-filled costume jewelry and jewelry for men. Chemical and pharmaceutical products, including vitamins and hormones, are being synthesized with the aid of palladium catalysts which enable safer processing at lower temperature and pressure. In dentistry, palladium is used to improve the mechanical and fabricating qualities of dental gold alloys for full and partial dentures that give better appearance, comfort and service to the wearer.

Demand for ruthenium increased rapidly during 1946. The hard alloys used for the polished points of writing pens and for similar purposes utilize ruthenium to obtain the high resistance to wear and corrosion required to assure smooth operation over a long period of service. Ruthenium is used also to harden palladium, especially in jewelry alloys commonly made of about 5% ruthenium and 95% palladium.

Rhodium-plated jewelry and optical goods are reappearing in the consumer market, and other rhodium-plated articles including safety razors are in production. Such uses of rhodium were prohibited during the war to conserve rhodium for electro-plating mirrors of military searchlights and for industrial and scientific purposes.

Iridium demand in 1946 has largely paralleled the platinum demand for jewelry where a 10% iridium and 90% platinum alloy is in common use.

Osmium supplies continue so small that consumption is confined to uses where the total requirements are commensurate with supply. Tiny and highly polished points containing this precious metal are fused to the record-player needles that seldom need to be changed.

The future outlook for platinum metals is promising and the industry looks forward to a period of satisfactory business in markets throughout the world. Progress in establishing a free foreign exchange of stabilized currencies will facilitate trade in platinum metals and go far in minimizing speculative interest in these precious metals.

WILLIAM J. FIELD

President, Commercial Trust Company of New Jersey

The banks of the country are undoubtedly in better condition today than in many years after having weathered many storms and those which reached port are financially sound.

W. J. Field

When the FDIC law was enacted we had approximately thirty thousand banking institutions, while at present we have a few less than fifteen thousand. Many fell by the wayside during the long depression, but there were also many mergers which tended to build larger and safer institutions.

Our banks have been reasonably prosperous, but at present with larger deposits it is quite essential that capital assets should be increased.

As it is difficult to market additional stock, most banks look to surplus earnings for this purpose.

Today expenses are at an all-time high, while income is at an all-time low, and with the present demand for increases in salaries and wages every item of unnecessary expense must be eliminated.

An outstanding and reasonable method of reducing expenses would be the reduction of the cost of FDIC insurance. When the FDIC law was passed by the Congress, it was considered that a reserve or capital of five hundred millions for the FDIC was an all-time high and would take care of all losses that could be reasonably contemplated.

That this thought was conservative is shown by experience as the total losses of the FDIC from its inception to date were only seventy-two million dollars and this after being subjected to the worst depression banks have ever experienced.

Today this fund is over one billion dollars and is increasing at the rate of over one hundred million dollars annually.

The FDIC could readily reduce the annual assessments one-half until the moneys advanced by the U. S. Treasury and the Federal Reserve System ($289,000,000) were amortized when all further assessments could be eliminated so long as the fund amounted to one billion dollars.

Why this fund should be increased over one billion dollars is a question difficult to decide within reason.

Even without additional assessments the earning on the fund increase the total capital annually and if new banks entering the fund are required to balance their contributions in relation to payments made by older members there will soon arise the question of possibly paying some of the surplus funds back to the banks.

Our new Congress should consider this situation before the fund grows beyond control and also to enable our banks to retain some surplus earnings to add to capital assets.

DONALD V. FRASER

President, Missouri-Kansas-Texas Railroad Company

The picture of the future of the Southwest, and of the Missouri-Kansas-Texas Lines which serve that area, is encouraging. Postwar business and industry in the Southwest has emerged from the wartime period with a new economic complexion, as indicated by the experience of 1946 when many new permanent peacetime industries were projected for the manufacture of a diversity of products.

D. V. Fraser

One of the most encouraging factors in the industrial progress of the Southwest is the continuing interest in that section of the country shown by important and nationally known industrial firms. With many such firms already located and in production in the Southwest, and others in contemplation, together with the rapid development of small industries in large and small communities, the entire economy of the Southwest is undergoing an important change. While agriculture and livestock production remains in growing importance, the future prosperity of the Southwest must be measured in ever-greater part by the increasing value of its manufactured products, of the products of its new steel mills, new chemical plants, and processing plants of ever-broadening variety, plus the enormous flow of raw materials from its great oil fields, mineral deposits, etc. Favorable climatic conditions, contributing not only to economies in plant operations, but to more pleasant living conditions, are another factor to be reckoned with in the study of the overall possibilities of the Southwest.

Southwestern territory has definitely consolidated the gains it made during the war and has not stopped there. During the first 11 months of 1946 there were 225 new industries and expansions of plants located on the Katy alone, involving an investment aggregating about $14,250,000.

Transportation facilities in the Southwest are of the best. Both Eastern and Western markets and supplies are easily reached from this area. Mexico and the South American republics can be reached by land or through the great Texas Gulf ports. European, Asiatic and Pacific markets were also made more accessible through vast improvement of Texas port facilities during the war years and subsequently.

Prospects for the future of the Southwest, along with the benefit of increased freight rates, have become important contributing factors in shaping the Katy's far reaching plans for peacetime progress. With renewed confidence, the Katy has since the war spent millions and is now allocating more millions of dollars for improvements and modernization of its facilities and equipment.

These expenditures include the laying of heavier rail and ballast, to permit faster running schedules for both freight and passenger service; the purchase of new units of freight rolling stock; placing orders for new heavy-duty diesel freight, passenger and switching locomotives, with 100% dieselization eventually planned for the entire system; purchase of streamlined ultra-modern passenger trains with schedules from St. Louis to Texas points to be cut as much as one-third, and planned installation of two-way radio control in yard and train operations.

HARVEY C. FRUEHAUF

President, Fruehauf Trailer Company

Surveying business for the past year, the 31st in the history of the Fruehauf Trailer Co., this key industry in the motor transport field records a successful 1946 and looks forward to better times for 1947 and beyond, provided the one cloud on the horizon—labor difficulties—can be overcome.

Harvey C. Fruehauf

In spite of the difficulties of material shortages and work stoppages during 1946, the Fruehauf Trailer Co. had a successful year.

Inability to secure steel and certain parts closed us down for 3½ months and prevented us from making all of the deliveries we should have made during the past year. However, in spite of that fact, the company operated profitably with a creditable sales volume.

The outlook for 1947 is good. We believe that there are encouraging signs of a return to equity and justice in labor relations. A spirit of cooperation and a desire to produce is all that is required to make our company, and the country as a whole, very prosperous in the years ahead. As far as our own business, the manufacture of truck-trailers, is concerned, we know that an expanding national economy is going to require a corresponding expansion in all forms of transportation.

For the past 25 years motor transport has assumed an ever-growing importance in the transportation field. The trend of the times favors hour-to-hour and door-to-door deliveries and the decentralization of plants made possible by the moving of materials and products over the roads.

The Fruehauf Trailer Co. grew steadily, even during the days of depression during the early 1930's, because of the demand of business men for this rapid transportation service which enables them to cut inventories and to operate far more economically with lower stockpiles. The war further proved motor transport indispensable.

Plans for expansion of our highway systems are based upon their greater need for commerce. Manufacturing plants are no longer concentrated at railroad terminals but are to be found across the country, many of them at points not served by any railroad but depending entirely on motor transport.

With better highways and modern vehicles, we can count on an increased volume of motor transport, and we of the Fruehauf organization know that with the quality of vehicles we are building, we will obtain an adequate share of this business.

It is to be hoped, however, that the country has seen the end of the devastating and crippling strikes and work stoppages which have hampered production and slowed down our reconversion from war to peacetime production.

This whole problem, we feel, hinges upon repeal of the Wagner Act. Collective bargaining as it operates under this act actually gives labor the power to kidnap an employer's plant and hold it for ransom—power to enforce its demands through strikes, picketing, violence and threats.

Real bargaining presupposes that either side may accept or reject an offer without fear of injury. What we have today is an unfair, one-sided situation, with monopolistic power in the hands of a few, which could wreck our entire society.

Ever since the beginning of our business, we have operated on the principle that the customer is boss. Actually, the employer is only the "middle man" between his employees and the real boss, who is the customer. In negotiating costs with labor and with suppliers, the business man must keep in mind his customers' ability and willingness to pay.

In the last 10 years labor costs have been stepped up farther and faster than the rest of our economy. And, with labor being the basis of all costs, prices have been forced to the breaking point.

My chief concern, not only for the trailer industry but for all American business, is that we may be on the verge of pricing ourselves out of the market, both at home and abroad. Such a policy can only result in depression.

American workmen should realize that the surest

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the unions collect their dues. Profit from this calibre of business leadership is re-invested in the increase of production . . . so that more jobs can be created, prices cut and real wages increased.

But a new set of pied pipers is filling the headlines with the false notes of alluring theories. They are trying to tell us that the way to prosperity is through giving less for more, raising wages continually and taking it all out of profits—regardless of whether or not there are any profits.

To dispel this illusion, I propose that labor leadership join business leadership in applying the time-tested formula of the mass market.

I propose that labor leadership think more in terms of the millions of consumers, rather than in terms of the thousands who benefit at the expense of the millions by price-lifting wage boosts.

Unless labor leadership achieves this breadth of vision, the long process of broadening the market for the products of industry by lowering prices will be halted. Only through some revolutionary method of cutting costs, and increasing production, can wage increases be absorbed without raising prices at the rate wages have been hoisted the last few years.

I do not argue that wages should be frozen. On the contrary, I am a sincere believer in wage increases, where wage increases come out of production gains.

Yet, I also believe that the public should share in the gains of industry through the medium of price reduction. I believe that it is wise economics for all concerned, labor, management and the consuming public.

The consuming public eventually pays the bills for wages. Labor leadership which ignores this fact, or pretends to ignore it, is short-sighted. The wage-price spiral has reached the point where the welfare of all, no less than the interests of the union man on the assembly line, must be considered.

Organized labor in the mass production industries will gain by thinking in terms of the mass market, just as the men of industrial vision gained by thinking in terms of the millions. By foregoing a little now, organized labor will gain more later.

That is the principle on which profits were made from mass production. That is the principle, too, on which real wage gains can be achieved without contracting or destroying the market.

Let labor and management act wisely by this principle, never losing sight of the millions, and we need not fear the future. The broader the market, the more jobs and the more enduring prosperity we will see. That is the brand of sound economics this Great Lakes region has demonstrated to the world. It is the kind of economics the country needs now.

This 63-Year-Old Advertising Venture Has Paid Generous Dividends

Eight years before this amusing advertisement appeared in Harper's Monthly, Procter & Gamble placed its first Ivory Soap advertisement in a magazine of national circulation.

The decision to advertise Ivory Soap nationally has paid generous dividends—to Ivory users, to the Company, to its employees and stockholders. This policy, initiated 63 years ago, and followed consistently ever since, has won for Ivory and many other Procter & Gamble products the leadership they now enjoy.

The history of Ivory furnishes conclusive evidence that the consumer benefits through successful advertising. Raw materials have doubled in price since Ivory was introduced. Wages have increased ten-fold. Federal taxes, non-existent in the 80's, now equal or exceed factory wages. Yet in spite of these increased costs, the housewife can buy a cake of Ivory Soap today for practically the same price she paid 60 years ago!

PROCTER & GAMBLE

Makers of IVORY SOAP · IVORY FLAKES · DREFT · DUZ · IVORY SNOW · DREFT · TIDE · CRISCO · CAMAY · OXYDOL · LAVA SOAP · P&G WHITE LAUNDRY SOAP

Chas. E. Quincey & Co. Sixty Years Old

January 17 marked the 60th anniversary of the founding of the partnership of Chas. E. Quincey & Co., 25 Broad Street, New York City, specialists in U. S. Government securities and members of the New York Stock Exchange and New York Curb Exchange. Chas. E. Quincey, founder of the firm, which opened for business on Jan. 18, 1887 and has been known continuously by the same name, had acquired his membership on the Stock Exchange ten years earlier. Previously he had been Secretary to Edward M. Stanton, Secretary of War under Presidents Lincoln and Johnson. Adamson R. McCanless was his first partner.

Mr. Quincey retired from the firm in 1919. The partnership, continued by Maurice A. Gilmartin, consists of Mr. Gilmartin, James E. Orr, Maurice A. Gilmartin, Jr., Robert Adams Love, Edmund J. Leonard, and John A. Cashman.

The firm is one of the organizations longest to be identified with dealings in securities of the United States Government and its instrumentalities.

It was recalled yesterday that when the firm began business the U. S. Government debt was $1,129,619,462. On December 31 last the national debt was $259,148,765,985.

Frank McDermott With Harrison & Schultz

Harrison & Schultz, 64 Wall Street, New York City, members National Association of Security Dealers, Inc., announce that Frank McDermott has become associated with the firm in its trading department. Mr. McDermott was formerly with O'Connell and Janareli.

LEADERSHIP MUST BE EARNED

With business, as with nations, true leadership comes as a result of many years of preparation... of hewing to high standards . . . of never losing the bright vision of the future, while meeting the problems of today.

This has been Coty policy from the beginning, and we are proud that it has won for us the respect of our business associates and the millions of women who have used and loved our products.

Today, in the perfume and cosmetic industry, and in the world of fashion and gracious living, there is no name with more prestige than Coty.

COTY, INC.

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Business and Finance Speaks After the Turn of the Year

(Continued from page 434)

route to better pay is greater production and finer workmanship. These must come first and good pay will inevitably follow. Any substitute for "a good day's pay for an honest day's work" is nothing but a delusion. I firmly believe that laboring men and their leaders are becoming aware of this fact and the sooner they do, the sooner we will have a healthy prosperous situation in this country. Those of us who are in the motor transportation field know the value of this service to American business and the American public. We are consequently optimistic. In our own case, we have proven our optimism by greatly increasing our manufacturing and service facilities. The year 1947 will find us better equipped than ever before not only to make more Fruehauf truck-trailers but to keep them in operation with night and day service throughout the country.

WALTER D. FULLER

President, The Curtis Publishing Company

In discussing the opportunity for magazines in 1947, I should like to refer to the statistics prepared some time ago by the Magazine Advertising Bureau which show that family expenditures for magazines range from 53 cents per family in the bracket under $1,000 to $16.92 per family in families with incomes of $5,000 or more. These figures are very revealing. The great increase comes at the passing of the $2,000 income mark, at which point the average family spends $4.45 for magazines. The significance of these figures is that in the years 1935 and 1936 only 18% of the nation's families had incomes of $2,000 or more, while in 1945 this increased to 53% of all families. If these percentages are applied to the approximately 38 million families in America, you can see instantly the enormous increase in opportunity for magazine circulation sales as a result of this change.

Walter D. Fuller

This great increase in income is but one phase of the subject. Growth in population, spectacular growth in education, increase in available reading time, increase in labor-saving devices in the home and on the farm as well as in the factory and office, all have added to the potential reading public.

No one knows exactly how much money was spent in all forms of advertising in America in 1946 nor can the anticipated total for 1947 be accurately foretold. However, the Magazine Advertising Bureau estimates the expenditure for magazine advertising for 1946 at $380,000,000. It is very easy to under-estimate magazine advertising volume and I think it likely that the final figure may be even higher. The year 1947 will see an even greater volume.

The magazine publishing industry at the present time supports directly and entirely some 250,000 persons. Some two million persons are partially dependent upon our industry and the number of millions that benefit as a result of magazine activity runs into almost fantastic figures.

The magazine industry will be a major factor in 1947 in opening more widely the channels of distribution and in gearing our nation to new high records of production and consumption.

W .W. GASSER

President, Gary National Bank

As I study the economic curves of business and finance, the pattern has been largely the same after each major war. It is my opinion that the future economic curve will follow closely the same pattern as the curve after World War I.

W. W. Gasser

After World War I there was a period of about two years when both the price level and business activity continued on a high level. Both started to drop suddenly about two years after the war ended and for another two years the curve went down pretty rapidly. The price level never did recover very much after that, although business activity was up and down for a few years. The secondary postwar depression started about 10 or 11 years after the end of the war and was probably the most severe that our generation has witnessed. It is my opinion that we will follow a very similar pattern.

I look for good business during 1947 and good demand for consumer goods, with a slackening pace the latter part of the year. I think bank earnings will be good throughout the year.

Congress should insist on a balanced budget, with a sharp decline in government spending. Business needs tax reductions. Congress should also eliminate as many government bureaus as possible and should pass as much power back to home rule as possible.

It is my opinion that government, business, and the individual will more and more turn back to the ideals of thrift, economy, frugality and hard work.

L. M. GIANNINI

President, Bank of America

This is a time to abandon flights of fancy in favor of sober contemplation of facts.

We have come a long way on the reconversion road, but some mental reconversion is still needed—further readjustment to the realities of everyday living; more willingness to give value for value received.

L. M. Giannini

This should be a Back to Work year. New wealth, both in material and moral resources, must be created to replace the wholesale destructions of war. There is no other way to lighten our burden of debt.

Restoration of a healthy economy requires a return to healthy ideas, healthy production, healthy exchange of goods and services, healthy thrift. There must be final relinquishment of the creed of something for nothing, of false standards and wasteful spending.

It is possible we will experience some further price corrections and deflations, but many pressing demands are still unsatisfied. That great American producing team, Business and Labor, has much work to do in such fields as housing and commercial constructions, automobiles and trucks, heavy machinery and tools.

In this New Year political disturbances probably will have their effect upon business. In some areas of the economy at least, long range planning may be cautious until the air is cleared. Only the extreme optimist could expects a clear go-ahead this year, nevertheless much progress can be made.

International trade hardly can be counted upon strongly at this time. There are many houses to be put in order before there can be much economic health abroad. Happily, many of the best minds are at work on these problems. Progress can be anticipated.

To sum up: This is a year for good old fashioned hard work by management, labor and government; for sober contemplation of facts; for courageous personal and corporate planning; for cooperation by all elements involved and consideration of mutual interests; for solid faith in the American way and actual practice of its principles. Given these things, 1947 will be truly a prosperous year.

GEORGE R. GIBBONS

Senior Vice-President, Aluminum Company of America

Phenomenal wartime demand and the resulting postwar acceptance of aluminum have boosted it to a position as the second-ranking metal peacetime industry, in terms of volume produced. Iron (steel) alone is produced in larger volume today.

G. R. Gibbons

Also significant has been the marked shift of emphasis in demand for alumnium in 1946, with architectural and building applications soaring upward to replace transportation at the moment, as the field requiring the largest percentage of this lightweight metal.

A mark of aluminium's rapid growth to maturity in the peacetime family of metals is the fact that the nation's economical capacity for producing new aluminum is at present four times as great as in the highest prewar year, and amounts to well over one billion pounds per year. During 1946, nearly all of the war-built, government-owned aluminum plants capable of economical peacetime operations were leased or sold to private industry. There are now three major producers serving the nation as sources of new aluminum metal. Each of these producers is independent, privately owned, and largely integrated In addition, hundreds of manufacturers throughout the country became fabricators of aluminum products during and since the war.

A recent estimate by the Civilian Production Administration indicated that 1946 production of new aluminum in the United States will total about 836 million pounds. While this is almost three times as much as was produced by the nation in 1938, it represents only about two-thirds of the rated annual capacity which is now approaching full production. The lag was caused primarily by reconversion problems incident to disposal of government-owned plants and readying these facilities for peacetime operation. It is probable that near-capacity production will develop in 1947, the Civilian Production Administration having recently estimated that actual production of new aluminum in the coming year may approximate 1,260,000,000 pounds.

Basic aluminum prices, reduced by 25% since the start of World War II, are now relatively lower than ever before, in the face of general price rises for competitive metals. This price advantage, plus the widely expanded familiarity of thousands of artisans with the handling of aluminum as the result of war work, offers firm indication that aluminum's future position is strong and that the industry will find even broader markets for its products. This indication is further bolstered by the many new techniques and versatile new alloys of aluminum which have been developed within the last six years.

Alcoa has been guided by the diversity of present and anticipated demand in projecting its plans for the future, and is doing its part to promote the most desirable balance of the nation's over-all economy. In recent months Alcoa has begun the re-adaption of its facilities to the demands of peacetime markets, since many of the facilities operated during the war were primarily designed for production of special materials peculiar to wartime needs.

Among the outstanding applications, new and old, which are creating the present tremendous demand for aluminum in the architectural and building field are: corrugated aluminum sheet for farm and industrial roofing and siding; metalclad buildings; prefabricated residential and other building; residential garage doors; heating and ventilating ducts; architectural trim and fixtures; lightning rods and conductors; windows, storm sash and screens; venetian blinds; metal awnings; nails; hardware; and numerous other uses. There has been a particularly great increase in the use of aluminum for residential windows. Prior to the war this use was mainly experimental. During 1946, more than 500,000 such windows were manufactured, and the prospects for 1947 indicate the probable manufacture of well over 2,000,000.

In transportation, aluminum construction now predominates in the light plane field. Thousands of aluminum canoes, rowboats, and sailboats are being produced and sold. Large quantities of the metal are being used in the superstructure of passenger and cargo ships, for lifeboats, and in ships' interior partitions. Truck, trailer, and bus manufacturers are using more aluminum, particularly in body and axle construction. There is an expanding market for automotive and diesel pistons, and the use of aluminum for bearings and bushings is making steady progress. At least 12 states will be using aluminum license plates for automobiles in 1947-1948.

A number of new all-aluminum streamlined trains, passenger cars, tank cars and hopper cars are now in railroad service, and others are under construction. An experimental all-aluminum refrigerator car, designed with the help of Alcoa engineers, is now making regular runs and attracting much favorable attention.

The electrical manufacturing industry is consuming an increasingly important tonnage of aluminum. Outstanding is the use of aluminum for electrical conductors, particularly in the field of building wire, which is showing tremendous growth and meeting widespread acceptance.

Considerable amounts of aluminum are being used for irrigation pipe, and a large potential market lies in use of the metal for cathodic protection of steel tanks, pipe lines, and structures.

Postwar domestic refrigerators will probably average five times as much aluminum per unit as prewar models. Home freezers offer another substantial outlet. A surprisingly large quantity of aluminum is going into such items as clothesline wire, clothes pins, cigarette lighters, toothpaste and shaving cream tubes, milk bottle caps, and into foil packing for drugs, foods, cigarettes, and similar products.

S. T. GILBERT

President, D W G Cigar Corporation

The outlook for the cigar industry for 1947, which of course follows the patterns of all other businesses, rises and falls with the general business index. However, thousands upon thousands of new cigar smokers were made during the war. Young men began to realize that cigar smoking gave them much more satisfaction than the use of any other form of tobacco with no bad effects.

Samuel T. Gilbert

In my judgment there are two clouds overhanging a prosperous business horizon. One, the need for labor legislation which will curb those labor leaders and their followers who usurp authority, and who believe themselves to be bigger than government. Two, I believe that industry should be very careful not to price themselves out of business.

With the above assurance, I believe we can all go boldly on with every prospect of many years of prosperity ahead.

(Continued on page 438)

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Economic Interpretation of the Wagner Act

(Continued from first page)

stated purposes, he is referred to the annual figures of the United States Bureau of Labor Statistics on the number of strikes, workers affected, and man days lost by strikes in this country.

FINDINGS AND POLICY

Comment—Findings, as expressed in the Act, are political in nature, and should not be confused with scientific findings, which, by definition, are attempted expressions of basic truths, regardless of political policy.

Section 1. The denial by employers of the right of employees to organize and the refusal by employers to accept the procedure of collective bargaining lead to strikes and other forms of industrial strife or unrest, which have the intent or the necessary effect of burdening or obstructing commerce by

Comment—If two or more people enter into an agreement, each acting entirely voluntarily, it may be said, in the ordinary sense of the word, that they have reached a bargain. If, however, one person is compelled by law to agree to the demands of another, or suffer loss of his property, or its use, any "agreement" consummated under such circumstances, is misnamed if it is called a "bargain." It would be just as logical to label any concession made by any person acting under duress a "bargain."

Prior to 1935 employers did deny that workers had the right to destroy company property, or to prohibit its use, when agreements could not be reached. This, however, did not constitute, and should not be confused with, "the denial by employers of the right of employees to organize and the refusal by employers to accept the procedure of collective bargaining."

(d) causing diminution of employment and wages in such volume as substantially to impair or disrupt the market for goods flowing from or into the channels of commerce.

Comment—It may be asked if strikes called by unions do not cause a "diminution of employment and wages in such volume as substantially to impair or disrupt the market for goods flowing from or into the channels of commerce."

The inequality of bargaining power between employees who do not possess full freedom of association or actual liberty of contract, and employers who are organized in the corporate or other forms of ownership association substantially burdens and affects the flow of commerce,

Comment—It can hardly be denied that inequalities of bargaining power exist among individuals, because of differences in their native abilities, and property holdings. It is doubtful that such inequalities can be materially lessened by legislation. Of course, coercion can be substituted for bargaining power through legislation. It may be asked whether the Wagner Act has actually enhanced or reduced the employees' "actual liberty of contract."

and tends to aggravate recurrent business depressions by depressing wage rates and the purchasing power of wage earners in industry and by preventing the stabilization of competitive wage rates and working conditions within and between industries.

Comment—The theory of business cycles expressed herein is also to be found in the writings of Karl Marx, as well as those of many New Deal philosophers. The primary defect in this theory is the assumption of an ever-present direct relationship between wage rates and the total purchasing power of wage earners. It does not recognize, that if wage rates are arbitrarily held rigid in a period of recession, an unduly large number of workers are laid off, thereby causing an unnecessarily large decrease in the purchasing power of the workers.

Experience has proved that protection by law of the right of employees to organize and bargain collectively safeguards commerce from injury, impairment or interruption, and promotes the flow of commerce by removing certain recognized sources of industrial strife and unrest, by encouraging practices fundamental to the friendly adjustment of industrial disputes arising out of differences as to wages, hours, or other working conditions, and, by restoring equality of bargaining power between employers and employees.

Comment—Before the passage of the Wagner Act, employees had the right to organize and bargain collectively. The Act did not confer this right upon them. A distinction is to be made between protecting the "right of employees to organize and bargain collectively," and coercing individual workers and minority groups to bow to the dictates of the leaders of actual or alleged majorities.

* * *

DEFINITIONS

(3) The term "employee" shall include . . . any individual whose work has ceased as a consequence of, or in connection with, any current labor dispute or because of any

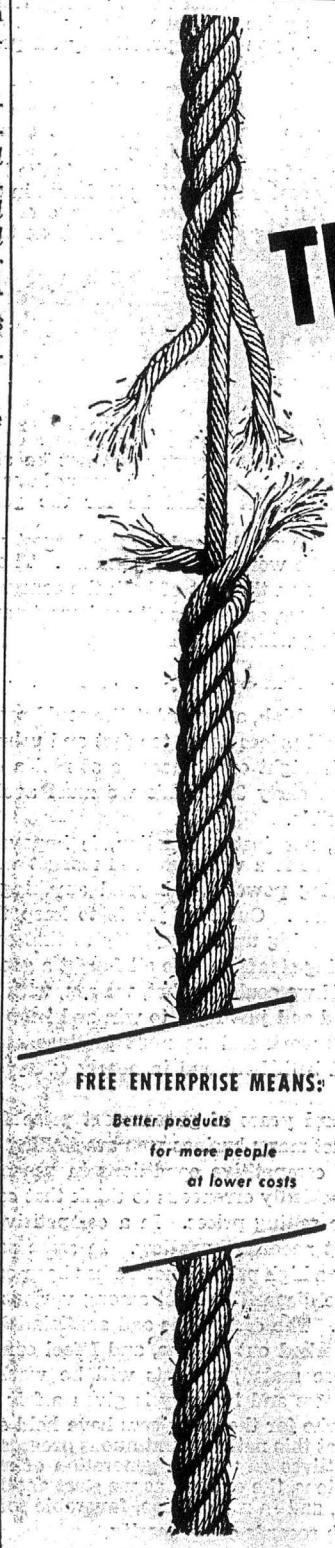
(Continued on page 439)

Keeping up with America

This year, Armour and Company celebrates 80 years in the meat packing business. Through the years, Armour has grown with America—kept step with our nation's progress. Today, the Armour label is known everywhere as a sign of the best in meats, shortenings and dairy products. And so it will continue to be known—as Armour goes on producing always finer foods for American tables.

The best and nothing but the best is labeled ARMOUR★

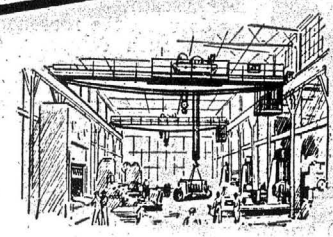
1867 ARMOUR'S 80th ANNIVERSARY 1947



FREE ENTERPRISE MEANS:
Better products for more people at lower costs

START A BUSINESS ON A SHOE STRING?

THIS ONE STARTED ON A BROKEN ROPE!



It happened back in '87 — here in Milwaukee.

The workers in a big machinery plant, went about their work, unknowing that above their heads, on the big traveling crane, a rope was giving way!

It broke, it snapped without warning, plunging its load on the helpless workers below!

Tragic? Of course. Yet this very incident led to the building of a truly *safe* crane. A new company, Pawling & Harnischfeger, began what is today the largest overhead crane business in the world!

Free enterprise did it. The freedom to take an idea from a shoe string to success, the American way, with *new jobs* for American men and women, *new and better products* for them to enjoy.

Today the *American* working man, working one day a week less than his luckiest rival, draws more than double the pay! He and his fellow Americans constitute less than 7% of the world's population, yet they own most of the world's radios . . . *more than half* of the world's telephones . . . *three-quarters* of the world's cars!

Nor is this the end. Free enterprise holds promise of still more plenty, for still more people — in the American way. We have only to keep it free.

P&H HARNISCHFEGER

Manufacturers of
Overhead Cranes • Electric Hoists
Excavators • Welding Equipment
MILWAUKEE 14, WISCONSIN

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Business and Finance Speaks After the Turn of the Year

(Continued from page 436)

BERNARD F. GIMBEL

President, Gimbel Brothers, Inc.

The progress of our nation's business in the year ahead—and that includes both retailing and other businesses—is dependent upon the vigor of our private enterprise system.

Bernard F. Gimbel

Following the war's end we have faced internal readjustments of a magnitude beyond anything which those living today have ever seen in a period of peace. We must cease to think in terms of war. Labor, represented by millions of workers and their families, and capital, represented by owners of businesses and millions of stockholders and their families, must not be opponents in a battle for survival. Instead, they can and should join as friends in the making of prosperity. Happily signs are not lacking that the lessons learned by both management and labor will avoid a repetition of this year's strikes, costly alike to the combatants and to innocent bystanders. Recent statements by leaders of both sides encourage the hope and belief that the approach to composing their inevitable differences will be characterized, as it should be, by good will and cooperation rather than hostility and antagonism.

Certainly in the field with which I am familiar, we see no let-up in the demand for goods, while at the same time we are able to procure for our customers more and more of the goods which they demand. We look foward to a year of good business in 1947.

CHARLES J. GRAHAM

President, The Pittsburgh & West Virginia Railroad Co.

Railroad prospects for 1947 rest upon (1) traffic volume, (2) the attitude of railroad labor, and (3) the cost of material and supplies.

Charles J. Graham

As to the first, all indications point to a satisfactory level of traffic, barring a repetition of destructive and unnecessary work stoppages.

As to the second, it seems not at all unlikely that the rail brotherhoods will come forward with new wage demands, and possibly some new "featherbed" rules. Much depends upon the reasonableness with which such demands, should they materialize, can be adjusted.

As to the third, any substantial increase in cost of production on the part of those who furnish the railroads with materials and supplies must, almost certainly, be reflected in costs to the railroads.

Item (1) seems favorable. Items (2) and (3) are imponderables. They are both of major importance. More than anything else, the 1947 prospects, for railroads as well as business and industry in general, depend upon the degree to which organized labor can approach mutual problems in a spirit of cooperation and understanding. Wages cannot be increased without increasing prices, except on one condition—greater productivity per man-hour *paid for*.

Unfortunately, there is at the present time little, if any, evidence that we may in 1947 look forward to any such development.

GEORGE H. GREENWOOD

Chairman, The Pacific National Bank of Seattle

As far as the banking business is concerned the outlook for 1947 seems reasonably clear. Deposits will resume their normal rate of increase resulting from production and profit. The feverish increase of the war period is a thing of the past. Bank earnings will be reduced somewhat because of lowered revenues and increased expenses. Loan demand will continue to be fairly strong, especially in the field of individual borrowing.

Geo. H. Greenwood

The state of general business will be dependent pretty largely upon two factors: one of these is the attitude of government toward business, which promises to be somewhat more friendly than it has been for the past 15 years; the other is the relationship between business and labor. The interest of both parties is to make this relationship more harmonious and it is to be hoped that some progress in this direction will be made during the year. It is likely, however, that the early part of the year will be characterized, as for the past year and a half, by labor disturbances both large and small.

The price level has gone so high that a turn is almost certain. Consumer resistance is likely to bring this about if nothing else does. How far the price recession will go no one can say. While the price decline might cause some upsets, on the whole it would be wholesome and desirable.

Internationally there is reason to hope that world trade will improve slowly and spottily. In this field, however, much remains unsettled and it is too much to expect that a smooth flow of goods between nation and nation can be expected.

Money rates have already stiffened somewhat. They can be expected to firm up a little more during the coming 12 months.

GEORGE GUND

President, The Cleveland Trust Company

The current position of our economy presents many maladjustments that must be faced in the new year. We find ourselves in a distinctly abnormal and artificial period which is a natural aftermath of a long, all-out war. Also, we are beginning to work free of a gigantic federal bureaucracy that forced upon us a planned economy under a strong central government. I believe our thinking is straightening out, and the normal forces of our American system are again coming to the front. For over a century these forces have brought us nearer than any other to providing an abundant life.

George Gund

During the past year, I have spoken and written often of the dangers of inflation to our national and world economy. In my discussions I pointed out a number of actions I considered fundamentally important, and I am glad to observe that the trend in this direction has already begun. For instance, I made the statement that "Recognition by our government that price control without wage control is meaningless." As you know practically all prices have now been de-controlled.

I also expressed the opinion that there should be an end to the endless creation of purchasing power that has no relationship to the volume of goods and services produced by the country—arising from continued deficits on the part of government that finds the borrowing habit politically easier than setting its house in order and living within its income. Government economies and real budget balancing are definitely high on the agenda when the 80th Congress meets.

Most of all we must have maximum production of goods and services at the earliest possible date. Crippling disagreements will not bring this about. Our maladjustments seem to be reflected in restlessness, industrial strife based on all sorts of demands, and in many cases low worker efficiency. While we want to enjoy our individual freedom, we must be ever aware of the fact that in our complex living of today, we are in large measure interdependent on many groups of workers. Pressures from special groups must not be allowed to upset the intricate and delicate balances of our economy. And this achievement would be for the good of all groups.

We in America are backed by the largest volume of liquid capital the world has ever known. There should be a willingness on the part of both the consuming public and all business, as well as all workers, to avoid competitive bidding, which only starts a vicious cycle of inflated prices.

The American public is slow to anger, but should prices boom too high, a buyers' strike could result, which would bring all prices down too fast and usher in a recession which might easily become as real a depression as that of the early 30s. This we must avoid if it is humanly possible.

The world, not just our nation, is impoverished by the war. There is a vast potential market with a genuine purchasing power far beyond anything we have ever seen before. Our real job is to keep the wheels of industry turning **uninterruptedly** so that our citizens will be working steadily. We all fought a good and just fight. And if we could do that, we can, with equal zeal put up a good and just fight to win and keep the peace. But we must work and we must produce the goods so sadly needed both here and in nearly every country of the world.

After several years of government price fixing in a sellers' market many busines men are finding it difficult to adjust to competitive conditions in peacetime markets. It is decidedly erroneous to think that costs directly determine selling prices. In a competitive economy that does not necessarily follow. In some segments of our economy a high price structure has been created, and marked price disparities exist among various groups of commodities. The distortions and artificialities are certain to be worked out in time, and I feel confident that some of these maladjustments will be worked out in 1947, if business and industry is given a fair chance.

To those who for the past years have held steadfast to the belief that this nation's continuous progress is inevitable and outlives any single generation of men or any set of conditions, the outlook as we start another year, is encouraging, and in my opinion, favorable for establishing new high records of prosperity.

Let's all get to work. We shall be glad we did in 1948.

LEWIS G. HARRIMAN

President, Manufacturers and Traders Trust Company

The banking business is rapidly returning to a peace time basis. While banks will continue to be substantial holders of U. S. Government obligations, the emphasis is now on serving the financial needs of business and individuals. Earning assets generally have decreased as a result of the Treasury's debt reduction program. There has been a decided gain in the ratio of loans and mortgages to Government Bonds held and this trend should continue. Credit is being freely extended but with a greater degree of selectivity and caution. We appear past the peak of minimum money rates but rising operating costs and a stabilized level of deposits will temporarily tend to restrict an increase of bank earnings.

Lewis G. Harriman

The background for business is good. The November election clearly expressed the public's desire for orthodoxy in government and business and an economy based on the capitalistic system and sound fiscal policies. If the coal strike marked the climax of labor troubles, we can hope for less work interruptions in 1947 and a better alignment of the rights and responsibilities of organized labor. Nineteen forty-six was a year of human and social adjustments in which individuals and groups were getting gack into the groove of peace time thought and way of life. Nineteen forty-seven will see this carried through into the price, inventory and supply and demand factors of business. We may witness a temporary recession but it should mark the beginning of healthy postwar economy and not the preface of depression.

ROBERT M. HANES

President, Wachovia Bank and Trust Company

Labor holds the key to business prospects for 1947. If labor leaders, pursuing their domineering tactics, demand the 25% wage boost they have announced and stage more strikes, then we can expect curtailed production, more price increases, and substantial unemployment in the year ahead.

Robert M. Hanes

If, on the other hand, labor is reasonable in its demands, takes cognizance of the mounting impatience of the public and the Government, and decides to go to work, producing much needed goods on an efficient basis, then a sharp recession in the readjustment period can be avoided, and the prospects for good business in 1947 will be much brighter.

The recent defeat of John L. Lewis and his conviction in court will surely serve as a warning to those who would challenge the sovereignty of our Government and selfishly seek to strangle our whole economy.

Again we have seen the evil effects of uncontrolled power wielded by an unscrupulous dictator. Our forefathers, in establishing a new government on this continent, knew the evils of uncontrolled power, and they established a system of checks and balances on the power of government. At one time it was said that large business organizations wielded too much power and this power was curbed through the anti-trust laws and other regulatory legislation. For nearly 14 years, power in the hands of labor leaders has not only been uncontrolled, but has been stimulated and augmented by political leaders and government agencies. The new Congress must act to place adequate controls over such power if the best interests of labor, government, and the public are to be saved.

Assuming that we solve our major labor problems, we shall move rapidly from a sellers' to a buyers' market in most lines in 1947. Automobiles and construction may continue to be bottlenecks for some time with excess demand over supply, but even here the picture can change rapidly. This means that producers and distributors must use every effort to improve quality and to stabilize or reduce prices. Buyers are quickly becoming more quality and price conscious. It means that caution must be used in building inventories, that every possible operating economy be adopted that will not destroy quality of service or product, and that aggressive merchandising and selling must again be employed in business.

The lush days are over. It is better for all that this is true.

Should we experience a recession in 1947, it should take no one by surprise, for certainly it has been widely predicted. Perhaps the widespread warnings may prove salutary and serve to bring about needed corrections in advance. Labor may see the handwriting on the wall.

Certainly some of the necessary readjustments and corrections have been or are being made. The stock market led the way and gave notice that important changes would follow. Agricultural commodities have receded substantially from recent high levels. There have already been price corrections in a number of luxury lines. Retail merchants are more cautious in building their inventories and industry has made many

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Economic Interpretation of the Wagner Act

(Continued from page 437)

unfair labor practice, and who has not obtained any other regular and substantially equivalent employment,

Comment—Note the width of the definition of the term "employee." Because of its width and implications, many potential workers are encouraged to become charges on society rather than to accept available work. By vesting a worker who has left his job with the status of "employee," the law encourages strikers to prevent willing workers from accepting employment. Such interference with the rights of willing workers and employers works to the economic detriment of the entire nation.

NATIONAL LABOR RELATIONS BOARD

The Board may, by one or more of its members or by such agents or agencies as it may designate, prosecute any inquiry necessary to its functions in any part of the United States. A member who participates in such an inquiry shall not be disqualified from subsequently participating in a decision of the Board in the same case.

Comment—Because of this provision a Board member can act as both prosecutor and judge.

RIGHTS OF EMPLOYEES

Sec. 7. Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection.

Comment—This merely describes a right which employees had before the passage of the Act, and which was not conferred upon them by the Act.

Sec. 8. It shall be an unfair labor practice for an employer—

(1) To interfere with, restrain, or coerce employees in the exercise of the rights guaranteed in section 7.

Comment—It is a valid function of law to prohibit any person from coercing another, or from interferring with another, when he exercises his rights.

(2) To dominate or interfere with the formation or administration of any labor organization or contribute financial or other support to it: Provided, That subject to rules and regulations made and published by the Board pursuant to section 6 (a), an employer shall not be prohibited from permitting employees to confer with him during working hours without loss of time or pay.

Comment — Unions have frequently interpreted the proviso as a license to process grievances. Grievance procedure has, therefore, in many cases, assumed wasteful characteristics. Many union workers have spent much time away from duties, either processing "manufactured" grievances, or just loafing. The cost of such wasteful activity is either passed on to the public in the form of higher prices, or higher taxes, or it reduces the profits of business.

(3) By discrimination in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization: Provided, That nothing in this Act, . . . shall preclude an employer from making an agreement with a labor organization (not established, maintained, or assisted by any action defined in this Act as an unfair labor practice) to require as a condition of employment membership therein, if such labor organization is the representative of the employees as provided in section 9 (a), in the appropriate collective bargaining unit covered by such agreement when made.

Comment—This subsection is uneconomic in its effect in that it gives legal sanction to the closed shop. The closed shop is a monopolistic tool used by unions to interfere with the right of workers to sell their labor to employers. Any monopolistic tool used effectively in the economic sphere restricts production, and thereby operates to the economic detriment of the nation. It follows that any community having an unduly high proportion of closed shops is thereby handicapping itself in the race of economic progress.

(5) To refuse to bargain collectively with the representatives of his employees, subject to the provisions of section 9 (a).

Comment—If the Wagner Act may be said to contain "teeth," this provision is certainly the largest fang. As fangs usually are, this one is well laden with poison, a sufficient amount, in fact, to seriously cripple our industrial, free-enterprise society, and to send us further down the road to communism. This provision makes a mockery of any logical concept of equity.

Any employer, desirous of remaining in business, is continually anxious to reach equitable bargains with workers either as individuals or as members of groups. The very continuance of his business depends upon his success in so doing. If he fails, he does not have a labor force.

This provision subjects the

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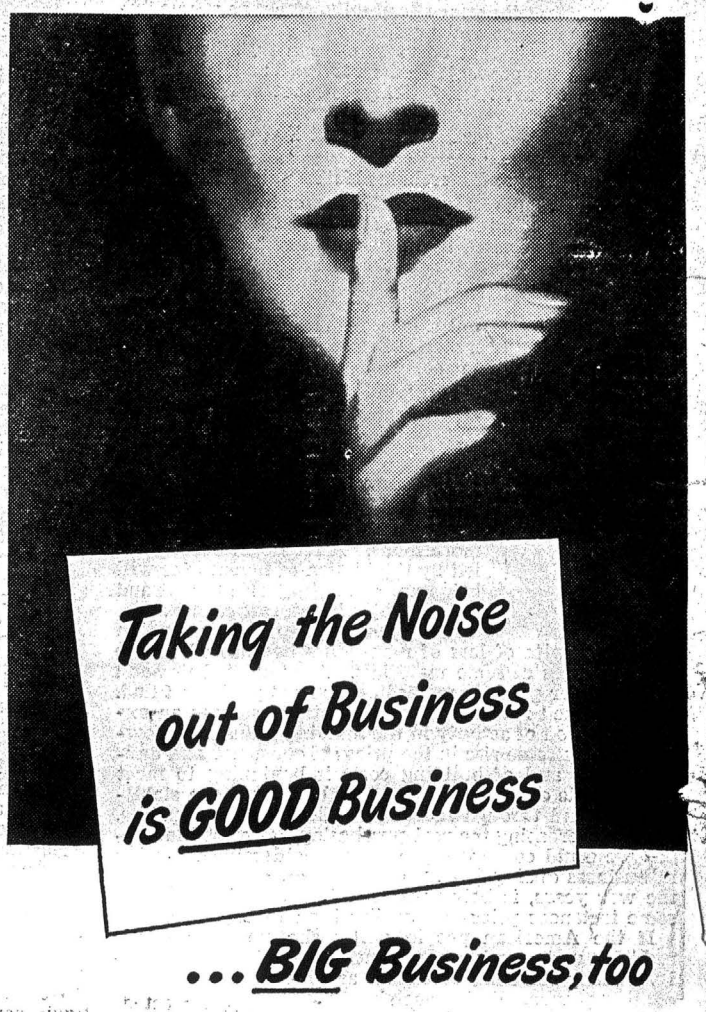

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Business and Finance Speaks After the Turn of the Year

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readjustments since the removal of controls. Some of the shake-down, therefore, has been accomplished.

On the other hand, as we study economic history we find that sharp recessions usually follow the kind of inflationary boom we have recently experienced. There is considerable postponement of new building and plant expansions because of excessive costs. When it becomes apparent that better goods will be available at lower prices, the public may defer some of its demands.

While economists may differ about the pattern for next year, all seem to agree that the long-range picture for business is good. There is unsatisfied needs in every phase of our economic life, and there is a huge volume of accumulated savings and credit available to satisfy the needs.

I believe that the year ahead will offer many opportunities for progress and prosperity in the business that is well managed, that operates efficiently, that aggressively sells its products or its services, and is flexible enough to adjust itself quickly to meet changing conditions.

H. HITER HARRIS

President, First and Merchants Nat'l Bank of Richmond

Commercial banks generally are entering the New Year in good condition. They have just passed through a year which resulted in a substantial reduction in their total deposits, naturally accompanied by a decline in earning assets. This decline in deposits did not occur until late in the year, so with a material increase in volume of loans, in some cases at slightly higher rates, earnings for the year compared favorably with those for 1945, in spite of higher operating costs.

H. Hiter Harris

It does not take a prophet to say that in 1947 general business conditions will exert a powerful influence upon bank operations. An increasing volume of business will mean more loans. A recession accompanied by liquidation of inventories will bring about a falling-off in loans and consequently in interest earned.

Employment is up and production is high in spite of loss of man-hours because of strikes and shortages of some materials. Accumulated demand for consumer goods in many lines has not yet been filled. The increased need for houses seemingly assures an extended period of activity in the building industry. However, the extreme rise in the prices of consumer and durable goods and of building costs is beginning to meet considerable consumer resistance. Unless we can stabilize costs and through increased efficiency lower prices, thereby increasing the real purchasing power of the people, we could conceivably have a considerable recession in business during 1947. Competition, dormant during the war years, is being restored in many lines, and in some instances price-cutting has been in evidence.

If the American people will make up their minds really to go to work, our production will increase rapidly, thereby reducing unit costs and increasing real purchasing power. Under such conditions there should be little justification for a recession in business this year.

Unquestionably, the prices for many farm products in 1947 will be less than in 1946. However, if weather conditions are favorably, the income of farmers generally should compare most favorably with prewar years and be sufficient not to affect seriously the purchasing power of that great unit of our people.

All factors considered, there seems reasonable assurance that 1947 as a whole will turn out to be a very good year for business generally. Commercial banks, who are ready and able to meet legitimate needs of industry, should, of course, follow developments closely and use somewhat more than ordinary care in handling loan applications until some of the uncertainties are cleared up. With decreased earning assets and operating costs continuing to rise, banks generally can hardly expect net profits for 1947 to reach those for 1946.

JOHN A. HARTFORD

President, The Great Atlantic & Pacific Tea Company

America will continue to be the best fed nation in the world in 1947, with farmers and processors approaching their record 1946 production levels.

Consumers can look forward to adequate stocks of almost all foods, including those in short supply during the war, and can expect new shopping conveniences in finer food stores. The entire food industry is embarked on an era destined to contribute substantially to the improvement of production and distribution methods.

John A. Hartford

Ten years ago the advent of the super market introduced true mass distribution to the food field. The next few years will see a refinement of all the techniques involved in this development.

The food outlook with respect to production, distribution, packaging, retailing and public service, may be summarized as follows:

1. The Department of Agriculture predicts that although 1947 food production may not reach the record 1946 level, the amount available for domestic consumption will be approximately the same because of the probability of reduced exports and the availability of improved farm and processing machinery. Per capita food consumption in 1946 was estimated at 15% above the pre-war average.
2. Reduction of waste and retention of quality in the movement of perishable food into retail channels are indicated by speedier, more efficient distribution methods. Immediate improvement should result from the use of new lightweight box cars, refrigerator cars and trucks. This will be supplemented by more direct routing of perishables from farm to retail store, by-passing even the warehouse wherever practicable. From the long-range viewpoint A & P experiments with Wayne University, in the field of air freight, indicate a good future market for some airborne perishables.
3. Outlook is for further experimentation in the sale of food in consumer-size packages. The company will continue its joint research with officials of Ohio State University on prepacked vegetables in anticipation of the day when it may be practicable to trim, wash and package farm produce on the farm. Initial results from freezing and packaging freshly caught fish, give promise of providing consumers in all sections of the country with top-quality seafood and should mean an expanded market for the fishing industry.
4. Availability of building supplies should expedite the development of finer food stores during 1947. The first super markets ten years ago were, for all practical purposes, not retail stores, but warehouses engaged in retailing. The new food store offers a greater volume and variety of food than the old super market, and also brings the customer every shopping convenience that modern equipment and methods make possible. The company's new stores, for example, contain ten complete departments, including lines of food not previously offered, where the consumer can obtain all her food supplies under one roof.
5. Improved service to customers will result from a better physical setup of food stores. This trend is further accelerated by the return of experienced employees from the armed services. More than 27,000 A & P employees served in the armed forces, and veterans now constitute nearly one third of the company's entire personnel. Employee training programs inaugurated in recent years should result in still further improvement in service to customers.

These new developments require the close cooperation of all branches of the food industries and as a matter of long-standing policy, we consider the retail food store a laboratory for agriculture and a proving ground for consumer preference.

Time and again we have participated in marketing experiments with farm organizations, Federal and state departments of agriculture and agricultural colleges to help growers tailor their crops to suit consumer tastes and at the same time find new ways of reducing the waste and spoilage that continue to take a heavy toll of the nation's food supply.

Teamwork of progressive farmers and processors and marketers has always paid dividends to the consumer. It is clearly our mutual responsibility to continue applying every new facility at our disposal to the tremendous job of feeding America.

HARRY B. HIGGINS

President, Pittsburgh Plate Glass Company

Expansion of production facilities and the acquisition of an industrial paint producing company and a brush manufacturing firm during the past business year have enabled the Pittsburgh Plate Glass Company to surpass former production records in glass, paints, chemicals and brushes.

H. B. Higgins

Completion of a new paint manufacturing plant at Springdale, Pennsylvania late this winter, at a cost of $1,750,000, will further expand the Pittsburgh Plate Glass Company's productive capacity in the critically short paint and varnish industry.

A major competitor in the paint and varnish industry, the company currently is operating paint manufacturing plants at Milwaukee, Detroit, Houston, Dayton, Los Angeles, Portland, Pittsburgh, and Newark, New Jersey.

Acquisition of the M. B. Suydam Company, 114-year-old manufacturer of industrial finishes, was consumated during the past half year. Now operating as the company's M. B. Suydam Division, the unit's production facilities are located at Pittsburgh, Pennsylvania.

The recent purchase of the Morck Brush Manufacturing Company of San Francisco, California, which is now operating as the Morck Brush Division, gives the comuany brush manufacturing facilities on the West Coast to permit more rapid delivery and better service to brush customers in the area west of the Rocky Mountains.

Newest product of the paint division is a recently introduced single-coat oil base wall paint manufactured by the polymerization process. Commercially known as "One-Coat Wallhide," the new paint attains greater hiding power through formation of larger molecules in the paint composition.

With the nation's home builders and industrial concerns making unprecedented demands for paint and varnish products, the firm's paint division anticipates constant employment and further expansion of existing facilities.

Located on the site of Works No. 1, at Creighton, Pennsylvania, where in 1883 plate glass was first successfully produced in the United States, the firm's glass division operates its large research laboratory. One of the products recently developed there is a double-glazed window insulating unit known as Twindow. Designed as an efficient thermal and dust insulation unit, the product is a new type window composed of two or more plates of glass enclosing a quarter-inch or half-inch hermetically sealed air space. With architects specifying greater use of glass in nearly all postwar commercial and residential structures, Twindow will aid in reducing heating and air-conditioning costs.

Demand for the double-glazed product has resulted in construction of a $750,000 plant (at Creighton, Pennsylvania) designed exclusively for the production of Twindow. CPA approval for the construction has been granted and preliminary work on the building's construction has been started within the past few months. When peak production is reached, 300 persons will be employed at the new plant.

Within the past several months the company's Columbia Chemical Division completed arrangements with the government's Reconstruction Finance Corporation for the acquisition of a large chlorine and caustic soda producing plant at Natrium, West Virginia. The plant was built and operated by Columbia for the government's Defense Plant Corporation under a contract which included an option to purchase.

Located on the Ohio River approximately 30 miles south of Wheeling, the construction of the plant was started late in 1941 when critical shortages of chlorine and caustic soda, vital basic materials, threatened to slowdown production of materials needed for the country's war machines. Today, the need for chlorine and caustic soda is just as urgent for such heavy consumers as rayon, plastic, soap, chemical, synthetic rubber, and commercial dye producers as it was during the war years.

The purchase of the Natrium plant is the first step in the Chemical Division's expansion program, a program designed to meet the demand of industry for basic materials which are still critically scarce.

The demand continues to be heavy for all of the company's products. It is obvious that the construction industry has not yet even begun to reach its peak, and our paint and glass products are essential for house, industrial and commercial construction.

In addition, automobiles are using increasingly large areas of glass, which is of considerable importance to our glass division, and when the automotive industry is able to increase their production, this will be advantageous to our Ditzler Color Division which is a major supplier of automotive finishes.

The outlook for 1947 is quite favorable for all operations of the Pittsburgh Plate Glass Company if production and marketing can proceed unhampered.

J. B. HILL

President, Louisville & Nashville Railroad Company

The Louisville & Nashville obtains about half of its traffic from the products of mines. So far as I am able to judge, the demand for coal will continue high during 1947. I am also sanguine that the volume of other traffic will hold up reasonably well. I am, therefore, anticipating a good volume of traffic on this railroad for the year 1947. I well know, however, that this is merely a guess and do not attach too much significance to my opinion.

J. B. Hill

W. T. HOLLIDAY

President, The Standard Oil Company (Ohio)

Demand for the oil industry's products during the past 12 months was not only substantially above that of any previous peacetime year but also exceeded the peak war year. To satisfy such demand, crude oil production and refinery runs were greater than ever before. However, inventories were maintained in reasonable balance with the result that production and refining in the period ahead can be closely related to actual consumption requirements.

W. T. Holliday

The importance of the petroleum industry in our economy was well demonstrated in 1946 when the demand for its principal product, gasoline, ran substantially above the demand of the last non-rationing year, 1941, despite the fact that relatively few new automobiles had been produced in the intervening four years. Older cars, pushed hard in many instances during the war years by the needs of their war-worker owners, were given further periods of usefulness by the larger production of replacement tires and batteries, and the improved avail-

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employer not to bargaining, but to coercion. If he does not continually acceed to an endless series of union demands, he may, because of this provision, be subjected to a charge of committing an unfair labor practice.

REPRESENTATIVES AND ELECTIONS

Sec. 9. (a) Representatives designated or selected for the purposes of collective bargaining by the majority of the employees in a unit appropriate for such purposes, shall be the exclusive representatives of all the employees in such unit for the purposes of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment.

Comment—It is in this section that the rights of individual workers, and those who constitute minority groups, are drastically restricted. In the light of this provision, which compromises the individual worker's freedom to sell his labor, it is ironical that the Wagner Act is sometimes referred to as the Magna Charta of labor.

Provided, That any individual employee or a group of employees shall have the right at any time to present grievances to their employer.

Comment — This proviso has thus far proved quite ineffective in protecting the rights of individual workers, that is in negating the effect of the preceding part of Section 9 (a).

(c) Whenever a question affecting commerce arises concerning the representation of employees, the Board may investigate such controversy. . . . In any such investigation, the Board shall provide for an appropriate hearing upon due notice, either in conjunction with a proceeding under section 10 or otherwise, and may take a secret ballot of employees, or utilize and other suitable method to ascertain such representatives.

Comment—It may be asked if the phrase "any other suitable method to ascertain such representatives" does not give to the Board a latitude of power too wide to be economically desirable.

PREVENTION OF UNFAIR LABOR PRACTICES

(b) Whenever it is charged that any person has engaged in or is engaging in any such unfair labor practice, . the Board, . . . shall have power issue and cause to be served upon such person a complaint stating the charges in that respect, and containing a notice of hearing before the Board. . . . In any such proceeding the rules of evidence prevailing in the courts of law or equity shall not be controlling.

Comment—It may be asked why "in any such proceeding the rules of evidence prevailing in courts of law or equity shall not be controlling."

(c) . . . If upon all the testimony taken the Board shall be of the opinion that any person named in the complaint has engaged in or is engaging in any such unfair labor practice, then the Board shall state its findings of fact and shall issue and cause to be served on such person an order requiring such person to cease and desist from such unfair labor practice, and to take such affirmative action, including reinstatement of employees with or without back pay, as will effectuate the policies of this Act.

Comment — Many workers have been encouraged to become charges upon society, rather than to accept available employment, because of the phrase "and to take such affirmative action, including reinstatement of employees with or without back pay."

No objection that has not been urged before the Board, its member, agent or agency, shall be considered by the court, unless the failure or neglect to urge such objection shall be excused because of extraordinary circumstances.

Comment—This provision vests the Board with a substantial amount of bureaucratic power, because it subjects employers to the preliminary preparation of legal cases, whenever the whims of the Board shall so dictate.

INVESTIGATORY POWERS

(1) The Board, or its duly authorized agents or agencies, shall at all reasonable times have access to, for the purpose of examination, and the right to copy any evidence of any person being investigated or proceeded against that relates to any matter under investigation or in question. Any member of the Board shall have power to issue subpenas requiring the attendance and testimony of witnesses and the production of any evidence that relates to any matter under investigation or in question, before the Board.

Comment—It may be asked whether the bureaucratic power vested in the Board by this provision is not inconsistent with the social and economic welfare of the people of the United States.

USES Booklet Analyzes 51 Industrial Films

The know-how of operations in 18 industries is explained in a series of 51 private industrial films analyzed by the United States Employment Service and described in a USES booklet "Industrial Films — A Source of Occupational Information." The booklet, according to the Employment Service advices, evaluates the effectiveness of the films in presenting job and process information for such industries as abrasives, brushes, clocks, construction, cooperage, food products, furniture, lumber, mining, paper and pulp, petroleum, plastics, printing, railroads, rubber tires, shoes, steel and textiles." The advices also said in part:

"Many of the films have had nationwide circulation because of their popular appeal, but they have permanent value for vocational guidance counselors vocational training and engineering teachers and personnel directors. The titles include: "Steel—Man's Servant," produced by United States Steel Corp.; "Deep Horizons," produced by the Texaco Co.; "Trees and Homes," produced by the Weyerhaeuser Lumber Co.; "Green Giant," produced by the Minnesota Valley Canning Co.

The Industrial Films booklet was planned to acquaint those persons whose line of work requires that they know facts about jobs and industries with the value of films in presenting those facts.

"The major part of the publication is made up of the film descriptions and evaluations in which are included indications of the jobs most clearly shown and details on who distributes the films, rental and transportation charges, etc. The rating scale which was used in previewing the films and an audience response check list are shown in an appendix. Another appendix presents a list of periodicals and catalogs containing references to other industrial films. And for those new to handling films, there is information on ordering, caring for, and returning films."

The publication is available through the Superintendent of Documents, United States Government Printing Office, Washington 25, D.C., at 20 cents per copy.

Cotton Crop Report As of November 1

A United States cotton crop of 8,482,000 bales is estimated this year by the Crop Reporting Board of the Bureau of Agricultural Economics based upon information reported by ginners and farmers as of Dec. 1. The indicated 1946 crop is only 5,000 bales less than the Nov. 1 forecast, and 5.9% less than last year's small crop of 9,015,000 bales. It is about one-third smaller than the 10-year average, and only 537,000 bales more than the 1921 crop which was the smallest since 1895. The lint yield per acre, computed at 230.7 pounds, is lower than any year since 1936, and compares with 253.6 pounds harvested last year and the 10-year average of 243.8 pounds.

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Business and Finance Speaks After the Turn of the Year

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ability of spare parts and repair service. The American car owner indicated by his consumption of gasoline that his desire for automobile travel has not decreased during the war years. As the production of new automobiles increases, the demand for gasoline can be expected to show further growth.

The greater use of fuel oil for the heating of homes, apartments and commercial buildings is continuing and will result in an increasing demand for this product. Similarly, the growing mechanization of farm operations indicates more demand for petroleum products from the agricultural areas. There is also a trend toward greater use of diesel oil for locomotives, heavy trucks, industrial power units and all types of construction machinery.

The industry has a substantial new construction program ahead of it, part of which will be under way during 1947. Marketing facilities, construction of which was curtailed during the war years and restricted during 1946, must be expanded and in many instances, rebuilt. More efficient distribution facilities, including product pipe lines, will be added. Crude oil pipe lines must be extended to new producing areas as they are developed. Much expansion of refinery capacity will be undertaken, utilizing the technological developments of the war years, and it appears that in the year ahead the trend will be toward higher quality of gasoline and other products as more new capacity comes into operation. This keen competition on quality will continue the industry's record of constantly supplying its consumers with better and better products.

The supply and demand factors of the oil industry appear to indicate a continuation of the favorable operating results of the past year. Since the industry represents such an important segment of our national economy its final results for the year will depend on the level of general business activity and the economic health of the nation as a whole.

CHARLES R. HOOK

President, The American Rolling Mill Company

As we approach our second year of peacetime production the need for steel indicates the Steel Industry's capacity would be fully occupied through 1947 at least. There is a great need for steel all over the world for reconstruction and to fill the vacuum which has been created during the war for all kinds of products made of steel.

Charles R. Hook

We all know of the pressing need for new homes. This need is becoming more urgent due to the increase in families during and since the war. There is need for expansion in the capital goods industries, for plant replacement of equipment worn out during the war or which is now inefficient through advancements in science or more efficient methods of production. There is need in the fields of transportation and public utilities to enable these important factors in our economy to reach their desired objectives.

The need for steel is typically illustrated in one of our largest steel consuming markets—the Automotive Industry. It will take several years of high level production to put on the highways the number of cars and trucks that were there in 1941, not to mention the additional number that are justified by our larger population and increased purchasing power. The same holds true for a large variety of industrial and household appliances and other consumer durable goods that go to make up our high standard of living in this country.

During this past year there has not been enough steel for industries using this product to meet their production programs. There were practically no inventories of steel and the products made of it in the channels of trade at the end of the war.

Industries consuming steel had been geared to produce peacetime products in larger volume than ever before. This, along with 12 million tons of steel which was lost as a result of the coal and steel strikes alone created an acute shortage. The effects of these three major strikes, not to mention others in related industries, will be felt for a long time in this nation in a variety of ways.

Think of the many thousands of automobiles, refrigerators and various articles the public so badly needs which could have been made from this steel had it been produced.

The American Steel Industry has the capacity to produce approximately 92 million tons of ingots a year from which it can deliver about 65 million tons of rolled steel products. This equals the capacity of all the other nations of the world combined. One would have to be unusually optimistic to believe this large tonnage will not take care of our needs when the shortages as a result of the war have been overcome.

The Industry is spending millions of dollars for additional processing capacity in order to get greater efficiency and lower costs. It is estimated the steel companies will spend more than 325 million dollars for modernization and expansion of equipment during 1946. It is planned to spend many millions more in 1947 also.

The steel product which is probably in the greatest demand in relation to supply is sheet steel, and the Steel Industry is further demonstrating its confidence in the future as shown by its expansion in facilities to increase its production of flat rolled steel.

During the war the Industry's ingot capacity was increased, but the wartime steel needs did not permit an increase in sheet and strip facilities. Sheets are used so extensively in our daily lives for the manufacture of such products as automobiles, stoves and numerous other articles that the pressure for sheets has been extremely acute. This situation is being remedied as rapidly as possible, and when the new equipment to make more sheets is installed, the capacity will have been increased over 20% to approximately 20 million tons a year of flat rolled steel in various grades.

The need for steel is evident, but the pent-up demand, of course, must be accompanied by the ability and desire of the consumer to purchase if we are going to continue to produce in large volume. In that respect, too, the prospects seem encouraging. In 1940 our total national income was around $78 billion. This year it will probably be close to $165 billion—more than double our last peacetime year. If we reconcile the price rises, it is still more than 50% higher. It is estimated at present next year's national income may reach approximately $175 billion.

We all know that as a whole manufacturers, wholesalers, retailers and consumers have more liquid assets today than ever before. If they are not dissipated by adverse economic conditions, we have the basis for good business for several years ahead.

Now while the Steel Industry has the markets that need its products and users have the ability to pay, what can prevent utilization of its facilities in full? As I see it, there are two closely interwoven factors that might seriously affect steel production, and if steel production is hampered, almost all industry will be affected also.

First, there is a possibilty that production of steel will be curtailed by strikes which may be called because of the inability to reach an agreement on wages. Second, if wages are increased without a corresponding increase in production per man-hour, costs will increase and necessarily selling prices will advance. This will reduce purchasing power and volume. Unreasonable demands will play havoc in spite of the most urgent need for steel.

H. M. HORNER

President, United Aircraft Corporation

The most difficult period ever faced by United Aircraft Corporation since its founding is now behind us, and we hope that 1947 will show a substantial improvement not only in our own operating results but in those of the aircraft industry as a whole.

H. M. Horner

Our war time peak employment of 75,000 slumped sharply to 16,000 after V-J Day and has now climbed back to 25,000.

In the 16 months that have elapsed since V-J Day, we have had to convert to peace time operations an organization that had undergone more than five years of abnormal wartime growth and expansion. This has presented tremendous problems in the realignment of personnel, plant facilities, production lines, inventories, and in fact in all phases of our activities. We are not yet out of the woods, but the biggest part of the job is done and our production lines are beginning to roll smoothly on new postwar models of engines, propellers, and aircraft.

Our progress in 1947 will depend largely on three outside factors, in addition to our own efforts. One of these, of course, is military procurement. We believe that national security depends to a major extent upon air power; air power can be maintained only through a military procurement program of sufficient size to insure an adequate air force for immediate defense and to maintain a healthy industry which can expand rapidly and efficiently in case of an emergency.

The second factor is the growth and progress of commercial aviation air transportation, like the aircraft manufacturing industry, has faced great problems in converting to peacetime activities and expanding to meet the mushrooming requirements of a suddenly air-conscious public. Despite the magnitude of their job, the air lines in 1946 carried more passengers and cargo greater distances at higher speeds than ever before. In 1947 they will put into service large numbers of new postwar transport aircraft (a majority of them powered by our engines and propellers), and with this new equipment we believe they will further improve both the quality and the volume of their service.

The third factor, and most important of all, is the general state of the nation. Our industry is dependent for its existence on many others—steel, aluminum, coal, oil, machine tools,—as well as upon thousands of subcontractors, large and small, scattered throughout the country. We can progress and prosper only as fast as the nation as a whole moves toward more stabilized management-labor relations and toward uninterrupted production.

If these things all work out reasonably well, we believe that United Aircraft will turn the corner into reasonably satisfactory peacetime operations in 1947. Our faith in the long-term future of aviation is indicated by the fact that we are today investing more money than ever before in the research and development necessary to maintain technological leadership in the field.

B. G. HUNTINGTON

President, The Huntington National Bank

There appears to be hope and opportunity ahead if, as seems to be the case, the voters have concluded that borrowing to spend is not our way out of trouble, but that to get ahead and be prosperous, the United States, and anyone else, must pay expenses out of income year by year, and keep some income over to apply on debt, or to save for future emergencies.

B. G. Huntington

We must suffer for the destruction and extravagance of war. But if we could come to realize the challenge to us of a world half-destroyed and prostrate, looking to the United States for leadership — not for charity — the people of the United States of America might rise in their pride to show the world marvels of production, and what a revivifying prosperity they can create —if they want to.

B. BREWSTER JENNINGS

President, Socony-Vacuum Oil Company, Inc.

The United States petroleum industry looks forward to an increase in the demand for its products in 1947 as compared with 1946. The consumption during the past year was considerably in excess of what was anticipated at the beginning of the year. This was due partly to the high rate of industrial activity, the desire of motorists to use their cars for long-delayed pleasure trips and the unusually large demand for conversion of homes, commercial buildings and industrial plants to the use of oil for heating and power.

B. Brewster Jennings

We anticipate that, in 1947, there will be more automobiles in use than in 1946 as well as more new homes built or converted to oil from other fuels. Railroads and other users of diesel engines will contiue to expand their use of these engines and, therefore, will use more diesel fuel oils. The conclusion is that petroleum consumption should increase.

In 1946 there was an unusually large amount of finished petroleum products added to inventories, particularly in the heating fuel categories. Part of this increase resulted from the unusually warm weather during the latter part of the year as well as from strikes in shipping, which decreased the demand for heavy fuel oil. It may be possible to meet the increased demand during 1947 with slightly less refinery output within continental United States than was obtained in 1946. This will be partly because of the inventory situation and partly because of the additional supplies anticipated from heavy crude and fuel oil imports into the United States and from natural gasoline and other similar products. This is an important consideration because it indicates that refinery runs to stills will not have to be increased during the year nor will crude production generally have to exceed maximum efficient rates.

In foreign operations consumption of petroleum products is increasing and should reach levels substantially in excess of those anticipated. The rehabilitation of foreign plants is starting but a considerable export of petroleum products from the United States can be counted upon until a larger number of these plants are rebuilt or enlarged.

The industry has continued to devote a large and increasing expenditure for research and has developed new chemicals and products which should aid the general economy in the future.

SIGMUND JANAS

President, Colonial Airlines, Inc.

Aviation transportation companies certified by the United States Civil Aeronautics Board are facing in the next few months a most crucial test. Free enterprise, as represented by the American air transportation carriers, will come face to face with the competition of socialistic foreign-government-operated air transportation lines. Those who are pioneers in American aviation have no fear of the outcome providing they can receive from their own government the intelligent support and consideration to which they are entitled as America's first line of defense in war and business ambassador in peace.

American air transportation is, on the dawning of 1947, at the lowest ebb experienced since the cancellation of airmail contracts in 1934. This present situation facing the industry requires a realistic approach to the fundamental cause of the present troubles. Mounting labor costs in all departments of aviation transportation, increased cost of materials and equipment must be curtailed wherever possible if the industry is not to be throttled in its present stage of development.

The solution of these mounting costs does not lie in the increasing of rates but rests on the ability of the managements to increase the efficiency in operating methods and equipment operating costs and the increasing of traffic moving by air. It will require also on the part of the government a recognition that airmail is no longer a taxpayers' subsidy to an airline. The Post

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An Economic Picture of Europe

(Continued from first page)

the rubbish and so forth has been cleared away from these bombed-out areas so that the result is more of a picture of a peaceful pursuit.

Peoples Morale Improving

Therefore, I say that the morale of the people as a whole throughout the countries of Europe that I visited certainly is tending definitely upward. Now, I think the best thing I can do is to discuss each country as I took them in order of visit and naturally the first one was Sweden, as I took a little sojourn—boat this time (I have been traveling by plane many times)—and landed in Goteborg from the Swedish Liner Gripsholm.

Sweden is a lovely country to start, not only from the standpoint of the country itself but the air of prosperity that exists in Sweden. There is no question about it—they have a standard of living very comparable to our own over here. You get into a country where everybody is working, modern factories of all sorts, fine highways and a very energetic group of people. That will hit you on the surface.

Now there is, however, one trend. I am going to mention this right now because this trend of cooperatives which exists in Sweden is also taking hold in other European countries, mainly Switzerland and Denmark, and a few of the others. Swedish cooperatives have gained immensely. When I speak of cooperatives I am speaking of a group, a mass of the population first that went into the venture of pooling their purchases like our cooperative farm ideas here. But they carry it much further in Sweden. They carry it practically into all walks of life there and automotive as well, and they are very powerful to the extent now that the cooperatives through Sweden are building not one, but dozens of factories to produce goods that were formerly handled or imported or bought elsewhere by these cooperatives. And they enjoy this distinct advantage that they are a non-profit organization; so they are placed at a very undue advantage as compared to the private industries and it is something of concern to all Swedish industrialists.

American Cars Losing Out in Sweden

I thought I would bring that out now in Sweden because it applies to other countries as well over there. Now coming right back to our field of endeavor, namely the automotive picture. As you know, prior to the war I think automotive supplies, trucks and cars, particularly passenger cars, were close to 90% American-made in Sweden. That trend is going downward over there.

Now, I hope that it is only during the time that we are not able to get cars over there, but I think there is more than that, which underlies the picture. First of all, the taxation on the vehicles and gasoline in Sweden has been added to tremendously since before the war. And the result is that a car in Sweden for the rank and file is out of the question and has to be bought for business purposes only.

There is relatively a small percentage of the population that can afford a car for pleasure only, because today the gasoline price in Sweden, is equal to 48 cents a gallon—our gallon, speaking of the American gallon. I have tried to translate these approximately into our figures, 48 cents a gallon.

The taxes and so forth to bring a vehicle in there, plus the greatly increased price of our cars, has tended to reduce the prospect of selling a vast number of American cars to a greater number of people. However, there is one favorable trend, namely that the English cars or the French cars cost about the same.

I noticed, it was a rather odd situation—one large distributor there in Stockholm had a Ford 4-door sedan in the window and alongside it had one of these little Morris Cars, which I was calling puddle jumpers to my friends over there. But the price of those two cars delivered in Sweden was relatively near the same price; so a person picking a car would see that this Ford car was much better. But the mileage factor—the Morris was claiming 40 miles per gallon to the Ford's 18. That is a serious proposition to the Swedish market today and I think that is probably why I noticed quite a number of cars—speaking particularly of the passenger cars—of English and French make.

Of course, something that aggravates that situation is the inability of American producers to supply. On the other hand, I checked into the number of orders that were placed for American cars up to October 1st in Sweden—I mean the first year after the war. They had on order approximately 35,000 American cars and up to November 1st they had received deliveries of 4,500. That is about 12 or 13% of what they ordered; so there is still a terrific demand despite these rather discouraging factors about gasoline prices and other problems.

Now, in Sweden, you have today two manufacturers of automotive vehicles. The Volvo Car—they are at the present time building only trucks. They used to build a passenger car and they are going into production again this year. They build an excellent truck. There is also another truck there, the Scandia and it is a Diesel truck, and the Diesel trucks and busses are very prominent around Stockholm, Goteborg and so forth. Now to give us some idea how much emphasis they place on operating costs. The Scandia, a truck of about 5 tons capacity, sells in Sweden for 23,000 Swedish Kroner which is about $6,000.

Swedish Home Production

They can get a like capacity American truck for about 13,000 Kroner, or $6,000. But the Scandia is a Diesel and that makes a very great difference. I thought that might be interesting to you. Now, there is also another firm building a factory over there to produce a smaller car. That is a four-cylinder car. But there is also a group planning to build a two-cylinder car. These cars are going to be about the size of an Austin and I do not think the American producers are going to be harmed, as they are aiming for the bicycle and motorcycle trade in Sweden.

Those of you who have been over in Sweden know the number of registrations of bicycles and if you drive in Sweden you have 50 of them before and after you. Yet there is probably one thing I would mention in behalf of the excellent traffic conditions in Stockholm. I spent, I think, over 14 days in Sweden and a majority of that time in Stockholm and I think I can truthfully say I never heard a horn blowing in the streets of Stockholm. There is no law against blowing a horn, but the Government has requested the Swedish people not to blow their horns.

It is very orderly to the point that it amazes one. Of course, as you know, the highways of Sweden are excellent. They are mostly Macadam and they have their service shops along the way. I notice, for the benefit of the equipment people here, that there are quite a number of air compressors and so forth of Swedish make. But as to price, I find that they are somewhat higher than the American made compressors and there is still a preference from the people I have talked to for the American air compressors.

Of course, all the highways of Sweden—coming back to the motorcycle and bicycle trade—have their separate lanes for bicycles throughout the country and everywhere. So, all in all, I was very favorably impressed with the situation in Sweden. The only thing that is of concern besides the cooperatives in my mind in Sweden, is this recent trade agreement made with Russia. That is a trade agreement that is going to involve a billion Swedish crowns. It is not so much that the trade agreement is going to supply Russia with automotive parts or small

(Continued on page 445)

NEW HORIZONS

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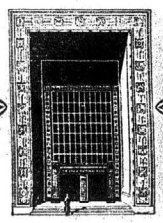

Information and Advice

Regarding Banks' Investments

A timely service extended to correspondents by the Chase is the study and analysis of a bank's portfolio of U. S. Government and other securities.

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Business and Finance Speaks After the Turn of the Year

(Continued from page 442)

Office Department was never set up as a profit making operation; it was set up to promote communication to all parts of the United States and all parts of the world. Air mail stamps are showing a most substantial profit to the Post Office Department over and above all costs of payments to airlines for its transportation. This overage now being shown as profit should be used for the purpose of building the finest air transportation systems in the world through the encouragement of American aviation transport companies.

Certain aircraft manufacturers in the United States are without equal anywhere in the world. They can be relied upon to manufacture airplanes which will meet any competitive efforts of manufacturers in other countries but to succeed in doing this, they must have a market for their planes. The United States aviation transport companies must prosper in order to be in a position to acquire newest equipment available. In order for the aircraft manufacturers, the airlines and American business to take advantage of the postwar markets more foresight and business acumen must be shown by government authorities regulating aviation. There are indications that such a policy will be forthcoming.

In reference to the Bermuda route, it is our intention to buy two used DC-4's for this operation. Since the market on DC-4's is dropping rapidly, we have delayed making an effort to purchase any. We believe further reductions can be expected in the next two or three months.

If the foreign trade of the United States is to be maintained aviation is an indispensable requisite. It is my opinion that by the middle of 1947 the aviation companies will have met most of their present problems and surmounted them and the earnings of the airlines in 1947 will show substantial profits.

ADRIAN D. JOYCE

President, The Glidden Company

Our organization looks forward with optimism to the year 1947. Our business is a well diversified one including foods, vegetable oil processing and refining, paints and varnishes, chemicals and pigments, Naval Stores and metals refining. All of the varied lines in which we are interested are essential consumer items.

Adrian D. Joyce

We believe that the pentup demand for all of our products will keep our plants operating at capacity throughout the year. In the Food Division there is a tremendous demand for margarines, shortening, salad dressings and other vegetable oil products. The Chemical and Pigment Division is assured of a good supply of raw materials and it is apparent there will be a growing demand for all of the materials that can be produced in these plants. The fact that there has been a great shortage in paint and varnish materials during the war years indicates that it will be very difficult to supply the demand during 1947.

Fortunately, in the particular lines of business in which our company is engaged, the percentage of cost of labor to finished product is extremely low so that the labor problem is not as serious with our organization as it is in those industries in which the cost of labor constitutes a large proportion of the finished cost.

GEORGE B. JUDSON

President, Wabeek State Bank of Detroit

The banking structure of the nation starts the year 1947 with its house in order, liquid, and prepared to do its part in the hoped for prosperity. During the war years, their facilities were largely employed in war financing. They did a good job and are now ready and prepared to do an equally good job for industry. The year 1946 was a disappointment to many. The year 1947 will in my opinion be a disappointment to many. It will be a period of re-learning true values, a recognition by many that their contribution, however small, is needed if we are to achieve our hopes. The illusion that a man can get something for nothing will fade. The belief that officeholders are the government instead of representatives of the people as a whole who are the government will be the controlling force of only those few who follow false prophets and the outright straight-thinking American will again demand good government from his officeholders instead of two chickens in the pot or three cars in the garage.

George B. Judson

We did a lot of things to ourselves in 1946. We started the year with everything in our favor, a recognized demand for goods, the greatest wealth in production facilities on earth and the brains and "know how." The conflict between management and labor left neither with an advantage. The spiral of increased costs absorbed the gains in dollar exchange. Politics already in the field of economics entered the struggle to the disadvantage of both labor and management. A natural result of this conflict was the shortages in materials which slowed our production at times to almost a standstill.

We will adjust ourselves with a maximum effort on everyone's part, an honest determination to be fair to our fellowman, a belief in honesty and integrity to replace the distrust which has eaten into our lives like a cancer, and with a restoration of our faith in Almighty God, we will emerge as the most prosperous people on earth capable of fulfilling the hopes of the rest of the world by our aid and example.

I believe that 1947 will be a test year. We have been through periods of economic stress in the past and emerged to greater heights by hard work and effort. We should do it again but we must cooperate and work to achieve our goal.

JACK KAPP

President, Decca Records, Inc.

The outlook for the phonograph record industry in 1947 is highly favorable because, for the first time in more than five years, production potential can begin to approach the still growing public demand for records. Plant capacity has been increased, raw materials are at hand, skilled workers are available. Discounting unforeseen difficulties, the industry will be able to operate at the highest production rate in its history, which indicates profitable operations.

Jack Kapp

In addition to the favorable factors within the industry itself, the high levels being attained in the manufacture of phonographs and phonograph radio combinations will play a major part in increasing the demand for records. Thousands of phonographs are reaching people now who had been unable to buy them through the war years.

Growing emphasis on home entertainment brought about by the return of men and women from war and the high cost of diversion outside the home, is resulting in further increases in the demand for recordings. It is also giving impetus to new and stimulating departures from the field of "popular" music. These include educational and literary recordings and those prepared especially for children, who learn as they listen and enjoy. Decca has been a pioneer in this expansion in the usefulness of recorded material.

During 1946 makers of coin-operated record players moved into high gear in the production of "juke boxes" and this high rate is expected to continue in 1947. The demand for records created by the wide use of these machines is constantly recurring as they must be supplied with the latest popular "hits" to perform their function.

FRANK F. KOLBE

President, The United Electric Coal Companies

The coal industry has passed through the difficult and trying war years and a rather hectic time during the past 12 months. Strikes, government controls, extreme difficulty in securing necessary machinery and equipment, and other problems have seriously interfered with normal production and distribution. In spite of this, during the war years and the year 1946 the Industry produced more coal than all of our Allies combined and half of the coal produced in the entire world.

Frank F. Kolbe

I think we in the industry can, therefore, face the next few years with a feeling of confidence. Labor relations have been one of our most serious problems. I feel confident, however, that the American people through their government will cause all labor leaders to realize their responsibility as well as the privileges which they enjoy under our American Way of Life.

The recent strike of the coal miners and the final decision to return to work indicates the beginning of changes for the future in relations between management and labor in all industries.

No doubt the interruptions in production caused by strikes will mean the loss of considerable coal tonnage to our major competitors, natural gas and oil. This will be particularly true in areas where the delivered price of the coal is extremely high. In the larger industrial areas of the United States, however, coal still remains the cheapest and most satisfactory source of power and energy. This is also true in foreign countries and I believe the United States will continue for several years to be the chief source of supply for those nations purchasing coal outside their own countries. We should, therefore, look forward to a good market for most of the coal produced in the United States for the next few years.

SAMUEL KIPNIS

President, National Container Corporation

It is my opinion that business should be very good for many years to come, especially in our industry, where new production is not in sight, in spite of the experts who deliberately are trying to talk themselves as well as others into a depression in the very near future.

Samuel Kipnis

I am optimistic about the future of the United States of America no matter which political party is at the helm on Capitol Hill. One hundred and forty million Americans who are accustomed to enjoying the best the world has created or will create, are not going to regress now to primitive ways of living.

I believe that Labor and Management will find a way whereby they can live peacefully and thereby produce all of the items so sorely needed by us and other countries which production will probably take years to reach a normal basis of supply and demand.

I believe in fair wages to employees, in good unions honestly administered, in enlightenment and cooperation between Labor and Management, for only that will create more prosperity in our great country.

E. J. KULAS

President, The Midland Steel Products Company

We enter 1947 with a potential outlook for excellent business and general prosperity.

The demand for goods is still strong although some of our possible purchasing power was dissipated in 1946 as a result of labor disturbances.

E. J. Kulas

Reconversion is complete. Industry is ready to go ahead at top speed to fill the need for goods of all kinds, both from industry and from consumers.

This is particularly true in the automotive industry, in which Midland is especially concerned. During 1946 the delivery date of automobiles was pushed further and further into the future. Although there can be little doubt but that some of the orders which have been on the books of the dealers will be canceled, a very substantial number remains to be filled.

If strikes and other labor troubles are reduced to an absolute minimum in 1947, we will take fresh and vigorous strides forward, and we will begin to eat into the accumulation of unfilled wants.

If that desire dcondition exists, Midland will operate at capacity for an indefinite period ahead. Not only will Midland be in that invaluable position, but every other supplier of automotive parts and accessories, together with the automobile companies themselves, will furnish full employment at good wages.

With a decrease in labor disturbances, the automotive and accessory industry will find its problem of getting raw materials greatly reduced, which will, of course, stimulate full employment.

I have every hope that we will work out of this situation which today might appear ominus, without too great disturbance.

Looking ahead to the end of 1947, it seems to me there is a possibility of a short, quick, sharp readjustment. With this out of the way, we will really be on the high-road to good times. I believe that labor will realize the need of production, and that our national capacity will be used much more advantageously during the coming year than it has in the past.

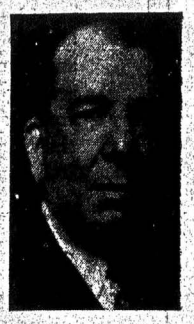
1947 should be a good year. The future alone will tell whether it will be a good year.

F. M. LAW

Chairman of the Board, First National Bank in Houston

The year just closed didn't turn out as well as most of us thought it would. There were too many minus factors, the major one of which was the stoppage of production due to strikes.

1947 on the whole offers an encouraging outlook. The foreign situation seems to be slowly working out and continued bi-partisan support will doubtless be given to the United Nations. Secretary Byrnes is fortunate in having won the confidence of the American people in his conduct of foreign affairs.



F. M. Law

The people of the country are looking forward with confidence to what they hope, and expect, will be done by the new Republican Congress. We may not get a 20% reduction in personal income taxes, but surely it will not be less than 10%.

The Republicans are committed to some form of labor-control legislation and here again there will be a measure, at least, of bipartisan action. Government, capital and labor more than ever before have come to the conclusion that strife

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An Economic Picture of Europe

(Continued from page 443)

miscellaneous items. It is basic materials. But what is probably going to help us here and harm the Swedish producers is the fact that the basic raw materials needed to keep the factories of Sweden going and to keep their promises in South America is simply not there because those basic raw materials are going to go to Russia, a good part of them; so Sweden already has found a very sad repercussion from the South American trade for promises that they cannot fulfill due to this agreement that they made there. So it is a very unpopular agreement with the Swedish industrialists.

Finland

Coming over to Finland, I am sorry to say that this is one of the sad parts about my trip to see the situation in Finland. I was amazed at the stolidness of the people of Finland, considering the terrible times which they are passing through today. There is very little of anything that a person can get in Finland in the way of foodstuffs and so forth. Butter is not to be had. Eggs are not to be had. Meat is not to be had, and things like that. And you go along and see these beautiful stores in Helsingfors, which was called the White City of the World, one of the most beautiful cities there is —you see these beautiful department stores and all you see is wood and paper things, homemade, to fill up the store windows. That is the situation due to the reparations they are paying Russia and I was a little hesitant about saying so, but after all your inner feelings get the better of your discreition; so I will say that the reparations are being interpreted by the Russians in such a way that it is most harmful to Finland.

While they have freedom of their own economic policies, the demands made by the requirements of fulfilling these reparations for Russia are disastrous to them. The result is that they have a tremendous inflation. January of 1946, 100 Crowns in Sweden bought 45,000 Finnish Marks. When I was over there 100 Swedish Crowns demanded 15,000 Finnish Marks. They are under strict gasoline rationing, only for essential use, and, of course, there have been absolutely no new cars imported into Finland since the war.

They have, however, been fortunate in securing 1000 GM trucks on surplus. Ford, through some arrangement to help Finland out on an English deal, got permission for 600 Ford trucks to go to Finland from America. And besides that, there is a lesser amount of Studebakers and others that went in there; so I would say there are 2,000 or 2,500 American units of trucks registered in Finland in 1946. So today their are approximately 23,000 trucks operating in Finland. Before the war there were 29,000 passenger cars and today there are 7,000 left; 5,000 were completely destroyed or confiscated during the war. The others are either laid up on account of the lack of parts or they are not allowed to drive them on account of the non-essentiality. But some are worn out to the degree that they cannot use them.

There are some local manufacturers in Finland. One of our friends there, is engaged in the manufacture of obsolete parts for cars and trucks of 1932 vintage and over. They are made there to keep those cars rolling. The prices of parts are tremendously high—just to give you some idea, local piston rings manufactured in Finland today are up 900% over 1939, while those imported from America are up 600%.

The increase is mostly due to your inflated Finnish Mark. The result of the inflation in the Finnish Mark is bad. Tires are being manufactured in Finland and have been since 1935. Since 1944, three battery manufacturers have started in Finland. There is a tremendous shortage of parts for automobiles and trucks. They particularly stress garage equipment as being one of the most critical items they have in the country. And I cannot see any early promise of relief in Finland although I understand they are granted a few dollars for the most essential things they need to keep up certain economic units.

Probably some of you members have received some orders for some types of materials which would be due to that situation. The government is screening it very, very closely to see that the few dollars available will go into such products to keep up their economic structure on the most essential items.

Norway

Coming over to Norway: (I do not say this on account of the fact that I was originally a native of Norway), but they certainly have made a rapid stride in their recovery. The food situation is, of course, changed to a point where everyone has enough; probably not in as great a variation as they used to have, but foodstuffs are coming in faster and faster so there is no complaint at all on that end.

There again, in the automotive field, while there were a number of American units shipped in 1946, they are still under strict rationing insofar as gasoline is concerned and as far as the dollar allocation for automobiles is concerned. Gas is only given to those business establishments with cars or trucks, that can prove essentiality.

They expect a release of this situation shortly, however. They expect the release will be in time to take care of the expected large number of summer tourists and they figure by next summer they will be on a much more open basis whereby some gasoline allotment will be available for pleasure driving.

I will say this: They have been very far-sighted in the automotive parts and equipment field and I think that was indicated in the amount of orders that you people have received. I know I talked to one importer who got dollars allocated for parts and equipment this year, I think, equal to something like 80% of his prewar normal allotments. That, I would say, has been a rapid stride forward and I think it will continue to show improvement because Norway's paper and pulp industry as well as her fishing industry are rapidly regaining prewar levels.

Their commercial fleet is still below standard. As you know they lost 50% of their entire shipping fleet during the war, which always provided them with a large part of their revenue and while this is being rapidly replaced, it takes quite a while. Norway is building 10,000 ton vessels and contracts have been placed with Holland, England and Italy so I would say that the picture looks relatively bright from the standpoint of trade with the United States.

Denmark

My next stop was Denmark. Here is another country that from the standpoint of U. S. exports of automotive products, I am not too optimistic. It is not in any way to be compared with Finland. Denmark has plenty of food and people seem to have plenty of everything. But they have little or no dollars to spare. In fact, they have little or no dollars—period.

They also, as you know, right after the war had a tremendous surplus of Sterling. That Sterling was dissipated in something like six months. They now owe England something like 50,000,000 Danish Crowns and the story of that has left a little bad taste with the Danes and the English brethren. In other words, there was a period there of unrestricted trade with Great Britain, and speaking to the Danes, they were a little disappointed in the way Great Britain took care of them during that time.

According to reports from various people in Denmark, British suppliers shipped them a lot of obsolete and inferior goods at high prices.

Denmark prior to the war was pro-British and my observation now is that some of that enthusiasm has temporarily, at least, died down. I noticed a few weeks ago that the British Trade Commission, negotiating with Denmark for a continuance of their Food Purchase Agreement, had failed. As you know, the British had contracted for practically all of the surplus foodstuffs in Denmark, consisting of such things as butter, eggs, etc. They purchased these at favorable prices and resold them to other European countries. It is quite likely that Denmark may now take on the task of exporting these foodstuffs direct to the other European countries rather than selling them all to England. This may improve the situation for us insofar as dollar exchange is concerned.

Holland

Now coming to Holland. As you undoubtedly know, everything there is under very tight restrictions. Of course, you are in a country now that was well devastated during the war. Their transportation system was all but demolished—practically every bridge bombed out and roads as well as airports were destroyed. As a result, they find it necessary to have very rigid restrictions. Their situation is further aggravated by the trouble they are experiencing with their colonial empire in the Dutch East Indies. But now, fortunately, since the settlement of this Indonesian problem—to some extent, at least—the affairs of Holland will be helped greatly.

In view of the tight restrictions that exist in Holland, I am very optimistic that when they do come out of this period, they will come out faster than anybody else. They have always been a very industrious people and their requirements are tremendous in the automotive field. They need practically everything, including busses and trucks of all types, parts and equipment. There is a great need for automotive parts and equipment just to take care of their existing rolling stock.

Switzerland

The next country I visited was Switzerland. This is another very normal country. Everyone is working and enjoys a very high plane of living. It is one country, like Sweden, that can say they have no exchange problem whatsoever, except that Switzerland has a surplus of dollars, Sterling and practically a surplus of every conceivable currency you can mention. In fact, if you try to cash a dollar bill in Switzerland today you get 3.17 Swiss francs for your dollar, whereas the official rate is 4.25. You do, however, get the rate of 4.25 by means of letter of credit or travellers' checks as they have to honor the official rate in that case—so if anyone is going to Switzerland, do not cash dollars—take travellers' checks or a letter of credit. Speaking of this monetary subject, there is one thing I would like to mention here. I hope it reaches the ears of the proper officials of our government. It has to do with the limitation placed by our government on American travelers into Switzerland as to the amount of dollars they can cash in a given period. You are limited to a maximum of $125 per week. Now I would like to ask the official of this governmental group that sets such a limit how an American business man going into Switzerland can live and take care of his business on $125 per week. It is assinine and undoubtedly was set to cure a situation brought about by tourists and opportunists who went into Switzerland and, through exchange manipulations, were able to live there for practically nothing and make a profit. But, in trying to cure this situation, they forgot the business man entirely. I fully agree with them about stopping the tourists and opportunists from carrying on the exchange manipulations that they have been doing. However, the business man should not have been placed in this category but special attention should have been given to him.

The control works on the basis whereby you take your passport into the bank and get your travellers' checks cashed. Each transaction is entered on your passport and when you have reached the limit of $125 you cannot cash anymore until the week has expired. I hope that our government will undertake to do something about it in correcting this situation as it forces the business man to either leave Switzerland, due to the lack of money, or engage in some unethical manipulations to remain.

The automotive picture in Switzerland is very good. I visited more towns in Switzerland than any other country in Europe. The story was the same everywhere. Distributors took me into their stores and showed me where storage shelves were absolutely empty. Then they showed me the stack of orders for automotive parts and equipment which they have to fill.

When asked what the comparison is between their present busi-

(Continued on page 447)

STATEMENT AS OF DECEMBER 31, 1946

RESOURCES			LIABILITIES		
Cash & Due from Banks	$ 67,559,352.48		U. S. Government Deposits	$ 5,141,689.27	
U. S. Government Securities	122,693,861.26	$190,253,213.74	Other Deposits	253,297,093.62	
			Total Deposits		$258,438,782.89
State, County & Municipal Securities	1,145,638.26		Unearned Discount		352,259.67
Other Securities	15,207,483.97	16,353,122.23	Accrued Taxes, Interest, etc.		1,038,161.65
			Reserve for Dividend Payable Jan. 2, 1947		142,187.50
Demand Loans	27,522,098.64		Acceptances Executed	4,005,746.27	
Time Collateral Loans	6,509,202.41		Less: Acceptances Held in Portfolio	1,947,897.09	2,057,849.18
Bills Discounted	36,888,876.22	70,920,177.27			
			Capital Stock (par value $20.00)	5,687,500.00	
Banking Houses		2,465,208.13	Surplus	10,000,000.00	
Customers' Liability under Acceptances		1,985,578.86	Undivided Profits	2,941,598.63	18,629,098.63
Accrued Interest Receivable		364,483.88			
Other Resources		64,293.91	Reserves		1,747,738.50
		$282,406,078.02			$282,406,078.02

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Business and Finance Speaks After the Turn of the Year

(Continued from page 444)

hurts all concerned and that it is entirely possible to avoid such if both sides will agree to treat each other fairly. Moderation and understanding in large doses will be necessary.

Reconversion has been largely accomplished. Now we must deal with readjustment and this program will consume most of the current year. There seems to be no sound reason for expecting a prolonged or serious depression. There may well be during 1947 one or more periods of mild recession.

In the Houston area we see bankers and businessmen alike avoiding courses of extravagance or over-extension. Caution is in evidence everywhere. Our banks, as elsewhere throughout the country, have experienced a very substantial increase in the demand for loans and more and more it is being demonstrated that the government lending agencies can bow out of the picture without detriment to the public welfare.

In a word, 1947 will have difficulties; it may have some minor setbacks, but the domestic and foreign demand for goods; the soundness and constructive policies of banks; the know-how which industry so brilliantly demonstrated during the war, all seem to warrant the opinion that this year will give a good account of itself.

ELMER L. LINDSETH

President, The Cleveland Electric Illuminating Company

Since the war ended, about 160 companies have committed themselves to invest altogether more than $200,000,000 in industrial facilities which will create over 32,000 jobs in Cleveland and Northeast Ohio, the area which The Cleveland Electric Illuminating Co. advertises nationally as "the best location in the nation" for many industries.

Elmer L. Lindseth

This new industrial development will bring with it commercial and residential development, a tremendous era of new construction of all types.

As a result of this expected development, the Illuminating Co. is preparing for a sustained high level of business activity throughout Cleveland and Northeast Ohio in 1947 and succeeding years.

The company has on order two 90,000-kilowatt turbogenerators for installation in its Avon power plant. One of these generators is scheduled for installation in 1948, the other in 1949. Cost of these generators, including housing, boilers and accessory equipment will be approximately $25,000,000.

The company's three-year construction budget, including this $25,000,000 item, will exceed $43,000,000.

We naturally are concerned with what might happen to the general level of business. But we just will not gamble on a recession.

We have assumed the responsibility for building adequate power facilities for this area, and we mean to do the job, no matter how much it costs. It is our obligation to the community, and we mean to discharge it.

Net output of our generating plants during 1946, the first full peacetime year, was about 10% below that in 1945, but we expect that net output in 1947 will exceed that of 1946.

It is estimated that output of our power plants in the next 12 months will approximate twice that of 1939, but will be less than we produced in the peak wartime year of 1944.

More and more electricity is being used in the homes and business establishments of Cleveland and Northeast Ohio, and during 1946 new electrical consumption records were set by all classes of ultimate consumers except railroads and factories.

Residential customers used an average of 1415 units of electricity each during the year. This was an increase of 114 units over the previous year, and set an all-time high for this area. Meanwhile, the average price per unit supplied for home use continued to fall, going down 2%.

Since 1939, the average price of current furnished by the company for residential users has decreased 17%, although during the same period, according to the consumers' price index of the United States Bureau of Labor Statistics, the cost of living in the Cleveland area rose 39%.

The expansions contemplated by the Illuminating Co. and many other industries in the 1700-square-mile area which we serve are presently hampered by nation-wide shortages of materials and equipment.

This area's great program of construction and progress, and the nation-wide opportunities and improved standard of living which should accompany high level employment and business activity, can be realized only through a substantial increase in productivity throughout industry.

To the electrical industry, this new year of 1947 is particularly significant as the Centennial of Thomas Alva Edison's birth in Milan, Ohio.

Mr. Edison once said, "My philosophy of life: Work. Bringing out the secrets of nature and applying them for the happiness of man. Looking on the bright side of everything."

In this age of research and technological progress, the outlook for bringing out the secrets of nature, through development of uses of atomic energy and in many other ways, and applying them for the happiness of man, is very bright.

Much can be accomplished in business and industry during 1947, if everyone concerned follows Mr. Edison's advice and works in cooperation with his fellow men, with the firm conviction that a standard of living cannot be purchased, but must be produced.

M. ALBERT LINTON

President, Provident Mutual Life Insurance Co. of Phila.

The year 1946 was a good one for the production of new, and the conservation of old, life insurance. New business increased by an estimated 47% over 1945 to a new record high of $23.5 billion; and outstanding insurance increased by nearly 12% to another record high of $174 billion, with the total number of policyholders standing in the neighborhood of 73 million. The most difficult problems were encountered in the field of investments, where low interest rates continued to reduce income.

M. A. Linton

Attempting to forecast what may occur in 1947 is like asking the mathematician to solve an equation with several unknowns. Fundamental conditions exist for a period of sustained prosperity which we can realize provided we have the courage and ability to manage our affairs properly.

Foremost among the domestic problems in 1947 is, of course, the labor situation. The major immediate task for the new Congress is the enactment of constructive legislation to restore the balance between labor and management, dealing fairly, but not punitively, with either side. Along with this should go an educational campaign to teach the fundamental truth that the source of prosperity and a high standard of living is increased production accompanied by a steadily increasing efficiency. The gains from such a program should be applied first to reduce prices to consumers. This would increase everybody's purchasing power and do more to stimulate prosperity than anything else we could do. Reasonable increases in wages to groups responsible for the increased production and efficiency would also be in order but secondary in importance to price reduction.

Budget balancing, accompanied by reasonable tax reduction, comes next in importance. In considering tax reduction due weight should be given to the fact that decreased rates of taxation may produce a greater volume of taxes than higher rates, because of the stimulation which tax reduction gives to production.

If constructive action can be taken promptly in the New Year in these two fields, 1947 should be another banner year for life insurance production and conservation, with new records hung up. The stimulation of general business which also would follow such a program could conceivably lead to a demand for capital, both in the construction field and in industry, which would be large in relation to the available savings of the country. Hence, a stiffening of long-term interest rates might follow—a development that would be stimulating to the country generally, as well as helpful to life insurance policyholders because of the beneficial effect upon the cost of their insurance.

J. SPENCER LOVE

President, Burlington Mills Corporation

More normal supply and demand conditions which are returning gradually to the rayon textile industry, coupled with relaxation of artificial and maladjusting controls, assure a healthy basis for the further expansion which is inevitable.

J. Spencer Love

Retail sales are continuing at an all-time high, however, and the needs of many foreign countries are still to be met. It is likely, therefore, that the demand for quality merchandise will exceed the supply for some time to come.

Even before the war the supply of rayon was less than the existing demand and during the war many improvements and new fabric adaptations were worked out. Expansion of rayon facilities during the war years was almost entirely for tire cord production so that today, with the substantially stepped-up demand, there is very little more rayon available for the fabric trade than before the war. At the same time, business will soon have to eliminate from its thinking the "false" psychology of the "sellers' market."

Consumers once again are insisting on quality at a reasonable price which is an especially good sign for those companies which have always sought to improve their products.

P. W. LITCHFIELD

Chairman of the Board, The Goodyear Tire & Rubber Co.

The rubber industry, in the year just closed, enjoyed many all-time records in production and sales. Consumption of rubber (natural and manufactured) reached an all-time high of slightly over 1,000,000 long tons, and compares with previous records of—

1940	651,000 long tons
1941	783,000
1945	799,000

Of interest is the war-born synthetic or manufactured rubber contribution to our war and peace economy. Consumption in this country has been—

1940	2,000 long tons
1941	8,000
1942	19,000
1943	171,000
1944	565,000
1945	694,000
1946	760,000

In addition, large quantities were used by all allied rubber-consuming countries.

The needs of the rubber-starved public and industry have as yet not been fully filled, so that the 1947 outlook is for rubber consumption again to be in the neighborhood of 1,000,000 long tons, of which natural and manufactured rubbers may be in about equal proportions.

P. W. Litchfield

Net sales of rubber manufacturers should approximate $3 billion in 1946 as compared to $1½ billion in 1941.

The doubling of dollar sales is largely the result of an abnormal back-log of replacement business, composed entirely of first-line quality tires.

Unit replacement tires were approximately 55,000,000 in 1946 as compared to a pre-war demand of 33,000,000 average for the years 1939-41. Backlog needs as yet have not been satisfied, but more normal conditions are expected by the second quarter of 1947.

Replacement demand in 1947, including some restoration of dealers stocks, should approach 40,000,000 passenger tires.

With 5 tires each required for a possible 4,000,000 new car production in 1947, together with an increase in tire manufacturers' stock, production of passenger tires should fall between 60-65,000,000 as compared to 66,500,000 in 1946.

* * * *

The great increase during the war in truck transport of war goods to and from industry, at high speeds, over long hauls and with considerable overloading, resulted in a replacement demand in 1946 of about 10,500,000 truck and bus tires as compared to 5,500,000 in 1941 and 4,300,000 in 1940.

Truck transportation continues at high levels and each year is seeing an increase in cross-country freight and urban delivery.

The production of trucks in 1946 broke all peace-time records and should approximate 1,000,000 in 1947.

A very satisfactory level of production of truck tires is expected in 1947, although somewhat below the level of 1946.

* * * *

The importance and rapidly expanding market for tractor and implement tires is reflected in current production compared to pre-war as follows:

FARM TIRE PRODUCTION

1940	1,488,000
1941	2,102,000
1946	4,600,000

Continued progress toward mechanization on the farm, together with high levels of demand for food stuffs and crops, point to a high volume of farm tire production in 1947.

* * * *

The swift and sweeping conversion of the rubber industry to the production of planes, guns, ammunition and other war products in the days prior to and following Pearl Harbor was matched by the swiftness of the industry's reconversion to peace-time production following VJ-Day. No other large industry has matched the record of reconversion which is reflected in the following figures of tire production:

	Year 1941	Year 1946	Increase
Passenger tires	50,000,000	66,500,000	33%
Truck-bus tires	11,700,000	15,800,000	35
Farm tires	2,100,000	4,800,000	128
Airplane tires	170,000	260,000	53
Total tires	63,970,000	87,360,000	36%

The current level of production is at an all-time peak of 76,000,000 passenger tires annnually and 17,000,000 truck tires. For all tires, the annual rate is approaching 100,000,000. The rubber industy may be the first of the durable goods industries to satisfy the replacement famine.

Every tire produced since VJ-DAY has immediately moved on to consumers.

When this war pent-up demand is made up and inventory pipe lines approach normal, the present abnormal production rate will be reduced, of course. These

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An Economic Picture of Europe

(Continued from page 445)

ness and prewar levels, the answers were usually the same; namely, that they are doing much more business now. However, they emphasized that the demand is much greater because of the vacuum that has been created during the war years. They are looking for all types of merchandise and I will say that they definitely want American merchandise.

They have excellent roads throughout Switzerland. The automotive trade, however, has a stiff competitor in the Swiss Railroads, for I think Switzerland has probably one of the finest railway systems in the world and at very, very low cost. But despite that, it is always going to be a very fine market. You have a tremendous tourist traffic and 1946, I think, broke all records and they are looking forward to 1947 for a large volume of business which definitely ties in with the amount of cars and parts they use, because that is where the greatest amount of automotive supply goes—to the tourist traffic in Switzerland.

There are relatively few people in Switzerland that can afford an automobile and it is through their tremendous tourist centers and so forth that you get your automotive business. So I would say that I am very optimistic on the outlook in Switzerland.

France Confused

Going from Switzerland into France. Here you have a country that is endeavoring to right itself from four or five years of war. But unfortunately they do not seem able to decide which way they want to go. I was unfavorably impressed with the lack of confidence by the business people in the government and the lack of confidence in the stability of the franc.

As you know, there exists a large black market operation on exchange dealings in France. However, it has become so prevalent that they do not refer to it as a black market operation anymore. They call it the "Free Market." You get 119 French francs for your dollar at the official rate in the banks, but anywhere you go in France, particularly Paris, you will have from five to six solicitors a day stopping you and wanting to know if you have dollars for sale.

When I was there, they were offering up to 320 francs for the dollar—nearly three times the official rate of exchange. I understand it has moved up since I left France. That is the situation that exists in that country today.

Their automotive transportation is in a terrible state. When you see the buses and taxi cabs running through Paris you wonder how far they are going to go and when you visit the automotive distributors you find their stocks absolutely depleted.

They cannot get anything and their business is down due to the lack of dollar exchange. I do not know how many people in this room have received orders for parts in France, but I think it would be very, very small and I do not think, until they get their house righted insofar as the franc is concerned, that you can expect too much from France, although in normal times I guess France wasn't too great a market for us anyhow, at least in the majority of things, because local manufacturing took care of it.

But certainly until they do recover, they have got to do something and they will probably have to make some arrangements, loans or otherwise, to get automotive parts, vehicles and so forth into France. Otherwise, I do not see how the country can come back to where it belongs.

Belgium Prosperous

Now, moving over from France to Belgium. Belgium is enjoying a great era of prosperity. The only concern I have is that it is on an inflationary basis. Prices are very high. Food and hotels and so forth are tremendously high, particularly food. The cost of an ordinary dinner today is $7.50 or $8. But every place is filled. All people seem to have money.

There are all types of merchandise in the shops, and Belgium is a country in which I should say I saw probably the most new American 1946 vehicles. The Ford delivers in Belgium, for approximately $3,200. That is the official price. But I interviewed people who had paid around $4,200 for their Fords. But they seem to have money and their factories are going full-blast again. Of course, the big industries of Belgium are glass and steel. They also have very large factories making asbestos cement products. They are the world's greatest producers of glass.

Here again the handicap is in the transportation field. Of course destruction to docking facilities hit them hard. The Antwerp Docks, as you know, were pretty well blasted out. But they are quickly rebuilding them. In fact, I saw a lot of temporary slips and so forth at Antwerp. I would say I do not fear that there will be a devaluation of the Belgian Franc.

I think there will be a leveling off in the prices but I think with the amount of exports they are doing today and the people working as they are, the situation will level off without any worry about financial difficulties in the way of a depreciated Franc. I cannot say that for France.

Britains Struggle to Export

Now, moving over to England. I do not know how it is with the rest of you, but this has never been much of an automotive market for our company. As you know, the automotive industry there is all out for exports of their products. They are exporting in excess of 50% of their vehicles which they are building. And in 1946, I think they just fell short of a half million units in manufacturing.

They are hoping to increase that this year, but I do not think they will and that brings me up to a subject probably which we are all concerned about and that is namely the English loan that we made and the terms of it. As you know, there was an unfreezing clause in there that they were going to unfreeze Sterling as rapidly as possible, which should take place within 12 months.

However, on that basis, they had estimated that considering their exports, I think in 1938, as around 100, they were going to have their postwar exports around 175% of 1938. They actually ended up in 1946 with 117%. I personally do not think they are going to exceed the 117% mark in 1947 because of the situation in their coal industry today.

When I was over there they just put in a new restriction cutting down on the use of electricity. That is the condition all through England. Cutting down on the use of electrical power is reducing the productivity of England and I do not think they are going to approach the 175% level that they are aiming at, and I am a little skeptical of the unfreezing within the 12-month period because they are going to fall short of their quota for export necessary to get the amount of exchange to do the unfreezing.

Furthermore, when they made the loan it was based on a lower level of prices in the United States and so that loan has depreciated due to the higher prices they must pay for the goods they are buying from us today. The nationalization program of England is very unpopular with all business people and as you know, they are extending it into several industries.

My thought is that nationalization of the coal industry could not be any worse than the coal industry of England has been in private hands, because it has been a sick industry for many years. But despite that remark, I do not mean to imply that I am in favor of nationalization because I am not. But the English industries and the industrial people are very much concerned over this nationalization program and that is another thing that worries them in getting their exports up to honor this agreement with us on the loan question.

A. R. Black Resigns

Alfred R. Black has resigned as Manager of the Sales Department of American Securities Corporation, 25 Broad Street, New York City.

Casper & Mader With D. F. Bernheimer Co.

D. F. Bernheimer & Co., Inc., 42 Broadway, New York City, announce that Harry D. Casper and

Harry D. Casper

Max Mader are now associated with the firm in the Trading Department. Mr. Casper was formerly with John J. O'Kane & Co.; Mr. Mader was with Mercer Hicks & Co.

NATIONAL BANK OF DETROIT

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Complete Banking and Trust Service

STATEMENT OF CONDITION DECEMBER 31, 1946

RESOURCES

Cash on Hand and Due from Other Banks		$ 263,760,708.06
United States Government Securities		632,488,213.07
Stock of the Federal Reserve Bank		1,455,000.00
Other Securities		57,958,543.50
Loans:		
Loans and Discounts	$ 163,350,621.74	
Real Estate Mortgages	40,957,958.24	204,308,579.98
Branch Buildings and Leasehold Improvements		1,224,600.24
Accrued Income Receivable		2,915,421.45
Customers' Liability on Acceptances and Letters of Credit		4,781,210.87
		$1,168,892,277.17

LIABILITIES

Deposits:		
Commercial, Bank and Savings	$1,029,559,055.76	
United States Government	32,224,429.75	
Other Public Deposits	33,578,310.21	$1,095,361,795.72
Accrued Expenses and Taxes Payable		1,758,474.63
Income Collected—Unearned		470,390.09
Common Stock Dividend No. 25, Payable February 1, 1947		812,500.00
Acceptances and Letters of Credit		4,781,210.87
Reserves		4,746,711.32
Preferred Stock		8,500,000.00
Common Capital Funds:		
Common Stock	$ 12,500,000.00	
Surplus	27,500,000.00	
Undivided Profits	3,961,194.54	
Reserve for Retirement of Preferred Stock	8,500,000.00	52,461,194.54
		$1,168,892,277.17

United States Government Securities carried at $64,272,240.08 in the foregoing statement are pledged to secure public deposits, including deposits of $18,165,266.40 of the Treasurer-State of Michigan, and for other purposes required by law.

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Business and Finance Speaks After the Turn of the Year

(Continued from page 446)

production levels are not expected to continue throughout the year.

And this brings up the problems of ultimate excess plant and equipment capacity in the industry.

* * * *

Research and development of new products, expansion of old-line products and a large growing demand for products developed just prior to the war, hold bright prospects of sizeable volumes over the next few years, and which will absorb a part of whatever excess tire capacity may exist. Some of these new products are sponge rubber, rubber films and plastics.

Also, encouraging is the outlook for a greater degree of stability in the price of the industry's major raw material—rubber, than was experienced during the decades of the 20's and 30's, when costs fluctuated from a low of 3 cents per pound to a high of $1.25 and were reflected in the costs of finished goods to the American consumer.

Today the war-born synthetic rubber industry in America stands as a real competitor to natural rubber and can serve to stabilize market prices in the future.

While natural rubber is still in short supply, it is coming out of the growing areas of the Far East in increasing quantities and world output is expected ultimately to reach about 1,200,000 long tons. There is at least an equal capacity for the production of synthetic rubbers.

Supply of natural subber probably will catch up with demand sometime during 1947 so that the outlook is for lower prices on both natural and synthetic later in the year.

Meanwhile, while natural rubber remains in short supply, it is important that the Government temporarily continue present controls and buying policies until the processes of transition from war to peace are completed in the basic material of this critical industry. The excellent results obtained for the country during the critical war years through close cooperation between government and the industry should not be marred by any premature action at this time.

* * * *

To sum up the outlook for 1947, a very satisfactory year is expected in volume of products produced and sold if no serious interruptions occur in factory operations.

W. C. MacFARLANE

President and General Manager, Minneapolis-Moline Power Implement Company

Since the whole world looks to the United States to provide its needs of food and fibre, both directly (covering items ready for immediate consumption) and indirectly (covering the supplying of mechanized equipment so individual nations may eventually become self-sustaining), it is my opinion that the demand for farm machinery will be strong throughout the year 1947. Because of the scarcity of certain critical materials, farm-machinery manufacturers were able to satisfy only a small portion of domestic agricultural needs; and, of course, with the shortage of draft animals which formerly were used in agriculture in war-torn foreign countries, export markets still are in dire need of mechanized equipment. In fact, export demand for farm machinery will no doubt continue for several years after our own domestic demand has been reasonably well satisfied. Many foreign countries are desirous of becoming self-supporting, but they do need highly mechanized tools to aid them in fulfilling such an undertaking.

W. C. MacFarlane

Whether or not any great strides can be made to satisfy, even partially, these exigencies, will depend not only on the availability of materials, especially steel, malleable castings, and gray-iron castings, but on supply of skilled labor. A recurrence of nation-wide strikes, such as we have been experiencing, will certainly continue to retard manufacturing programs and build up further backlogs of unsatisfied needs, causing undue hardships for untold thousands, especially in those areas where there is such a scarcity of basic food products. Such disturbances to production schedules have far-reaching effects.

We have greatly improved and enlarged our own manufacturing facilities, which will enable us to help relieve the food shortage throughout the world. We cannot hope to accomplish all we should if we continue to have the problems we have recently had to contend with. We should have a record-breaking year in 1947—IF operations are not crippled with shortages, work stoppages, etc.

The financial status of the domestic farmer continues strong; and, although prices on farm products may ease somewhat later on this year, improved cash holdings and other resources earned during the war will enable farmers for some time to make purchases whenever needed articles become available. Farm machinery is near the top of the list of desired items—not only in replacement of machines worn out in recent years, but for newly-invented labor-saving devices.

Summing this all up—the next several months look good for the farm-machinery industry. Manufacturing facilities and market are both in excellent positions to produce and accept its products. If we are unhampered in our production schedules, we can go a long way toward reducing the pentup demand.

WALTER S. MACK, JR.

President, Pepsi-Cola Company

The soft drink industry, has over the last period of years, had two major problems to contend with. The first has been limited production due to the restrictions of rationing of sugar. The second has been increasing costs, both of sugar and materials.

Walter S. Mack, Jr.

The prospect for sugar in 1947 for all industrial users looks much brighter and there are many who believe that within a short time sugar will be removed from rationing completely. If it does, it will allow most manufacturers to again produce and market their soft drinks in unlimited quantities for the first time since 1941.

If sugar rationing continues, it is conceded generally that the amount of sugar which industrial users will receive will be larger than in 1946. In either event the sales of most companies should be greater.

However, the question of increasing costs will be important during 1947. Profits will vary considerably with the ingenuity and ability of the management of each company to meet these shifting conditions. If sugar rationing should be discontinued, it is quite probable that the price of sugar will rise, perhaps to 15 cents a pound, and unless such companies have the ability and the confidence of the value of their product to be able to raise the retail price of their product, they will suffer considerably.

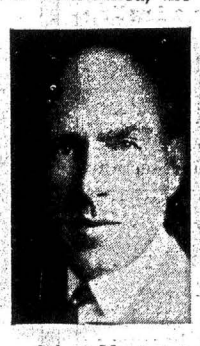
There still are a number of companies who have not had the courage to adjust their price structure to date. For one reason or another, they have been afraid of the public demand for their product at a higher price and their profit figures have already started to show this situation; as the cost of sugar, supplies and labor increase in 1947, the profit margins of such companies will be further decreased.

Pepsi-Cola has long since adjusted their price schedules to these changed conditions so that they look forward with confidence to the future both from the point of view of sales and profitable operations.

SIDNEY MAESTRE

President, Mississippi Valley Trust Company

The field of banking will, of course, be influenced by the trend of industrial activity in the coming year. Thus, if a high level of industrial activity is maintained, the volume of commercial loans is likely to expand still further. On the other hand, a decline in the level of business activity is likely to mean a smaller volume of commercial loans. Since some decline in business is generally forecast for 1947, it is very probable that the volume of commercial loans will decline somewhat. However, the volume of loans for the purchase of durable consumers' goods will run directly counter to that trend. Unless the durable goods industries are beset by long and costly strikes, they can be expected to produce a record volume of goods in the next 12 months. Many of these goods will be purchased on the instalment plan; hence, the volume of bank loans to consumers will increase.



Sidney Maestre

Deposits have contracted during the last year as a result of the government's policy of utilizing balances in the "War Loan" Account to repay maturing Certificates of Indebtedness as well as other government obligations. Since the balance in the "War Loan" Account has now been reduced to a normal figure, it is certain that the pace of debt retirement will slacken. Tax revenues should make some funds available to the Treasury which it can utilize to retire debt. If, however, taxes are cut too drastically, or if the tax revenue declines substantially as a result of a lower level of industrial activity, expected surpluses may turn into deficits. The Federal government might, therefore, find itself borrowing to finance current operations before the end of the year.

In view of these developments the Treasury and the Federal Reserve System may be forced during the coming year to reach a decision on the advisability of "unpegging" the rates of interest on Treasury bills and Certificates of Indebtedness. This decision will in turn be greatly influenced by the state of trade, the trend of prices, and the prospect of further "monetization of debt." Any change in the rate of interest on short-term government obligations will, of course, affect the rates charged to commercial borrowers. However, it appears now that any substantial change in the rate of interest is unlikely.

Throughout the war years, the field of banking was dominated by governmental fiscal policies; in 1947—the second year of peace—banking developments will be determined to a greater extent by the trend of business generally, although governmental fiscal policies will still exert considerable influence.

F. W. MAGIN

President, Square D Company

The electrical apparatus industry is itself a control and a guage to industry in general. While there is no reason for optimism or complacency anywhere in the industrial world, the demand for electrical apparatus in 1946 indicates that, as a nation, we have progressed in our postwar transition to higher industrial output. In 1947 we must continue with even greater vigor to overcome our many problems in order to reach the goals that were—and are — this nation's postwar dream.

F. W. Magin

One of the electrical apparatus industry's large markets is in connection with factory construction and insallation of machine tools. In this use, the demand has been for new controls, circuit breakers, switches, etc., that operate more efficiently, that do a bigger job than their prewar models. This demand we have met to the limit of our ability to develop and produce. The Square D Company has expanded its production facilities, has broadened the scope of research, and has made every effort to increase the efficiency of its operations.

Industry will continue to convert the machines of war, to install new machine tools and to build new factories in 1947. Our aim for the year ahead is to supply more of the demands which are made upon our industry, in order that the lack of electrical apparatus such as we make will not be deterrent to production of the many end-use products for which the American public has so patiently waited.

Similarly, we supply electrical material in many other areas where construction is in progress—homes, schools, churches, and farm buildings. To maintain our American standards construction activities of these essential buildings must be stepped up in 1947. All such building will create additional demands upon our assembly tables.

Our problems are those of all industry today. The recurrence of labor strife in basic industries has limited our supply of one of our most essential materials, steel. We had not yet recovered fully from the shortages springing from the earlier 1946 coal and steel shutdowns. The stoppages in these industries in late 1946 will aggravate our steel shortages.

During the early part of 1947 we will be concerned with the natural adjustments that must now take place in an economy artifically supported in the first year of peace by price control. The bridge between our ability to produce and the demand for our products will become narrower. That the readjustment to a more accurate balance between supply and demand is now in process is shown by the cancellations of duplicated orders. Square D had not reached at year's end the peak production anticipated to meet the apparent demand. Although it is now shown that the demand was inflated, it will not be necessary for us to make cutbacks. On the contrary, the true demand is still so great that in 1947 we will continue to expand and to seek higher production efficiency.

There has been much loose talk of a recession — or even a depression — in the United States within the next year. Sound American industrial determination to succeed wills that this shall not be. The nation must and will somehow stabilize itself, in spite of seemingly insurmountable problems of adjustment in the fields of both material and human relations.

H. N. MALLON

President, Dresser Industries, Inc.

Dresser Industries, Inc. is composed of ten member companies making, in the main, equipment that functions in connection with the production, transportation, refining and supply of petroleum and natural gas, and selling their products chiefly to manufacturers; and three member companies making gas heating appliances for use by the consumers of natural, manufactured and bottled gases, and selling their products chiefly to the general public.

H. N. Mallon

Thus while many of our products are sold in other fields, the outlook for our own company is primarily dependent upon the fortunes of the petroleum and gas industries.

At this writing, all signs point toward an expanding production and utilization of petroleum, natural gas, and allied products, the world over.

Larger gasoline consumption, as more automobiles are made and go on the road, is only one of many factors pointing in this direction. A similarly expanding utiliza-

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Contrasts of U. S. and European Economy

(Continued from page 396)

religious prejudices. Even within individual countries these prejudices lead toward tragic conditions for so-called minorities.

While we in this country have only one "pasture" nourishing the search of chemical knowledge and its utilization, and that a large and fertile one, the people of Europe have many small ones, each with a high barbed wire fence, and each differing sharply from its neighbors due to local conditions. The character of the pasture has a great influence on the activities within the borders. Under such conditions it is obvious that chemistry and its utilization is very markedly different in the various sections of Europe.

I wish to emphasize that the differences in the various countries of Europe are due almost entirely to the conditions created by the present organization of human affairs in Europe. In this review, I do not wish to cast aspersions on any group or individual. Any activities which do not meet with our approval must be viewed with tolerance, taking into consideration that they are the result of an organization of human affairs differing greatly from our own. In this review, general conditions only can be outlined and in all cases exceptions can be found which if given too much emphasis would tend toward a distortion of the overall picture.

European Raw Materials Situation

In no one country of Europe is there the variety and unlimited quantity of raw materials available as in the United States economy. In most of them, local markets are not large enough to justify low cost volume production of consumer goods. Every country in Europe must import some or all of the raw materials or manufactured products it consumes either from neighboring countries or from overseas, depending on the extent and nature of its requirements. Foreign exchange to pay for these imports must be provided mostly by exports. The fact that every country in Europe is obliged to export and import (and most of this among themselves) in order to continue to exist, should not necessarily be of any more concern than the fact that goods in the United States move in any direction with perfect ease. The trouble arises from the fact that problems in foreign exchange are national problems bringing business within the machinations of international political intrigue from which the last traces of ethical mutual consideration have been removed by economic nationalism. There are no uniform ethical rules of business conduct in international trade on the Continent of Europe. Reorganization after World War I, which should have corrected this situation, in fact made it worse.

Why Germany Was Dominant

This condition placed such obstacles in the path of the dispersion of industry in Europe that it was an important factor in enabling Germany to maintain its dominant position on the Continent. In spite of individual efforts in other countries, industrial developments which would have been considered normal in this country were impossible. In discussing plans for expansion of manufacturing activities with industrial leaders in such countries as Denmark, Holland, Belgium, Austria, Hungary and Switzerland, consideration of reasonable security of investment greatly limited the fields open to them. Their populations were so small that they could not justify capital investment in the manufacture of products in large volume because their success could only be assured by continued profitable export. The unpredictable machinations of power politics against which they had no defense could destroy such markets overnight. Industrial expansion in Switzerland was greatly influenced adversely because coal, which is geographically nearby with low transportation cost, was a product which had to be imported. As Europe is organized, the importance of importation of raw materials and the interference of politics in normal economies is emphasized by the ridiculous situation which arose from frantic planning for self-sufficiency. In Italy the government sponsored a synthetic rubber project to provide ample supplies in case of war. The director of this project was an able technician, comparable to a contemporary in a high position in an American business enterprise. He frankly discussed his problems in connection with this project and there were many which the American chemist or businessman could not conceive as possible. The necessity of importation of coal as a primary raw material was a major concern. He had orders to go ahead and build a plant. When asked what would happen if in case of war coal could not be imported, he made a typical gesture of resigned despair and stated "No coal, no rubber."

Position of Smaller Countries

In most of the smaller countries of Europe where the governments realized their impotence in the game of power politics, industry was practically non-existent or manufacture and development was confined to small volume specialty products. Even for these the importation of essential basic raw materials was necessary. Through great efforts in technical research and ability in manufacture, they were able to keep just ahead of competition. They could not take part in providing Europe with low cost mass produced products even if other conditions were favorable. A large part of Europe was, because of the organization of human affairs there, discouraged from what might have been normal industrial expansion and the dispersion of industry so that no one section could dominate.

As an exception to general conditions prevailing in the smaller countries, industrialization activities in Czechoslovakia is of interest. A combination of large coal deposits, industrial plants and technical experience developed when this area was the industrial section of the Austria-Hungarian Empire, and an economic nationalism accentuated by the spirit of a new nation stimulated an extreme tempo of industrial expansion after World War I. While one of the objectives was to challenge the virtual German industrial domination of the countries of Central Europe, consideration of industrial self-sufficiency for national defense played an important part in the expansion of industry there. That the same objective should become absurd was suggested when during one visit I found two separate projects to erect plants for the production of Hydrogen Peroxide. Each of these to operate economically had a capacity to produce more than the most optimistic estimate of home consumption. When asked what they intended to do with the excess capacity, the answer was export. This necessity for export meant getting the business from established European producers who also had to maintain production. With no rules of business conduct and encouragement of rival governments interested in foreign exchange, unsound competitive practices were inevitable.

Of interest in the industrial expansion in Czechoslovakia is the success of the Bata Shoe Company, perhaps the outstanding development of low cost mass production of consumer goods in the smaller countries in Europe. While such a development could be expected anywhere in the United States, this was somewhat of a sensation in Europe, playing no small part in disturbing international relations. Good low cost shoes made in Czechoslovakia were exported into the other countries of Europe thus providing Czechoslovakia with foreign exchange, but at the same time seriously disturbing the low-volume high-cost producers of the countries providing this exchange. Both effects were very disturbing to the wobbly equilibrium of Europe.

The industry and aggressiveness of the Czechoslovakians were commendable, but in Europe created an explosive condition. While Europe as a whole has a great population with potentially broad markets for low cost mass produced products, these were greatly limited by the inequality of the distribution of the purchasing power among the peoples in the various countries. As a result of generations of wars, domination, international intrigue, political and economic exploitation, the peoples of the predominantly agricultural countries have not enjoyed the benefits of education and opportunity as developed in the other parts of Europe. Compared to the life of the agricultural producer in the United States, the standard of living of a very large proportion of the population of Europe was extremely low. Except for the exportation of excess food produced by primitive high cost labor methods competing with low cost producers overseas, their people contribute only additional problems to the European economy as a whole. Their restricted combined purchasing power does not provide markets for competitive mass production of consumer goods so important in an economy.

Limited Markets

In those countries of Europe where industry originated because of availability of coal and other raw materials, the industrial activities were influenced by limited markets within the country and the insecurity of export markets. In no one country were the home markets large enough to support the highly competitive mass production of alternative consumer products so common in the United States. Where attempts at mass production were made in the larger countries, their efforts were usually confined to one company in each country which could support such activities. Naturally, each of these enterprises considered the export field as its own, and on meeting competition from neighboring countries with no rules or referees, chaotic competitive tactics resulted which could lead only to uneconomical operations. To avoid this, the institution of cartels was felt to be the only practical solution. These organizations of internationally competing producers of raw materials or manufactured goods were formed to establish rules for conducting the business in their particular field. As their primary interest was their own prosperity and convenience, it is but natural that the rules and regulations (differing in every case) evolved with only minor consideration of the general European economy or of the interests of the peoples in the various countries affected. Self interest on the part of these organizations naturally turned to the advantage of establishing sales prices and the allocating of markets often leading these cartels to act as sales representative of the allied groups. The power of these groups, dominating their field of activity, was sufficiently strong to stifle, with the assistance of political or economical pressure, other efforts in Europe to start competition. They could do this even though a proposed new venture would provide a lower cost or better product. With sales of average quality goods at profitable prices assured, the incentive for intense competitive research and engineering development to insure lower costs or improve quality, which exists throughout American industry, was not present in Europe. I do not wish to imply that research and development were completely eliminated by cartels because that is not the case, but industrial progress was definitely not stimulated or as necessary as in this country.

Cartels

The urge to dominate and the fear of being dominated, firmly established in Europe, stimulated and made necessary the consolidation of competing firms of industrial countries in order to form monopolies to protect their interests in cartels. The normal competition in price and quality which we have in this country was therefore not only non-existent in international trade in Europe, but was non-existent in the individual countries. (Again I must emphasize that there were many exceptions to this generalization.)

The benefits of the existence of one patent system and one uniform patent practice throughout the United States are not enjoyed in Europe. There each country has its own patent system and practices without any attempt at uniformity. What may be patentable in one country may not be in another. Procedure in infringement cases and the possibility of enforcement of patent rights vary greatly throughout Europe. It is a matter of considerable expense and effort for the inventor to obtain patent protection throughout Europe, and litigation to enforce his rights may involve suits in many countries with as many uncertainties as to court rulings in each. While we have our own troubles over here, they are nothing as compared to Europe. The individual inventor in Europe is thus greatly handicapped. On the other hand, large organizations (usually monopolies) can, through the patenting of a large number of minor inventions in their field in different countries, create such confusion that new competition is almost completely discouraged. This situation played no small part in enabling Germany to maintain her dominating position in European industry.

European and American Research

An important difference in industrial activities in Europe and the United States was in the utilization and distribution of research and development effort. In the review of conditions in the United States, it was stressed that research and development in all in-

(Continued on page 451)

CHICAGO CITY BANK AND TRUST COMPANY

HALSTED AT SIXTY-THIRD

STATEMENT of CONDITION

December 31, 1946

RESOURCES			LIABILITIES		
Cash on hand and in Other Banks	$24,812,799.96		DEPOSITS:		
U. S. Government Securities at Par	66,268,000.00		Public Funds	$ 5,059,514.58	
Municipal and Other Bonds	499,647.17		United States Government War Loan Account	1,527,782.46	
		$91,580,447.13	Federal Housing Administration Tax, Etc., Deposits	254,258.79	
Loans and Discounts	6,374,147.91		All Other Deposits	95,131,078.06	
Special Loans—R. F. C. Participation	387,132.43				$101,972,633.89
Real Estate Loans	2,388,148.08		Reserve for Taxes, Interest and Insurance		202,196.66
Industrial and Commercial Real Estate Loans	2,167,223.88		Capital	1,000,000.00	
Federal Housing Administration Mortgage Loans (Insured by F. H. A.—A United States Government Corporation)	1,087,644.99		Surplus	1,000,000.00	
		12,404,297.29	Undivided Profits	552,737.60	
Bank Building		596,237.17	Contingent Reserve	144,438.32	
Bank Real Estate Lease		1.00			2,697,175.92
Stock in Federal Reserve Bank		60,000.00	Liability Under Letters of Credit		33,250.00
Accrued Interest on United States Government Securities		224,969.05	TOTAL		$104,905,256.47
Customers' Liability Under Letters of Credit		33,250.00			
Other Resources		6,054.83			
TOTAL		$104,905,256.47			

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Business and Finance Speaks After the Turn of the Year

(Continued from page 448)

tion of other products of petroleum refining, applying to industrial fields, is likewise indicated.

Significant developments are in the offing with respect to natural gas. For instance, plants are now being built to convert natural gas, of which there is a large surplus in some areas of the country, into gasoline. Dresser is today selling equipment for this development.

The use of natural gas for heating, already stimulated by consumer preference on grounds of cost, cleanliness and convenience, has been given an additional impetus as the result of the coal strikes. Projects call for the extension of gas into many fields never thereby serviced before.

There has been some discussion in past years to the effect that this country might be growing near to the practical limits of its crude oil production and that some measures might be taken toward protecting potential reserves. The fact is that new techniques of deep drilling and extraction of maximum production from old wells are rapidly dissipating any worry along this line. In both of these trends Dresser equipment plays an important part.

In addition to the above potentialities, engineering skill and techniques are playing a constantly more important part in the entire field of petroleum and natural gas. This is true with respect to production, transportation, and utilization in final marketing areas. Dresser's engineering staff has been expanded to meet these requirements.

In view of these circumstances, it is only natural that at this writing, Dresser's backlog of unfilled orders should have reached a level far above any previous peacetime total. However, backlog figures must, under today's circumstances, be viewed with a fair measure of skepticism.

While we can say, without question, that the demand for the peacetime products of our company has passed all previous levels, the extent to which this demand may be translated into actual purchases and production depends upon general economic and political trends.

Will 1947 prove to be another year of strikes and material shortages? Or has our country at last settled down to the realization that every interference with production results, in the long run, in cutting down the amount of our own bread and butter? It is upon the answer to questions such as this, rather than figures purporting to represent unfilled orders, that will depend the outcome of operations of companies such as ours in 1947.

RAPHAEL B. MALSIN

President, Lane Bryant, Inc.

Business conditions are fundamentally encouraging. National income is high. There is a great unsatisfied demand for both consumer and capital goods which should form a very sound basis for prosperity for a number of years. The accumulation of savings cushions and supports this unsatisfied demand even though we have to realize that this accumulation will be dispensed slowly and gradually.

Raphael B. Malsin

The present price level is too high and I would consider a reduction in prices a constructive event. High prices have already begun to restrict demand. This restriction has been partly concealed up to this point by the fundamental scarcity of goods. There are enough eager buyers to support a high price structure during the first stages of filling empty pipe lines, but there is a point beyond which high prices reduce activity more than they add to dollar volume.

Our only hope of maintaining high business activity is to be able to produce and distribute within the buying capacity of our citizens. Full employment and high wages have created a great mass market. There is little doubt that the forces of competition will create products within its buying power, once the basic scarcities have disappeared. A reduction in the general price level will calm labor unrest and is a more equitable way of increasing real income than big rises in wages which affect only special groups and which tend to delay the achievement of a proper balance among the factors of production, prices and wages.

Lower prices may be accompanied by some reduction in the total dollar volume of activity but they will preserve the basic flow of demand and supply at a healthy level. There is a natural ebb and flow to every human activity. Only the dead are changeless. There is nothing sacred about present figures. If we have any respect for it, we must be prepared now to allow our system to adjust itself to the new conditions of peace without losing awareness of our social responsibilities—local, national and international.

M. LEE MARSHALL

Chairman of the Board, Continental Baking Co., Inc.

Everyone looking ahead for the year is naturally confronted with many important "ifs." It is my opinion that if management, labor and government can concentrate their combined efforts on the all-important job of production for prosperity, we and other business concerns can look ahead to a good year in 1947 and even better years in the future.

M. Lee Marshall

In spite of some rather bearish prognostications for general business in 1947, we look forward to a reasonably satisfactory year for our company.

While food prices generally should and will undoubtedly decline further, we expect no sharp reduction in the price of bread because bread prices have not risen in proportion to the cost of other foods.

Our industry has been fortunate on the whole in its labor relations. Wages paid have generally kept pace with the cost of living, and therefore we anticipate no serious labor trouble this year.

World demand for American flour, together with the existing shortage of fats and oils, will probably result in a continued high cost of baking ingredients.

The superior quality of most bakers' bread and the fact that enrichment has been maintained by most leading bakers without government regulation should help our industry maintain the present unprecedented demand for commercially baked bread.

The continued shortage of sugar will again make it impossible for us to supply the demand for our cakes, but will not be permitted to affect the quality of products produced.

While there may be a temporary decline in general business, we believe that the upturn will come soon enough so that our business will not be seriously affected.

GLENN L. MARTIN

President, The Glenn L. Martin Company

With the first of the postwar Martin 2-0-2 airliners now undergoing flight and static tests and deliveries scheduled to begin to customer airlines in a few weeks, Glenn L. Martin, pioneer aircraft manufacturer, told the "Chronicle" he forecasts continued expansion in industry, despite any temporary handicaps.

Glenn L. Martin

Pointing out that even during the depression days of the '30's the industry maintained a steady if slow expansion, the only pioneer aviator still heading his own company foresees what is going to have to be done in the near future and has some recommendations for the solutions to the existent problems.

The chief difficulty is the lack of modern airports to handle the rapid expanse in the number of airplanes being added to the airlines of the country, Mr. Martin believes. He has advocated that private capital enter the field of airport construction and maintenance, believing that such an operation will not only prove profitable to investors, but be of great assistance to the airlines through reduced operating costs.

In forecasting continuation of the aircraft industry's steep growth curve during the new year, Mr. Martin said that aviation already is feeling the effects of recent industrial tie-ups which have caused delays and interruptions in the flow of needed parts and materials.

"We naturally will be affected by general economic conditions during 1947," Mr. Martin said. "But aviation has enjoyed a steady growth under all sorts of economic conditions, and there is no reason to feel that it will not continue to do so in 1947. In fact, unless economic conditions get much worse than anyone has visualized, the year will be the greatest peacetime year aviation has ever known."

The Glenn L. Martin Co. began the year 1947 with a backlog of $201,000,000 for commercial and military aircraft, covering 11 different types of planes, Mr. Martin said. This is not only one of the largest backlogs in the industry but one of the most diversified.

Chief interest is centered in the Martin 2-0-2, a twin-engine, high-speed transport, first of the postwar commercial airliners to be announced.

Together with a sister ship, the 3-0-3, which has pressurized cabin, the Martin Co. has sold more airplanes of postwar design than any other manufacturer. Most of the leading airlines of the United States have bought one or both of the types, while several South American operators have placed orders.

Several types of military aircraft are under construction for both the Army and Navy, including the XB-48, a long-range, six-jet-engine bomber for the AAF; the AM-1 Mauler, a carrier-based dive bomber; the PBM-5 Mariner flying boat; the PBM-5A, world's largest amphibian; the XP4M-1, a long-range land-based patrol bomber, and the JRM Mars flying boats, the last of which will be delivered to the Navy soon.

THOMAS W. MARTIN

President, Alabama Power Company

Albama Power Company has made a careful study of the probable uses of power over the next few years for industrial, commercial, urban and rural purposes. Based on this study, and in keeping with its long established policy of being ready to meet the increased demands for power whenever they arise, the Company recently announced the construction of a new 120,000 kilowatt steam-electric generating plant at Gadsden, Alabama. This will bring the capacity of the Company's plants to 820,00 kilowatts.

Thomas W. Martin

We anticipate a great industrial development in Alabama in the years ahead and we are making our plans to be ready for every power demand. The use of electricity by all classes of customers during 1946 was the greatest in the Company's history.

GEORGE W. MASON

President, Nash-Kelvinator Corporation

The 1947 plans of Nash-Kelvinator Corporation call for output of the largest volume of automobile and electrical appliances in its history.

In line with this expansion program during the past year, Nash-Kelvinator acquired new plants in California, Wisconsin, Canada and England. It also expanded its present facilities at Detroit, Grand Rapids and Milwaukee. During 1946 the company invested more than $7 million in new machinery and equipment. Present plans call for the investment of additional millions as quickly as material and equipment become available. Nash-Kelvinator employed about 13,500 persons before the war and expects to reach 27,000 when the expansion program is in full swing.

George W. Mason

The future now depends on the ability of the country to avoid a recurrence of the crippling difficulties of the past year, which forced up unit costs of production, raised prices and prolonged shortages.

Most of the problems facing industry today, are temporary obstacles which will not cause long detours if labor, management and the Government will just look ahead, think ahead and plan ahead.

The key to the price obstacle is volume production. High prices do not always bring prosperity and profit because prices are determined by cost of production as well as supply and demand.

When prices are too high, they stifle demand and restrict production. When that happens, it brings unemployment and reduces individual income. That weakens all the props under the platform of a secure and prosperous standard of living.

Three factors will bring about increased production: Stabilization of wages, a free flow of materials and a lowering of prices, enabling industry to maintain high levels of demand.

ROBERT B. McCOLL

President, American Locomotive Company

With new equipment and new standards of freight and passenger service becoming a reality, the railroads of the United States are approaching a second period of greatness.

Robert B. McColl

The recent rate rise of 17.6% gave the needed encouragement to assure continuation of the railroads' motive power and rolling equipment program. It is estimated that the railroads' modernization will cost $1,600,000,000 — the greatest face-lifting treatment ever undertaken by the industry.

More than anything else, American Locomotive's plans for the future bespeak our faith in the railroads' future. We have said before and repeat that the railroads in the next 10 years will carry more freight and more passengers than in any peace-time decade in history.

This prediction is based on more than faith. It is interesting to note that 16,000,000 more persons live in this country than in 1930. These potential shippers and travelers have some $13,000,000,000 more in savings deposits alone than in 1930. They own more than $50,000,000,000 in war and savings bonds.

Already a nation of nomads by 1930, we were unable to travel as much as we wanted during the depression and the war. Today the nation is on the move under a compulsion of restlessness probably never exceeded in history.

In the field of railroad management we also have reason to be optimistic. Like other industries today, the railroads are putting new emphasis on youth and vigor. And in a time when all industry is confronted by new

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Contracts of U. S. and European Economy

(Continued from page 449)

dustry was aggressively carried out both by the producers of primary products and by the users. In Europe, on the other hand, except for some minor exceptions, the consumers relied almost entirely on the research and development laboratories of the producers of primary products for progress in their industry. Thus the service laboratories of the steel industries specified to the user the quality of the product he must use for specific purposes, and those of the chemical companies the chemicals they should use for their operations.

It is obvious that competition and progress are retarded if industrial research is concentrated in laboratories having the viewpoint of the suppliers of primary products and these in most part large monopolies. In another publication, I pointed out that this situation was so serious that with the defeat of Germany, the cutting off of chemicals made by Germany caused acute problems for the entire European industrial economy.

The general conditions outlined as existing in Europe can be better understood if you will consider the situation which would arise if say New York State were to decide to go on its own. It would have its own currency, tariff and immigration borders, patent practices and laws pertaining to trade, its Department of Foreign Affairs, War Department, and so forth. To develop a balanced economy, the government would undoubtedly sponsor the establishment of automobile, refrigerator, chemical factories and other industries contributing to a balanced economy. It would have to export very large quantities of goods in order to provide for exchange to import coal and other vital raw materials. From our point of view, such an economy is impractical. If you will extend this consideration to the possibility of all of our states forming individual countries, each with its own industrial economy, you can visualize the situation in Europe. It is clear that no one state could enjoy the benefits of the Industrial Age alone, and that intrigues and rivalries would soon develop a situation making war inevitable.

Washington and You

(Continued from page 393)

the crusade of liberal Board members for softening of regulations T and U had been thwarted by Board Chairman Eccles, that the issue would be decided by Congress.

* * *

Capitulation of the Board to margin dealing may sidetrack a broad investigation into the nation's economy as affected by government manipulation of credit. Chairman Wolcott of the House Banking Committee had planned such a study, still feels it might be a good idea. Modification of T and U devitalized Republican reformers to a degree, but remaining for disposition is the Reserve Board's request for permanent power to regulate consumer credit, discussion of which could easily lead into the ramifications of credit controls. There's a good chance the House Committee may sidle in that direction.

* * *

The Justice Department is "investigating" complaints that financial groups contribute to monopolistic control by their investment and credit habits. From this knot-hole peering, the Department feels just about enough knowledge has been gleaned to justify legal procedure against what it claims is a freezing out of newcomers in industry by investment banker pipelining of funds. "No comment, we're just investigating," was the laconic reply of a Department spokesman when asked about rumors that civil action would shortly be filed against the nation's biggest investment bankers.

* * *

No more Federal power projects will be authorized by Congress. This means two things. (1) The White House plan for decentralizing industry will be crippled, because Federal power development is obviously an integral part of decentralization. (2) Scores of projected waterway ventures involving flood control, navigation and power production will be conreshaped or junked.

* * *

Limited immunity for railroads from antitrust prosecutions for fixing rates with Interstate Commerce Commission approval is on its way through Congress. Senate Commerce Committee is now holding hearings on this proposition. Delaying tactics by southerners are expected, but early action can be predicted.

* * *

Freight car production aim is being sighted at 9,000 units monthly, but this compromise finds doubters on both sides of the median. Office of Defense Transportation claims the output can be booted to 10,000. Industry keymen demur, insist the 9,000 pinnacle is beyond prompt attainment. Probability is that production will build up gradually from the 3,120 December level to an optimum of 7,000 units. Car wheels are seen as the major limiting factor.

* * *

Don't expect any early transfer of SEC headquarters from Philadelphia. Office space here remains too deeply in deficit.

* * *

Congressional pruning scissors may be applied to President Truman's budget plea for a $500,000 White House blank check. Mr. Truman wants the half million to spend as he pleases, over and above appropriations covering routine presidential expenses. During the war, Roosevelt pyramided this unbridled executive disbursing to millions annually. It wouldn't be surprising if Republicans now want an itemized justification for the Truman jackpot.

* * *

The shrinkage forced upon interest rates by New Deal deficit financing is silhouetted in latest Federal debt analysis. The average rate of interest on debt outstanding Dec. 31, 1946 was 2.06%. The average rate on the corresponding date following end of World War I was 4.19%.

* * *

Congress will retain the Reconstruction Finance Corporation in modified form at least another year. Real decision stemming from debate on this issue will not be survival of a Federal agency but whether lawmakers want to sanction the social philosophy that a government corporation should extend credit to borrowers unable to obtain funds elsewhere. First embracing this theory under former President Hoover, Republicans are seen as not ready to desert it completely at this time.

* * *

Congressional investigation of government propaganda and publicity activities is not far removed. Results will be constructive, at least two in number. (1) Propaganda dispensation will be compressed. (2) Hundreds of press agents will be fired and the Federal payroll correspondingly absolved.

* * *

Treasury official claims real progress in maneuvering the Federal debt out of Federal Reserve and commercial banks. Over 80% of the decline in the debt from March to June, 1946, was in securities held by the banks. Of the 11.8 billion dollar debt increase during fiscal 1946, five-sixths occurred in holdings of nonbank investors. On June 30, last, the banks held 40% of total interest bearing Federal securities outstanding as against 43% on the corresponding 1943 date.

* * *

New business ventures which will be particularly vulnerable if 1947 brings a drop in business activity comprise 300,000 retail, 120,000 service, 90,000 construction, 50,000 manufacturing, and 100,000 miscellaneous establishments placed in operation since the beginning of 1944. Recession casualties would be particularly concentrated in these groups. The Commerce Department estimates that the number of U. S. business firms has reached a new top—3,650,000, compared with 2,840,000 at the end of 1943.

* * *

Attention all business men! The following gem was solemnly and officially released by the Commerce Department after a study of the book selling business: "It is more important to be a smart businessman than a bookworm if you are to make a success of running a book store."

Congressman Crawford Shifted From Banking Committee

WASHINGTON, Jan. 22 *(Special to the "Chronicle")*—In the reshuffling of Congressional personalities due to the reorganization of Congress, one change which will be of interest in financial circles is the shift of Representative Fred L. Crawford of Michigan from Banking and Currency to the Public Lands Committee. Mr. Crawford, a Republican, in seniority on the majority side of the Banking and Currency Committee, would have been outranked only by the Chairman, Mr. Wolcott.

F. L. Crawford

Mr. Crawford has always been a penetrating interrogator of witnesses before the Banking and Currency Committee. Last year Mr. Crawford visited approximately three dozen countries as a member of a group of legislators concerned with insular affairs.

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69 West Washington Street • Chicago

CONDENSED BALANCE SHEET
As of December 31, 1946

ASSETS	1946	1945
Cash	$ 4,548,208	$ 4,310,677
Marketable Securities*	38,751,045	33,547,564
Accounts and Notes Receivable*	713,520	689,306
Mortgages, Real Estate and other Investments*	1,492,607	3,230,299
Stocks of Associated Title Companies	679,845	563,755
Conway Corporation	4,250,000	4,250,000
Title Records and Indexes	1,500,000	1,500,000
Total Assets	$51,935,225	$48,091,601

*After Reserve Provisions

LIABILITIES		
Trust and Escrow Cash Balances	$20,654,590	$20,233,943
Cash Deposits as Indemnity against Specific Title Guarantee Risks	1,960,468	1,694,782
Dividend Payable	360,000	360,000
Accounts Payable, Taxes and Accruals	1,849,171	1,456,934
Provision for Employees Pension Trust	1,712,992	
Reserves	2,527,559	2,240,217
Capital Stock	12,000,000	12,000,000
Surplus	8,000,000	8,000,000
Undivided Profits	2,870,445	2,105,725
Total Liabilities	$51,935,225	$48,091,601

Assets in the amounts provided by statutes of Illinois have been pledged to qualify the Company to do business and to secure trust and escrow cash balances.

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Business and Finance Speaks After the Turn of the Year

(Continued from page 450)

and imposing problems in labor relations and government bureaucracy, the railroads can take comfort in the fact that, more than any other industry, they have a successful experience in dealing with government supervision and union labor.

American Locomotive Co., of course, sees this future through the eyes of the creator of new and improved forms of motive power. We are going through our own modernization and expansion program to meet current and future demands of the railroads. We are doing more than this. Contrary to historic industry practice, we are going through a transition from one kind of production to another. For a century, we have been a leader in the manufacture of steam locomotives. In 1925, we introduced the nation's first diesel-electric locomotive. Today, after the interruption of war, we are prepared to continue our long-held leadership in the motive power field through the production of diesel-electric locomotives by mass production methods.

While manufacture of steam locomotives will continue to serve the interests of customers, both foreign and domestic, who prefer steam motive power, we have met squarely the trend to diesel with the same engineering skill and experience which fathered our leadership in steam. We have backed with $20,000,000 our faith in the railroads' future, which sum has been spent in research and development leading up to our new line of diesels. We have built the world's most modern diesel-electric plant at Schenectady and have introduced a station assembly-line system for the mass production of diesel engines. We have perpetuated a long-standing manufacturing association with the skills and reliability of the General Electric Company.

This modern diesel-electric manufacturing plant was built in answer to the demands of the railroads, themselves. In 1935, only 20% of locomotive orders were for diesels. In 1941, this proportion had grown to 76%. Today the figure is about 90%. Our own estimate for 1947 is that diesels will constitute 93% of our production and steam only 7%.

It is our intention, however, to observe and test continuously all ideas for the improvement of motive power. Right now we are engaged in combustion tests for the development of a coal-burning gas turbine locomotive, and we will build a locomotive of this type. Some of our engineers are following closely the development of atomic power as it might be applied to locomotives, although we think that such development is 20 to 40 years away.

In summary, we think the outlook for the railroads is bright. We are banking on that future with aggressive planning designed to match the progress of the railroad industry.

JAMES A. McLAIN

President, The Guardian Life Insurance Company of America

The year just closed was the best year in the history of the life insurance business. Total life insurance in force increased 12% (to $174 billion) during 1946 and is up 40% since 1941. Averaged that means that in 1946 life insurance protection for each American family increased from $4,000 to $4,500, compared with a per family average of $3,300 in 1941. There are now about 73 million men, women and children insured.

James A. McLain

New purchases of life insurance exceeded the previous year's record by about 50%. Payments to policyholders and their beneficiaries reached $2.8 billion in 1946, dividends to policyholders making up $500 million of the total. Reserves to guarantee the payment of future benefits increased more than $3 billion during the year; these reserves now total nearly $42 billion.

In a year clouded by industrial uncertainty and labor unrest, sharply reduced savings and increased living costs, the record expansion of life insurance was influenced most by two things:

(1) Individual life insurance holdings, considered ample just a few years ago, fall from 30 to 50% short of meeting minimum requirements today. Much of the new life insurance placed in 1946 was purchased to bring individual programs up to date: a father who had hoped that $80 a month would see his son through college bought enough life insurance to step the allowance up to $120; two partners, reviewing their business purchase agreement, decided that $50,000 (about right in 1941) would not be enough and increased their protection 40%; a veteran who said that his $10,000 of National Service Life Insurance was an "awful lot of dough" made a realistic analysis of his family responsibilities, with the help of the agent who persuaded him to keep his Government policy, then applied for $5,000 more with a private company. Those are random illustrations that can be duplicated many times in the daily run of a life insurance company's new business.

(2) National income, high during war years, topped all previous records in 1946, when income payments to individuals aggregated close to $164 billions. As more people shared this income than ever before, the spread of life insurance sales increased proportionately: it is estimated that the number of people insured went up 2 million over the total at the end of 1945. In addition to these new buyers, there was another large group—insured for very small amounts in the past—who were able, during 1946, to purchase more nearly edequate protection.

Sales-wise, the outlook for life insurance during 1947 is good. Spot-checks at various income levels indicate the probable existence of a much larger market among policyholders now under-insured than the present life insurance field force can reach. And, as it is expected that 1947 national income will at least equal that of 1946, there should be a large number of first-time purchasers of life insurance sold during the year.

The life insurance marketing problem differs from that of many other businesses in this important respect: with rare exceptions, even the best informed buyers do not purchase life insurance of their own volition; the business is almost entirely dependent on personal selling, in a field where technical knowledge and professional integrity are an absolute must.

Continued low interest rates, increased operating costs and legislative problems are of current importance. But for the present, and perhaps for several years to come, the major concern of life insurance management—and about the only real limitation to the volume of business that can be done—will be finding, employing, training and supervising the type of fieldmen and women capable of delivering the kind of information and service the American policyholder demands.

A. T. MERCIER

President, Southern Pacific Company

Southern Pacific Company handled its greatest peacetime volume of freight in 1946, but except for a federal tax credit carry-over, it would have suffered a financial loss for the year.

A. T. Mercier

This situation was brought about by large wage increases; heavy taxes, other than federal income tax; and skyrocketing prices of railroad supplies, without an accompanying commensurate increase in charges for railroad services.

Prospects were brightened considerably by the Interstate Commerce Commission's decision of December 5, granting an average increase of 17.6% in interstate freight rates for the country as a whole effective January 1, 1947, and making permanent the 10% increase in passenger fares authorized as temporary relief in 1942. However, it remains to be seen whether this will meet the carriers' needs, even though traffic volume continues at the present high level.

Much depends upon how soon the nation can overcome its reconversion difficulties and get into sustained mass production, with a consequent drop in prevailing high prices of materials and supplies needed by the railroads.

In the past year, more than $50,000,000 has been added to the company's cost of operations by wage increases alone. At the same time, prices of practically everything used in railroading reached all-time peaks. For example, compared with 1940, purchase price of fuel oil in 1946 had increased by 62%, railroad ties by 157%, railroad rails by 40%.

It should also be noted that practically as many trains are required to handle the present diversified traffic as were needed for the wartime peak, and further that the gathering and transporting of freight under peacetime conditions is generally more expensive than in wartime. Much of the war traffic moved cross-country in whole trains loaded to capacity, whereas in peacetime the quantity loaded per car is commonly lighter and the shipments are consigned to many destinations, calling for numerous switching operations.

It is important to the welfare of the country that the railroads be permitted reasonable earnings to maintain sound credit, so they may continue to improve their services through the purchase of new modern equipment.

G. METZMAN

President, New York Central System

Any worthwhile appraisal of the outlook for the transportation industry for the new year must necessarily be based on the outlook for industry generally.

Gustav Metzman

Unfortunately, that situation is not too clear. Labor organizations are in a competitive race as to which can secure the greatest wage increases, and the portal-to-portal suits, an effort to secure unconscionable gains, wholly unanticipated by labor, threaten with confiscation many of the industries against which this litigation is directed.

This country, thus far, has successfully emerged from the stresses and strains of a gigantic defense effort—an effort which finds no parallel in past history and which called forth all the resourcefulness, ingenuity and skill that could be brought to the task. Under the whip of war necessities our scientists made astounding discoveries, new devices were invented and new techniques were developed, so that today this nation and the whole world stands on the threshold of a new era—an era which contains high promise to all mankind.

In this country industry operates on the principle of private enterprise—the profit and loss system, or, as some prefer to call it, under a capitalistic economy. That system is not perfect, but it is workable and it is practicable. It has evolved as the free choice of the people of this nation through years of experimentation as the net residue of everything that has been tried. If there were anything better, we would have had it a long time ago. That system has brought to the people of this country standards of living, standards of education and other comforts that outrank those of any other country on the face of the globe. Our basic necessities are the luxuries of others. That system contemplates that each contributor—labor, management and capital—to the total result will receive some compensation—an incentive reward so that he may be encouraged to continue his contribution. It is imperative that each continues to receive its just and fair compensation. Labor must not insist upon taking all of the gains because to do so will dry up the essential reservoir of capital.

We have reached a stage in our industrial life where labor wields tremendous power. There should be sober determination on its part as to how wisely it will use that power. If the promise of the future is to be fulfilled, if we are to avail ourselves of the opportunities before us, and if we are to capitalize on the gains that have come out of the travail of the war effort, we must find greater unity and tranquility in our industrial life.

The railroad industry is making an enormous contribution to postwar prosperity in America by its far-reaching program for modernization of plant and facilities. If that program is to continue, the railroads must be allowed to earn the money with which to pay the bill. Right now wages and the cost of materials and supplies are taking too much of our gross income.

R. W. MOORE

President, Canada Dry Ginger Ale, Incorporated

The increase in the carbonated beverage business expected during 1947 will be a renewal of the rapid growth experienced by the industry during the prewar years. From 1935 to 1945 the volume of sales multiplied about four times. Neither the depression nor the war nor the subsequent problems have curtailed the interest in the industry or the demand for its products.

R. W. Moore

More and more people in this country and in foreign countries have acquired the habit of using soft drinks as thirst quenchers, as refreshers and as mixers. The industry and the companies have developed new merchandising methods and sales programs designed to service the increased demand. The expansion of production facilities will be an important part of the future growth of the industry.

At the year end, Canada Dry Ginger Ale had seven manufacturing plants under construction in the United States and the company has just completed two new plants in Cuba. The number of new license agreements and applications for the sale of Canada Dry products in the United States and in foreign countries is a firm basis for anticipating a considerable expansion in business.

The gradual settlement of the current post war disturbances will benefit all types of business and I expect the economy will adjust itself to a level of operations which will be more normal. Under such conditions, beverage companies will grow and prosper.

At the present time the carbonated beverage industry is restricted by sugar limitations and machinery shortages. An increase in sugar allotments is anticipated and it is hoped that sugar will be available in greater amounts than can now be foreseen. Bottling machinery and equipment should be increasingly available as the year progresses.

In spite of current problems and limitations, I anticipate better business during the year and I am most optimistic about the future.

C. BEDELL MONRO

President, Capital Airlines

Headaches replaced profits for most of the airline industry during 1946, but despite the obstacles, the airlines made vast strides in virtually every phase of operations.

C. Bedell Monro

The year 1946 was one during which the airlines lost vast sums of money but accumulated experience which can only result in a new and more favorable concept of commercial air transportation.

During one of the financially and operationally most difficult years in our history, we managed to show enormous gains in passengers flown and in mail, express and cargo tonnage; all of which were definite proof that a potential exists for an ever-expanding air transport industry.

The airlines, generally speaking, have found or are finding their way out of the woods of current difficulties. Their future is assured if they will but follow the paths of planning and foresight displayed in surmounting previous obstacles.

(Continued on page 454)

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Wages and Industrial Progress

(Continued from page 392)

policies are very much at the heart of the industrial relations conflict.

In the search for wage stability and "fair competition" many new reasons have been advanced to support wage increases. No longer is emphasis placed so heavily upon wage determination as the means for allocating to labor a "fair and equitable" share of the returns from sale of a joint product. Nor is so much attention given to wage differences as a factor in the direction of labor mobility. Although the traditional and relatively simple functions of wage determination are still in the picture, they have been overshadowed by policies designed "to take wages out of competition."

To prevent "unfair competition" by eliminating area wage-rate differentials, to establish equal pay for similar job titles, and to secure job rights through seniority rather than performance are but a few of the goals of the labor movement which now have a vital bearing upon the wage determination process. They cannot be appraised as new goals except in the sense that there is now a widespread labor movement which is making its influence felt for the first time in many plants and industries. The influence became effective, moreover, during a period when labor's economic bargaining power was probably never higher. Relatively high wage and labor standards could be and were achieved. The policies and programs which produced such notable improvements in the well-being of employees are significant, however, only if they are related to the economic setting in which they were applied.

Since 1941, relative production costs and prices have had but little bearing upon whether or not a plant could be profitably operated. Efficiency on the job has not been a critical factor in determining whether an employee kept his job or lost it. An insatiable demand for goods to fight the war and then for reconversion purposes, backed up by the creation of an unprecedented volume of purchasing power, substantially eliminated marginal considerations from business operations. Every resource was mobilized for production irrespective of the cost of its use. The public debt was astronomically increased to make all this possible.

Consumer Now Supreme

It was quite possible under these circumstances to set wages by rigid application of some fixed standard of fairness and equity without adversely affecting full employment and without forcing very much productive equipment out of operation. Wage determination involved little attention to competitive relationships because competition was suspended. We are now moving rapidly to the time when consumers will resume their function of rejecting products of highest cost and poorest quality. Neither profits security nor job security will be possible unless management and their employees turn in a pretty good job for the consumer. The circumstances surrounding wage determination are about to change materially.

The labor cost consequences of many proposed wage policies and the influence of these policies upon the relative competitive positions of business enterprises have frequently been ignored. Such an evaluation is a vital part of developing wage policies to meet the needs of reconversion. It cannot long be side-stepped by an insistence that all will be well if only wages generally are increased sufficiently to provide enough purchasing power to keep every factory running at capacity regardless of the kind of a job its management and its employees are doing. It is easy in using such an approach to overlook the elementary fact that costs and quality of production vary widely between competing plants.

Perplexing Problem

During the war years high cost operations had to be continued and obsolescence had to be deferred. In consequence, the differences in production cost between the most efficient and the least efficient producers in many industries are greater than they have ever been. The range in profits is also quite wide. The decreasing prices which we long for so avidly will reduce the high profits of many companies all right, but they will also turn profits into losses for other concerns. The problems of maintaining full employment and a high level of production which will then arise have to be tacled by a non-inflationary approach if economic progress is to be assured. Stabilizing wages through collective bargaining but with due regard for the necessities of a competitive economy is one of the most perplexing of all the reconversion problems which must be met. It is a brand new problem for the United States in most of the mass production industries whose employees have but recently been organized. To what extent can inflexible wage standards be established for such industries without an excessive price in job insecurity and production losses?

II.

The degree to which wage levels or wage changes should be determined without regard to possible effects upon the costs and the competitive position of particular business enterprises or of particular industries is now at issue. Wide differences would be narrowed if it were recognized that one of the functions of collective bargaining is to stabilize wages throughout an area of competition. Any level of stabilization will presumably bear relatively heavy upon high cost concerns, but one of the purposes of collective bargaining is to prevent the breaking of wage standards by such companies in an effort to continue to be profitable. Competition based upon management efficiency may well be intensified under collective bargaining. This also has an effect upon opportunities for employment. Under any kind of wage stabilization program, the jobs of some employees will be placed in jeopardy.

The maintenance of standards often leads to a keen union interest in improving the productive efficiency of high-cost concerns. It is of interest to note the many cases of so-called union-management cooperation for more efficient production which developed over the years in companies facing great difficulty in keeping their heads above water. The scope of collective bargaining, i.e. the subjects included in negotiations, tend to be quite different under profitable as compared to non-profitable operations.

Wages and Industry

The formulation of a standard wage or a standard wage increase as a sort of fair wage *per se* for stabilizing purposes has a critical importance as respects our chance to attain reasonably full employment and maximum production under our competitive economy. This aspect of wage policy is of greatest importance in the mass production industries whose plants compete in a national market. The standard wage which becomes effective there can, if rigidly applied, have a great deal to do in determining the number of companies and the number of jobs which will be placed in jeopardy as a consequence of protecting the wage standards of those who are not on the edge of disaster. Such great risks are entailed in the establishment of any industry-wide wage standard that a great demand has arisen to require bargaining only on a plant-by-plant basis. This is an admission that it is impossible to attain any stability in wages despite the evident need for some such program which was made very clear in the early 30's. Most unions and many employers would resist such a delimitation of the functions of collective bargaining.

Industry-Wide Bargaining

Those who oppose any kind of industry-wide collective bargaining find one of their most telling arguments in the virtual impossibility of adequately defining an industry. Applying the same wage-standards to unlike concerns making different products has had unstabilizing and even disastrous results. It is also frequently contended that industry-wide wage standards cannot equitably be established because no practical points of reference for fixing them have ever been devised. Such an argument does not bear up on close analysis. Industry-wide wage policies existed rather generally even in pre-collective bargaining days. Uniform common labor rates throughout an industry were not uncommon and the "follow the leader" type of wage determination was quite general.

The need for industry-wide wage policies was widely emphasized by management in the 30's. One often encountered this kind of employer position in negotiations—"The employees of my plant are entitled to a wage increase but before we can agree to it, we have to be assured that a similar wage increase will be made by our competitors. The equitable way to make a wage increase is for the entire industry to move at one time to insure against competitive upsets." In a few instances, employers even welcomed unionization as a means of introducing industry-wide wage policies designed to eliminate that form of "unfair com-

(Continued on page 455)

CONDENSED STATEMENT

FIRST NATIONAL BANK
IN ST. LOUIS

At the Close of Business, December 31, 1946

RESOURCES

Cash and Due from Banks	$117,741,620.58
U. S. Government Securities	176,896,214.90
Loans and Discounts	149,152,811.07
Other Bonds and Stocks	8,063,122.43
Stock in Federal Reserve Bank	585,000.00
Banking House, Improvements, Furniture and Fixtures	335,603.30
Other Real Estate Owned	929,002.00
Customers' Liability a/c Letters of Credit, Acceptances, etc.	3,095,731.34
Accrued Interest Receivable	975,886.37
Overdrafts	11,124.24
Other Resources	4,202.43
	$457,790,318.66

LIABILITIES

Capital Stock		$ 10,200,000.00
Surplus		9,300,000.00
Undivided Profits		6,859,282.04
Reserve for Contingencies		500,000.00
Dividend Declared, Payable Feb. 28, 1947		240,000.00
Reserve for Taxes, Interest, etc.		1,901,710.92
Unearned Discount		205,730.92
Liability a/c Letters of Credit, Acceptances, etc.		3,105,280.09
Other Liabilities		41,285.17
Demand Deposits	$355,922,361.68	
Time Deposits	57,577,506.94	
U. S. Government Deposits	11,937,160.90	
Total Deposits		425,437,029.52
		$457,790,318.66

NATIONAL BANK 1st IN ST. LOUIS

Broadway • Locust • Olive

Member Federal Deposit Insurance Corporation

STATEMENT OF CONDITION

At the Close of Business December 31, 1946

NOT INCLUDING TRUST FUNDS

Resources

CASH		
On Hand and with Federal Reserve Bank	$100,493,745.49	
With Other Banks	34,540,315.75	135,034,061.24
INVESTMENTS *(at not exceeding market value)*		
U. S. Government Securities	311,642,773.89	
Other Bonds	12,079,624.12	323,722,398.01*
Stocks and Other Securities (Including $480,000 stock in Federal Reserve Bank of S. F.)		600,010.20
LOANS		
Loans and Discounts	55,335,532.52	
Loans on Real Estate	1,602,649.88	56,938,182.40
Customers' Liability for Credits and Acceptances		8,874,223.44
Bank Premises, Furniture and Fixtures		2,638,696.13
Other Real Estate Owned		83,236.28
		$527,890,807.70

Liabilities

DEPOSITS		
Demand	349,710,554.43	
Time (Savings and Commercial)	132,765,385.96	
Public Funds	15,577,491.28	498,053,431.67
Letters of Credit, Credits and Acceptances		8,921,934.24
Reserved for Taxes		651,242.17
Other Liabilities		392,760.46
CAPITAL Paid in	9,000,000.00	
Surplus	7,000,000.00	
Undivided Profits	3,871,439.16	19,871,439.16
		$527,890,807.70

*$28,590,270.56 *in securities and* $500,000.00 *of other assets are pledged to secure Public and Trust Deposits and for other purposes as required or permitted by law.*

STATE OF CALIFORNIA } *ss.:*
City and County of San Francisco }

R. L. Wallace, Cashier of Wells Fargo Bank & Union Trust Co., being duly sworn, says he has a personal knowledge of the matters contained in the foregoing report of condition and that every allegation, statement, matter and thing therein contained, is true to the best of his knowledge and belief. R. L. Wallace, Cashier

Subscribed and sworn to before me this second day of January, 1947. Nancy Everett, Notary Public in and for the City and County of San Francisco, State of California.

CORRECT—Attest: Henry Rosenfeld, W. P. Fuller, Jr., Henry D. Nichols

DIRECTORS

Edward H. Bell	F. J. Hellman	Henry D. Nichols
Sidney M. Ehrman	I. W. Hellman	R. H. Rebele
James Flood	Arthur D. King	Henry Rosenfeld
J. A. Folger	Frank B. King	R. S. Shainwald
W. P. Fuller, Jr.	Samuel Lilienthal	Guy V. Shoup
W. F. Gabriel	E. C. Lipman	Frank E. Sullivan
W. L. Gerstle	F. L. Lipman	J. D. Zellerbach
Clara Hellman Heller	Wilson Meyer	

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Business and Finance Speaks After the Turn of the Year

(Continued from page 452)

Many of the nation's airlines, including Capital, lost heavily during the past 12 months, but those losses paid for an unestimable amount of know-how and were caused by many factors beyond our control. Unprecedented expansion, general economic conditions, and the expenditures of transition and growth are circumstances not conducive to profits and probably the paramount reasons for financial losses.

Two hotel strikes — one in Washington and the other in Pittsburgh — were examples of uncertainties which added to our losses. While the hotels were strikebound in these cities, we underwent a revenue loss of approximately $250,000.

The bleak side of the 1946 picture was lightened by several factors.

We in the air transport industry, have been much cussed and discussed in the 12 months ending. But we know great strides have been made in all phases of airline operation. New aircraft have been developed which will enable us to provide speedier, more luxurious and dependable service. We have instituted new procedures to streamline the handling of passengers, both aground and aloft. The day of all-weather flying, with the aid of electronic devices, is nearing reality.

1947 probably will see a vastly-improved financial picture in the airline industry although it is possible that some economic difficulties will continue until Spring.

In Capital Airlines' 20 years of operation, we have faced many serious situations. Today's is no different than some of the others. We overcame them and went on to bigger and better things, more and better service.

Without feeling that I am displaying the traditional January 1st optimism, I am confident that our airlines —and all the others—are just beginning to realize their full potential. I am certain our collective record in 1947 will bear me out.

E. M. MORRIS

Chairman of Board and Director, Associates Investment Company

The outlook for the finance business in 1947 is more promising than it was in 1946. Following V-J Day the entire country anticipated there would be an immediate or an early return to normal manufacturing operations with full employment. The reconversion period introduced many problems which manufacturers did not foresee with a result that many of the items such as finance companies depend upon for a large part of their volume were manufactured in much less quantity than anticipated; hence the 1946 volume for finance companies was not up to expectations.

E. M. Morris

Our company increased its branches to a total of 86 at the end of 1946 —an all-time high in number of operating points. We operated 71 branches in 1941 and reached a low of 35 during the early war years. We are therefore prepared to handle a greatly increased volume when it materializes and we feel that time will be in 1947.

The finance business depends a great deal for its time sales volume upon the sale of automobiles, refrigerators, deep-freeze units, radios and other electrical appliances. Generally these items have been made in reduced quantities compared with anticipations. It is to be hoped that the many difficulties which the manufacturers of such items encountered in 1946 will not be present in 1947. If so, it is possible the automobile industry may make as many as 4½ to 5 million cars and trucks. 1946 production for these two items will probably not exceed a total of 3 million units, so an increase even to 4½ million would represent a substantial addition of vehicles, all of which are greatly needed by the American public and a large number of which no doubt will be financed, based upon past experience.

Another important department of the finance company is the purchase of time sales paper with used cars as collateral. During the prewar period there was a considerable volume of such business. Then the average new car dealer handled 2 to 2½ used cars for each new car sold. In due course it is felt there will be a return of used car volume somewhat in proportion to the prewar experience.

Under present-day conditions the purchaser of an automobile is required to make a one-third down payment and complete his purchase in 15 months with equal monthly instalments. This is a requirement of the Federal Reserve Board known as Regulation W. While this regulation has not greatly interfered with the time sale business to date, it is felt it will have to be liberalized in due course so as to permit a normal flow of merchandise to the time buyer.

Many finance companies before, during and after the war have broadened their activities and have focused on various forms of financing in addition to time sales. During the war we became engaged in the manufacturing business, thus creating a new division in our business. Some others, including ourselves, have expanded their industrial departments, engaging principally in the purchase of accounts receivable, factoring, inventory, machinery and fixed asset loans. There appears to be a very considerable field for expansion in this direction due to a great many industries needing financial assistance for expansion and operation of their business.

The outlook for the finance business for many years to come is promising. It's place in the economic picture of this country is fixed. It has contributed in no small measure to the expansion of existing industries and the creation of new ones through making it possible to merchandise items in a broad consumer way, which would not be possible on a cash or open account sale basis.

J. D. A. MORROW

President, Joy Manufacturing Company

J. D. A. Morrow

We are cognizant of the widespread conviction that substantial readjustments must be made in our national industrial economy in the immediate future of unpredictable duration and severity. However, except as strikes and other contingencies beyond our control prevent our factories from operating, our Company's present backlog of unfilled orders and the prospects for additional sales provide the basis for reasonably good business over the remainder of our current fiscal year.

EARL R. MUIR

President, The Louisville Trust Company

The year 1947 starts with possibilities for the beginning of one of the most prolonged periods of business activity at a high level that our nation has ever experienced. Will we be able to develop the business potential or will we fail to do so and enter upon a period of depression, is the question foremost in the minds of many people.

Earl R. Muir

It seems to me that whether we have good business or bad business during this new year depends upon whether we do or do not have serious labor difficulties during the year. If that large segment of labor, which is thoroughly sold on the American way of life, will use its influence to break the hold of those leaders who are dedicated to the creation of confusion and to other ways of life than our own, and will develop a spirit among the workers, leading to greater productivity per man-hour, and if workers are willing to cooperate with employers to the end of reducing the cost of the finished product, we will see a reduction in prices to the consumer and a relative increase in the buying power of the worker's dollar, without an increase in the number of dollars in the worker's envelope. Thus we will, in my humble opinion, develop this period of great business activity beneficial to all of our citizenry. If on the other hand labor is unwilling to follow this program and insists upon continuing the practice of contributing to the spiraling of wages and prices, then we are likely to have many strikes, lower per man-hour productivity, higher prices, and ultimately a depression.

I am optimistic enough to believe that labor has within its ranks a sufficient number of sound thinkers to bring about the necessary cooperation between labor and management to avoid the dire consequences of pricing out of the market, through further wage increases, the products of their labor.

WILLIAM J. MURRAY, JR.

President, McKesson & Robbins, Incorporated

Competition in the wholesale drug business will be keener in 1947 as more selective buying comes into the market on the heels of an increased supply of merchandise, released by the lifting of wartime production controls.

Wm. J. Murray, Jr.

As in past years, the wholesale drug industry may be expected to reflect the trend of retail drug sales which are governed by the amount of disposable income in the hands of consumers. Profits, however, will depend more than ever on efficient operation to compensate for the increased costs of doing business.

The comparatively narrow margin of profit upon which wholesale distribution depends gives renewed emphasis to the importance of labor productivity. To this end warehouse operations must be conducted with the utmost efficiency to offset higher handling and transportation costs. The proper selection and training of salesmen must also be a prime consideration of management.

These problems are receiving the constant attention of every progressive drug wholesaler and have been embodied in a research program upon which the National Wholesale Druggists' Association has recently embarked. I am confident that this program will demonstrate the ability of the industry to expand its operations in 1947 and to fulfill its essential function of distributing necessary drugs and medicines to the public at economical costs.

With the productive capacity of the country approaching new heights the function of the wholesaler in putting goods in circulation between manufacturer and retailer will become increasingly important to the national economy as industry seeks to move more and more merchandise into the channels of retail trade.

The wholesale drug industry remained stable during the war years and has had no serious reconversion problems to face. Its strategic position today, at a time when the efficient distribution is vital to the country's prosperity, makes the outlook for 1947 generally favorable.

The drug industry has achieved an enviable record of holding the line on prices. Trade investigations show that the general price level of most commodities distributed by wholesale druggists has not changed since before the war. There is reason to believe that while some price rises are inevitbale, due to higher operating costs, increases will be less marked in comparison to many other types of merchandise.

PHILIP G. MUMFORD

President, American Machine and Metals, Inc.

In 1946 sales volume was greatly hampered by difficulties in procuring material and supplies, particularly during the first half of the year. This situation is improving slowly, so that we anticipate marked improvement in shipments in 1947.

Orders received continue at a satisfactory rate.

Under OPA, we were required for the greater part to manfacture at levels prevailing in 1946 and to sell at prewar prices, in spite of labor increases exceeding 66% and material increases of 25% to 35% in many lines. The demise of OPA will have the effect of bringing about a more realistic relationship between manufacturing costs and selling prices of our products.

There has been no serious labor unrest in the company, beyond the reiterated request that wages and salaries be kept in line with increases in the cost of living.

With regard to inventories, we followed the practice common with other manufacturers of buying materials as and where we could find them, with a resulting lack of balance. This condition should soon be corrected by the expected rise in shipments during 1947.

A. G. NEAL

President, Potomac Electric Power Company

The characteristics of the electric power industry in the Washington, D. C. Area are similar to those in other portions of the country except in one major respect. Wide fluctuations in energy consumption, caused in most instances by industrial loads, are not experienced in this area. Our stable population pattern, steady growth of the area, and steady income of government workers tends to maintain company sales and revenue even in unsettled periods like that of the year just past.

A. G. Neal

The heavy declines in electric energy sales during the first six months of this year for the country as a whole were not experienced in this area but, conversely, we have not yet reached the weekly increase of 18% recently recorded for the United States.

For the year 1946 we show a slight gain in total kilowatt-hour sales and a 5% increase in revenue from the sale of current. Reduction in use by government agencies related to the war effort and a change to a five day week in most departments of the Federal and District Governments caused a material reduction in power consumption, but this has been consistently offset by residential and commercial demands. Increased employment and wages, a $.45 per ton or 7.1% increase in fuel cost, and similar increases in material costs has tended to overcome the gains in revenue. The demand for electricity by our customers reached a new peak of 403,000 kilowatts, 4.1% higher than in 1945.

In the Washington Area, there were 8,000 residential units completed in 1946 with a total of 6,000 still under construction as of the end of the year. Even though material and labor have been in short supply, the Company has been able to provide those who have needed service up to this time and is now keeping abreast of new requirements.

Future growth in the area is predicted on the basis of a large backlog of demand for some 40,000 new homes to provide for the gain in population during the war and the obsolescence of many of our residential units. Commercial outlets for the area have increased at a rapid rate, but many are still in prospect. Although employment in local government agencies will probably continue to decline from the present total of 250,000, increases in permanent office space will still be necessary to provide for the minimum of around 210,000 employees which are now planned for. This governmen employment represents a 40% increase over prewar.

Vast system improvements are necessary to supply the

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Wages and Industrial Progress

(Continued from page 453)

petition" which arose from the payment of sub-standard wages. Such experiences lend credence to the view that the opposition to industry-wide collective bargaining is not against the idea of stabilized wage rate structures as such but arises from a fear that under collective bargaining the standard will be fixed too high. And, of course, there is real reason for concern on this point. For reasons to be stated presently, this concern could properly give rise to more attention to industry-wide bargaining and not aversion for it.

Some Job Insecurity Essential

There is a rather general agreement that certain wage rates should be designated as so fair *per se* that their payment should be required by the unions, or by law, irrespective of any cost or competitive factors. The existing statutory minimum of the Fair Labor Standards Act has come to be so viewed. It has often been said that "If an employer can't pay that wage, he ought to go out of business." Some employees might lose their jobs in consequence and they would have to be taken care of in some other way. Some job insecurity and some loss of production may well be appraised as a reasonable price to pay for stabilizing wages especially since the bulk of the wages would thereby be made more secure. The balancing of these factors is not an easy assignment. An error of judgment could result in the establishment of standards which would make mass unemployment a virtual certainty.

Events have made the $.40 minimum wage of the Fair Labor Standards Act seem quite obsolete and they have also greatly obscured the influence of fair wage *per se* determinations upon employment opportunities and production possibilities. It is one thing to say that a company ought to go out of business if it cannot pay a $.40 per hour minimum wage and something quite different to conclude that a proper price for being permitted to operate is an ability to increase wages by $.185 per hour "across the board" in order to maintain the average take-home pay of all employees in an industry in the face of an average cutback of overtime hours. And if continued operations were to be made rigidly dependent upon the guarantee of full-time employment then the group of sub-marginal concerns could be very large indeed in some industries.

Wage Flexibility Necessary

The higher the ante is raised, the more need there is for flexibility in deviating from the standard fair wage *per se* in order to avoid paying excessively for wage stability through reduced employment and production losses. Of course, efforts to maintain high labor standards may also lead to a restriction of the number of persons eligible to secure employment or in the restriction of output and consequently higher prices, but such programs do not lessen the price which has to be paid for stability.

Wages can be "taken out of competition" with proper regard for full employment and maximum production only by fixing a standard wage for rigid application relatively low (so it will represent a heavy burden to relatively few concerns) or by setting a higher standard along with provision for considerable deviation upward and downward in particular cases. Either approach has very practical disadvantages and so the problem of collective bargaining in the mass production industries has yet to be resolved.

The development of mutually acceptable industry wage policies in collective bargaining, especially in the mass production industries, has been deterred by a conviction of many management representatives that industry-wide bargaining must be avoided at all costs. They assume that the only possible consequence of such bargaining is the development of inflexible, uniform wage-rate schedules at a high level which will not only intensify competition but will even force a great many concerns out of business.

Compelling Arguments

One of the very reasons other employers have embraced industry-wide collective bargaining, however, is to prevent such a policy from being developed unilaterally by the union. Other employer groups have been formed to avoid a union practice of "jacking up rates" company by company under individual plant bargaining. On the basis of such experience, it can be confidently observed that management will at least sacrifice the initiative in wage determination and may even be denied any effective participation in the working out of a wage policy for its industry if the union is organized on an industry-wide basis while the companies conduct their industrial relations strictly on a plant by plant basis. Acceptance of the wage policy developed by the union may then be the only alternative to a strike. Many a company has had its collective bargaining confined to choosing the time when it would accept the standard union contract and thereby get its production resumed. The management of the small company in particular can often secure collective bargaining rights only through negotiations in which it joins with other concerns. Especially is that true of a small company which must deal with a union organized on an industry-wide basis. There are strong reasons in support of industry-wide collective bargaining even if the working out of wage policy is extremely difficult.

III.

Upon careful analysis, one may conclude that stabilization of wages through collective bargaining in the mass production industries can only be accomplished by working out an industry-wide policy to serve as a standard or as a guide post for use in the consummation of agreements adapted to the needs of each plant. From a "practical" standpoint such a program is not easily worked out. The mere provision of a standard wage tends to induce demands for inflexible adherence to it. Any single deviation sets up a cry for "equality of treatment" and protests against "preferential treatment." Despite the formidable obstacles in the way, it would seem that only along such lines can collective bargaining be effectively developed as a stabilizer of wages in the mass production industries.

The progress which might be made in this direction is undoubtedly held up by the influence of numerous non-economic factors in the determination of wage policy. There is nothing new about assigning non-economic functions to wages. In 1937, for example, the start of a union organization drive was frequently the signal for management to put a wage increase into effect as a kind of union insurance. The employees would be shown, it was reasoned, that they needed no union to get along. When the workers organized anyway, the union then demanded a further wage increase to prove to the workers that real benefits came from union membership. During these early years, wage policies often centered about employer estimates of what was necessary to keep the union out of the plant and then around union estimates of what was necessary to keep itself in.

Inter-Union Rivalry

The principal non-economic consideration in wage determination in these postwar years is not so much a struggle between employer and union for the loyalty of workmen, although this is not unknown, but an intense competition between labor organizations based upon magnitude of their demands upon the employer and upon the size of immediate wage increases. Inter-union rivalry raises a serious doubt about the notion that wages can ever be stabilized through collective bargaining without seriously interfering with the rate of industrial progress.

IV.

There is, nevertheless, still a substantial agreement among labor and industry representatives that collective bargaining must continue to be the cornerstone of industrial relations. The real trouble, in the view of management, is that unions have become so strong that they are able to exact wages and conditions of employment which threaten the very existence of the private enterprise system. The way out, they maintain, is to reduce the power of the unions so that determinations of wages and of other conditions of employment are not so completely taken out of competition as the unions desire. It is important that the nature of this argument be thoroughly understood.

Wagner Act

The intense argument over the Wagner Act arises not merely about the right of employees to organize and to be members of a labor union without interference from the employer. Protection of the right of association into labor unions was no more than a first step in the establishment of widespread collective bargaining.

The most critical labor problems during the period from 1935 to 1945 centered about the signing up of union members and about providing the union with status as a certified bargaining representative. Organizing for collective bargaining is seldom completed even after this stage is over. Efforts are then undertaken to assure a strong and a permanent organization capable of attaining union objectives. The degree of strength which is deemed essential depends upon the objectives which are sought. Stabilization of wages throughout an entire industry at a relatively high level implies a complete organization of workers in the industry and the formulation of wage policies for the industry as a whole. The actual possession of this degree of organizational strength by the unions in the mass production in-

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FIDELITY-PHILADELPHIA TRUST COMPANY

Organized 1866

Statement of Condition, December 31, 1946

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MALCOLM ADAM
Vice-President
The Penn Mutual Life Insurance Company

H. HOFFMAN DOLAN

ASSETS

Cash on Hand and due from Banks	$ 56,773,819.18
Loans	57,403,921.65
Investments:	
U. S. Government Securities	78,104,455.66
State, County and Municipal Securities	4,875,866.23
Other Investments	10,131,206.29
Investment in Fidelity Building Corporation	3,037,423.84
Mortgages	1,966,671.42
Real Estate Owned	213,897.11
Vaults, Furniture and Fixtures	857,692.21
Accrued Interest Receivable	622,399.16
Prepaid Taxes and Expenses	190,950.04
Other Assets	78,098.13
	$ 214,256,400.92

LIABILITIES

Capital		$ 6,700,000.00
Surplus		13,300,000.00
Undivided Profits		4,309,231.55
Reserve for Contingencies, etc.		1,381,631.69
Reserve for Interest, Taxes, etc.		1,146,977.73
Other Liabilities		244,266.35
Deposits:		
United States Treasury	$ 2,412,316.67	
Other Deposits	184,761,976.93	187,174,293.60
		$ 214,256,400.92

United States Government obligations and other securities carried in the above statement are pledged to secure Government, State and Municipal deposits, Clearing House Exchanges, and for fiduciary purposes as required by law in the sum of $26,950,675.69.

MARSHALL S. MORGAN, *President*

135 SOUTH BROAD STREET, PHILADELPHIA 9

Member Federal Reserve System — Member Federal Deposit Insurance Corporation

THE PLAINFIELD TRUST COMPANY

PLAINFIELD, NEW JERSEY

HARRY H. POND, *Chairman* — DEWITT HUBBELL, *President*

Statement of Condition, December 31, 1946

RESOURCES

CASH		$ 6,139,816.33
U. S. GOVERNMENT SECURITIES		18,230,537.65
OTHER BONDS AND SECURITIES		3,816,199.76
DEMAND AND TIME COLLATERAL LOANS		703,869.66
BILLS PURCHASED		2,940,792.63
STOCK FEDERAL RESERVE BANK OF NEW YORK		52,500.00
OTHER REAL ESTATE		8.00
BONDS AND MORTGAGES		2,823,810.81
INTEREST AND OTHER INCOME ACCRUED RECEIVABLE		114,263.19
BANKING HOUSE		409,840.04
TOTAL ASSETS		$35,231,638.07

LIABILITIES

AMOUNT DUE OUR DEPOSITORS		$32,543,197.83
U. S. Government Deposits	$ 624,475.32	
Other Deposits Subject to Check	16,122,182.78	
Time Savings Deposits	15,796,539.73	
DIVIDEND ON CAPITAL STOCK Payable Feb. 1, 1947		18,750.00
DISCOUNT RECEIVED BUT UNEARNED		54,474.63
ACCRUALS PAYABLE		131,094.02
Funds set aside to provide for:		
Taxes	$ 83,562.46	
Pension Reserve	32,000.00	
Interest Payable and Other Expenses	15,531.56	
SPECIAL RESERVE		69,778.90
CAPITAL		2,414,342.69
Capital Stock	$ 750,000.00	
Surplus	1,000,000.00	
Undivided Profits	364,342.69	
Contingent Reserve	300,000.00	
TOTAL LIABILITIES		$35,231,638.07

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Business and Finance Speaks After the Turn of the Year

(Continued from page 454)

power requirements for these customer facilities. A construction budget of $17,000,000 has been approved to cover commitments for new work which we foresee for 1947 and major projects not to be completed until 1948. Construction work is under way on a new 50,000 kw. generating unit at the Benning Station, Benning, D. C. Many new transmission lines and substations are either planned or under construction. Their completion is dependent upon delivery of materials, for we find that some projects, needed for 1947, cannot be completed until 1949 due to the delays in fabrication at the factory.

Preliminary work has been started on a new power plant by our associated Company the Braddock Light & Power Company, Incorporated for the purpose of supplying capacity to the system. This plant is to be constructed on the Potomac River north of Alexandria in Virginia and will have an initial capacity of 80,000 kw. as the first of five units planned for this station.

We are optimistic about the future outlook, particularly for the area which we serve. It has been proven to be a community with unusually stable characteristics with respect to population growth, employment, and commercial activity.

M. B. NELSON

President, The Long-Bell Lumber Company

In my judgment, the world is still in a confused condition and many problems have not been disposed of, but I believe progress is being made.

The new year will bring us a lot of worries and as a result of these difficulties we may experience some recessions; however, much depends upon the United Nations Organization program, the attitude of Labor Unions, Congress and the Administration.

E. A. NICHOLAS

President, Farnsworth Television & Radio Corporation

During 1946 the durable goods industries were seriously hampered by tie-ups resulting from strikes and material shortages. This was especially true of end-product manufacturers, where unpredictable stoppages in the flow of of component parts and constantly unbalanced inventories were most keenly felt.

E. A. Nicholas

Many suppliers sold materials in large volume to the end-product companies, but the end-product companies were not able to balance their inventories so as to assemble the finished goods in substantial quantities for sale to the public. This, in great part, accounts for the fact that while large production figures for "industry" were being quoted in some sources, radio-phonographs and other durable goods such as automobiles and refrigerators, continued in very short supply on the market.

From the standpoints of dollar volume, dollar turnover and total employees, end-product manufacturers comprise a major part of the radio industry, and in fact, of all industries. Therefore, it is vitally important to national prosperity that these companies succeed in making 1947 a year of highly increased production.

I feel confident that this will be accomplished. Government controls and restrictions are rapidly being removed, many of the reconversion problems are behind us, and we are making swift strides toward the solution of those remaining. While sets in 1946 were produced in quantities at prewar levels, they were also almost entirely of the table model variety. The radio industry is now ready to turn out quality radio-phonograph combinations, including FM service, in increasing quanitities and also is preparing transmitting equipment which will enable many new television and FM stations throughout the country to go on the air in 1947.

The coming year promises to be one of historic expansion in television. Telecasting stations already are serving five of the nation's metropolitan centers and it is noted that the FCC has granted thirty-six construction permits for stations in 19 states, with 50 more applications pending. Almost all of these can be expected to begin operation within the next twelve months.

The Federal Communications Commission, through Chairman Charles R. Denny, has stated that "The Commission is convinced that the American people want television and that they need television. Television will not be simply a luxury entertainment service. Its educational potential is unlimited. It will be the most powerful communication tool of them all."

Increasing success is anticipated in the procurement of ample supplies of the materials and parts required for the manufacture of television receivers. A number of manufacturers have scheduled production and plan to offer receivers for sale in volume at an early date.

Industry must predicate its plan for the future on the sincere trust that work stoppages in our basic and key industries will not accumulate into a national disaster. We can make 1947 a year of great advancement only if we have real understanding and common effort toward progress and prosperity by all people in all walks of our national life.

HAYWARD NIEDRINGHAUS

President, Granite City Steel Company

In spite of widespread belief that a decline in general business activity is entirely possible in 1947, it nevertheless appears to us that the steel industry can look forward to a reasonably good year barring major strikes in its own or dependent industries.

The steel industry faces 1947 unharassed by "excesses" built up in the previous year: production in 1946 totaled approximately 66,000,000 tons which was 14,000,000 tons short of 1945 due to crippling steel and coal strikes. As a result, steel mills have entered the new year with tremendous backlogs. Finished steel prices have risen only moderately since OPA decontrol and while raw material prices, notably scrap iron, have surged ahead disproportionately, it is to be hoped that they will stabilize at a more normal relationship to finished steel prices.

The steel industry faces 1947 with its facilities in a position to turn out record peacetime production and with new finishing facilities being added, with a quality of steel unsurpassed in its history, with prices moderate and with labor amongst the highest paid in the country. The ability to mold these factors into a prosperous year depends largely upon the willingness of labor to assume new restraint in its important role in our economic life, and to realize that an increased standard of living can come only from increased productivity. High levels of production and employment could continue for some time if the related problems of prices, wages, and productivity are resolved in the more immediate future.

ERNEST E. NORRIS

President, Southern Railway System

The unsettled conditions which have plagued the nation since the end of the war make it difficult to forecast what's ahead in 1947 for either the railroads or for business generally.

Ernest E. Norris

However, it is obvious that industry, including the railroads, must be given an opportunity to earn a "living wage"; it must be freed from unreasonable and irresponsible interference with full production; and it must be made the beneficiary of a greater awareness, on the part of everyone, of the vital part it plays in the economic and physical well-being and safety of the nation and its citizens. In brief, unless the theorists, the self-seekers, and the demagogues are restrained from continuing to throw monkey-wrenches into our economic machine, the outlook for every industry and every person is gloomy in the extreme.

Being an optimist, I am inclined to believe that recent events indicate that all real Americans have finally had enough, are now awakened to the danger, and will insist on a return to the old-fashioned but time-proven system of fair play, with equal rights for all and special privileges for none, that made this country the greatest in the world. If that is so, then it is my belief that in 1947 the nation will enter an era of prosperity and progress greater than any it has experienced thus far.

I am particularly optimistic concerning the future of the South served by the Southern Railway System. This section of the country is today flexing mighty industrial biceps and there is every indication that the tremendous industrialization now taking place will continue unabated during 1947 and the years beyond.

The nation is increasingly and enthusiastically aware of the South as the No. 1 opportunity-land for industry. Its attractive natural advantages, its wealth of natural resources, its great and growing consumer markets, its reservoir of workers with war-acquired industrial skills, are among the factors that help industry to find the answer to the all-important problem of economical production and distribution in the postwar era. . . .

New plants are being built in the South in increasing numbers, and existing plants are finding it necessary to enlarge in order to keep pace with the growing demand for their products. Even with all the restrictions in effect, the value of industrial construction in the South totaled nearly one-half billion dollars in the 11 months ending with November last year.

Because the Southern Railway System serves almost every nook and cranny of the South—including all of the major cities except Nashville and Montgomery—the region's mushrooming industrial and business growth inevitably means that demands for the mass transportation services of the Southern will continue to increase.

For that reason, and not being a pessimist, I view the future of the Southern with what might well be termed "cheerful, optimistic confidence."

JAMES S. OGSBURY

President, Fairchild Camera and Instrument Corporation

Fairchild Camera & Instrument Corporation, Jamaica, N. Y., until recently chiefly known as manufacturers of specialized military aviation and photographic equipment, enters 1947 with a new and expanding line of commercial products, the result of several years' planning and development.

James S. Ogsbury

New Fairchild products include special cameras for the medical profession, industrial research laboratories, and advanced amateur and professional photographers, and others; mechanical and electronic equipment for the graphic arts field; and special mechanical and electrical devices such as motors and precision potentiometers for industry.

At V-J Day, the Fairchild organization was in the position of many other companies specializing in one group of products, in being obliged to seek out new, associated lines to capitalize on expanded manufacturing skills and techniques acquired in wartime. The company's transition from wartime to peacetime manufacture is now well under way.

In 1946, shipments for the first nine months, totaled $4,177,000, and for that year are estimated at a total of $6,225,000. The greatest portion of these 1946 shipments is accounted for by military aviation equipment, which still comprises the bulk of Fairchild business. 1947 shipments will probably exceed those of 1946 by 25% to 30%, but will include a larger portion of non-military business.

Further, in 1946, business booked was just over $7,000,000, one-third commercial and two-thirds military. Orders expected for 1947 should be slightly in excess, but will probably run 40% to 50% commercial.

Although shipments during the year of peak war production amounted to $47,000,000 after renegotiation, some comparison as to the growth of Fairchild's peacetime business can be gained by the prewar figure for 1939 when total shipments were $2,003,000.

Our present manufacture of new commercial products is progressing in line with original expectations. We confidently expect to be over the majority of postwar hurdles this year. There is a growing need for the type of precision products that Fairchild is offering industrial concerns, because industry is requiring increasingly complex and intricate equipment of good mechanical, electrical, electronic, and optical design to carry out its manufacturing programs. As longstanding manufacturers of precision products, Fairchild's outlook in this field is encouraging.

Fairchild is successfully cultivating the fields of radio broadcasting, medicine, newspapers, and other professions with its lines of sound recording equipment, graphic arts devices medical cameras, and special cameras.

While 1947 is expected to be a good year, the principal benefits from Fairchild's new development program will not be fully realized, either in bookings or shipments, until early 1948.

CLIFFORD E. PAIGE

President, The Brooklyn Union Gas Company

The prospects for the gas industry in the year 1947 are exceedingly sound. From an industry-wide point of view the year 1946 has witnessed an expanding market for the consumption of gas and a substantial increase in revenues, both of which we believe, will continue throughout this year. By the close of 1946, customers of the gas utility companies reached a new high of 20,835,000, an increase of 2.7% over 1945, and total industry revenues increased 4%.

Clifford E. Paige

The year 1946, of course, reflects the nation-wide reconversion difficulties; without doubt the increase in sales of gas would have been greater if reconversion had been accelerated and if the physical plants of the gas companies could have been expanded more rapidly. Although revenues increased in 1946, normal maintenance costs were higher and there were abnormal non-recurring maintenance costs. In addition there were increased operational expenses caused primarily by the coal strikes and higher labor costs.

High maintenance expenditures including additional abnormal non-recurring maintenance expense will continue in 1947. However, it is believed that if labor conditions are reasonably stable raw materials cost should not advance appreciably in 1947. To meet increased demand from consumers, rehabilitation, improvement and expansion of existing facilities head the list of challenging and complex problems which the industry must solve in 1947.

The experience of The Brooklyn Union Gas Company, although it reflects specific conditions in the boroughs of Brooklyn and Queens in New York City is indicative of the problems of many of the utilities in the manu-

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Wages and Industrial Progress

(Continued from page 455)

dustries has given rise to the question of whether or not too much power resides in the union hands.

Are Unions Too Strong?

Are unions too strong? Has the Wagner Act improperly given unions an undue bargaining advantage? Positions as respects these questions are dependent upon one's appraisal of the function and objectives for which unions are legitimately responsible and upon one's ideas of the strength necessary effectively to carry them out. Proper answers cannot be given except in relation to the kind of wage and labor standards which are visualized as necessary to introduce reasonable security for employees under the competitive system. If wages are to be taken out of competition, as that term has previously been defined, then industry-wide organization of employees, union security, and industry-wide bargaining are logical developments.

The argument over "inequality of bargaining power" cannot be separated from differences over the purposes of collective bargaining. They have to be reconciled before we can move confidently ahead.

So deep are these differences that some competent observers have concluded that if industry-wide labor standards are necessary they will have to be established more and more by government action because of the inability to get such a function performed by collective bargaining. The strike and lockout cannot be permitted to run their courses and to perform the function of inducing agreement between the parties of direct interest. Their pressure is upon the government to intervene.

V.

If collective bargaining is really to be the cornerstone of the national labor policy there is no substitute in any Act of Congress for the acceptance by organized labor and management of a number of working principles to minimize the differences between them sufficiently to make agreements possible. Some of the most important principles relate to wage determination.

It is not possible genuinely to accept collective bargaining without acquiescing in the idea that certain standards will be established for the purpose of stabilizing wages. That implies attention to standards throughout a competitive area and frequently on an industry-wide basis if the impact of competitive forces upon wages is to be restrained. Gearing collective bargaining to the needs of full employment and maximum production under the competitive sytem, however, means that the standards cannot result in unprofitable operation for any substantial number of companies. If there is a need for management to recognize the industry-wide stablizing functions of collective bargaining, there is an equally urgent need for labor organizations to recognize the importance of collectively bargaining on an individual plant basis. No "either-or" proposition is involved. A combination of industry-wide and individual plant bargaining is indicated as the sound way to make collective bargaining work.

Labor organizations have not been willing to face up to the fact that, under a competitive economy, relatively large profits must accompany efficient plant operation while management has been loathe to accept the fact that small profits or losses must continue as penalties for doing a poor job for the consumer. Under collective bargaining, a break in reasonable wage standards in order to offset such penalties cannot be expected. Nor should management have to be anything but proud of above-average profits which arise from good performance after payment of the standard wage. Such rewards and penalties have not typified the period of transition and reconversion through which the country has been struggling. They should be the expected results when reconversion is finally completed.

VI.

The industrial and economic progress achieved in the United States under the private enterprise system and under our kind of democratic government attests to the incomparable production efficiency of men free to exercise their individual initiative. Standards of living have been steadily improved under our competitive system. Those who are called upon, however, to shoulder the heavy risks and untoward consequences of living in a competitive society find little solace in over-all, average results. Especially are they unimpressed by a moving average that smooths out wide variations in general well-being. Self-interest has led them to introduce various kinds of interferences with competitive forces or "rules of the game" in order to try to bring more stability into the system. There is great doubt about the efficacy of these programs.

U. S. Progess Impressive

Among the people of other lands, our successes have caused considerable wonder and some envy. Other consequences of the way we have been living and working together cause fear and apprehension. The industrial progress made here would be much more impressive to people in other countries, and to ourselves, if periodic economic instability and mass unemployment did not appear to be such an unavoidable part of the cost. At any event, the highest standard of living ever attained and a record of steady increases in the hourly output of the industrial machine do not provide us with a satisfied sense of well-being or of notable achievement.

Some of the principal differences among us are over the degree of interference with competitive forces which can be used to attain greater security without unduly impeding industrial progress or undesirably interfering with individual freedom. In the general field of labor relations, particularly as respects so-called union and management security, and wage determination, the differences are particularly acute.

Congress Cannot Solve Problem

Most of the leaders of organized labor and of management express the conviction that collective bargaining is the sound way for them to resolve their differences. Substance will be given to this unanimity of view only when their concepts of collective bargaining coincide. Nor can such a reconciliation be assured by any law which Congress may see fit to pass in the public interest. During the year of opportunity which we have just entered the great hope for progress lies in the negotiations for agreements which will be undertaken by representatives of management and labor. They have the primary responsibility for laying the groundwork for industrial peace. Theirs is the duty to develop wage policies which are compatible both with the concepts of wage stabilization and industrial progress.

Walter Purcell 40 Yrs. With Coggeshall Hicks

Announcement was made Jan. 22 by Coggeshall & Hicks, 111 Broadway, New York City, members of the New York Stock Exchange, that Walter F. Purcell has completed forty years as an employee and partner in the firm. Mr. Purcell, well-known metropolitan golfer, has been associated with the organization during his entire business career, becoming a partner in 1942.

Walter F. Purcell

Mr. Purcell, golf champion for the New York A. C. in 1940 and for the Winged Foot Golf Club in 1928, was also winner of several golf championships in the New York area. He is a member of the Lawyers Club and the Siwanoy Country Club.

1946 CORPORATE UNDERWRITINGS

Issues in which KIDDER, PEABODY & Co. acted as manager or joint managers

$40,000,000	American Airlines, Inc.	3% S/F Debentures
$5,000,000	*Carnation Company	2⅝% Debentures
$750,000	*Cavalier Corporation	4½% Debentures
$3,250,000	Central Indiana Gas Co.	2⅞% 1st Mtge. Bonds
$30,000,000	Hiram Walker-Gooderham & Worts Ltd.	2¾% Debentures
$25,000,000	*Household Finance Corporation	2¾% S/F Debentures
$1,200,000	*Kingsport Press, Incorporated	3½% Notes
$50,000,000	Panhandle Eastern Pipe Line Co.	Serial Debentures
$30,000,000	Philadelphia Electric Power Co.	2⅝% 1st Mtge. Bonds
$8,500,000	The Sydney County Council	3½% S/F Bonds
$2,000,000	*United Wallpaper, Inc.	3% Notes
400,000 Shares	American Airlines, Inc.	3½% Cum. Conv. Pfd.
15,000 Shares	American Yarn and Processing Co.	4% Cum. Conv. Pfd.
50,000 Shares	Burlington Mills Corporation	3½% Cum. Pfd.
100,000 Shares	Burlington Mills Corporation	3½% Conv. 2nd Pfd.
12,000 Shares	Central Ohio Light & Power Co.	3.60% Pfd.
25,000 Shares	The General Tire & Rubber Co.	3¾% Cum. Pfd.
25,000 Shares	The General Tire & Rubber Co.	3¼% Conv. 2nd Pfd.
42,500 Shares	Iowa Public Service Company	3.75% Cum. Pfd.
60,000 Shares	McCrory Stores Corp.	3½% Cum. Conv. Pfd.
35,000 Shares	Rich's, Inc.	3¾% Cum. Pfd.
40,000 Shares	Tex-O-Kan Flour Mills Co.	4½% Cum. Pfd.
25,000 Shares	Thalhimer Brothers, Incorporated	3.65% Cum. Pfd.
40,000 Shares	United Wallpaper Inc.	Conv. 4% Cum. Pfd.
141,496 Shares	Container Corporation of America	Capital Stock
116,986 Shares	Creameries of America, Inc.	Common Stock
251,340 Shares	Felt & Tarrant Manufacturing Company	Common Stock
50,969 Shares	†Robert Gair Co. Inc.	Common Stock
55,000 Shares	Kingsport Press, Incorporated	Common Stock
75,000 Shares	Lynch Corporation	Common Stock
104,162 Shares	McCrory Stores Corp.	Common Stock
85,014 Shares	**Owens-Illinois Glass Co.	Common Stock
133,142 Shares	Public Service Company of N. H.	Common Stock
16,467 Shares	†Standard Oil Co. of N. J.	Capital Stock
150,000 Shares	*Technifinish Laboratory, Inc.	Common Stock
56,161 Shares	Uarco Incorporated	Common Stock
48,499 Shares	**United Light & Railways	Common Stock

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Business and Finance Speaks After the Turn of the Year

(Continued from page 456)

factured gas industry. A brief review of the salient factors in the increase of our business is enlightening and will explain the position of the company today and why we believe we will be in a salutary position by the end of this year.

Throughout 1945 and 1946 there has been a sound and continuing growth in demand for gas in all of our major classifications of sales. Our gas sales in Brooklyn Union territory for the year 1946 were 29,900,000,000 cubic feet an increase of 6% over the previous year. Our residential sales increased 6% and commercial sales 12%. Industrial sales not only maintained their war-time volume, but by the end of the year showed a 4% increase. The revenues from sales during 1946 increased approximately $1,500,000 or over 5%.

Of unusual significance is the postwar interest in the purchase of new gas appliances. The sales of new appliances through The Brooklyn Union Gas Compny reached a new high with sales in 1946 totaling more than four and a half million dollars. By far the most spectacular factor in 1946 sales was the tremendous demand for gas space heating. Not only in the existing market but also in the new home field, a strong preference for gas heating was apparent. In the Brooklyn Union territory, for example, 90% of the new development type of homes specified gas heat. The demand for gas space heating became so great in our area that on Nov. 16, 1946 the New York State Public Service Commission approved the company's petition to restrict the sale of gas for new space heating until April 1, 1947.

Gas appliances and equipment manufacturers attained creditable levels of appliance production despite the limiting factors in 1946. In 1947 new appliances incorporating the results of innovations in utilization and design will attract consumer interest. Research projects in the domestic gas program include cooking, water heating, space heating and summer air conditioning studies. The gas industry, through The American Gas Association, has an ambitious program of research in all fields from the manufacture of gas to its ultimate utilization.

To keep abreast of postwar demand for gas we initiated in Brooklyn Union in 1945 our first expansion program which entailed an expenditure of more than ten million dollars for new gas-making equipment and for improvement and rehabilitation of old equipment. Our additional program calls for the expenditure of about twelve million more. During 1946 as a corollary to expansion, the financial position of the company was considerably strengthened through its refinancing program. To complete the projected program for 1947 and 1948 additional financing will be necessary.

This development has been planned with the flexibility that takes into consideration that we may some time have a combination of natural and manufactured gas in our territory. We welcome the utilization of natural gas if the company is assured of an adequate supply and if the economic factors make it best for the company and its consumers.

We expect during this year to establish a new record for sales of gas to consumers. At the beginning of this year the possible maximum peak demand on our production capacity is 193,000,000 cubic feet. We anticipate that by the end of the year it may be 215,000,000 cubic feet. This represents over a 25% increase in the maximum peak day demand for gas since the beginning of 1946.

Our most vital task for 1947 is the prosecution of the development and expansion program with the collateral requirement of additional financing, but we welcome the challenge of satisfying increasing business demand.

C. G. PARKER

President, Kimberly-Clark Corporation

Overall production at Kimberly-Clark is currently at its highest level in corporation history, and we anticipate maintenance of that level in 1947, with perhaps additional and moderate increase as segments of our expansion and modernization program are completed. All of our major products should be in somewhat better supply.

C. G. Parker

Demand for bookpaper (and all cultural papers), as well as utilitarian papers, continues beyond manufacturing resources and so far as our own current approach is concerned, Kimberly-Clark is planning for future operational output on a considerably higher level—with an expanded production for pulp, paper and cellulose wadding which will finally mean at least 25% increase above immediate postwar output. Expansion and modernization programs are under way at all of our mills in the United States and Canada so that—in addition to high production in 1947, as mentioned—this year will add also to corporate growth.

Operations indicate a settling-down of personnel. Most gratifying has been the turnover rates of our returned veterans. With the exception of one month, turnover rate is holding steady at approximately 1% which is far better han turnover in any other classification of employees. This should be a stabilizing factor in 1947 and gives some additional reason to hope for a rise in productivity.

THOMAS I. PARKINSON

President, The Equitable Life Assurance Society of the United States

The deeply-rooted desire of the American people for the security of life insurance protection was demonstrated in record-breaking fashion during the year just ended. In 1946, holdings were increased by an average of $500 per family for a total of $18,000,000,000 of new ownership. At the year's end, 73,000,000 policyholders owned life insurance valued at $174,000,000,000, the highest total in the nation's history. The Equitable Life Assurance Society passed the billion dollar mark in new ordinary and group life insurance sales for the year and expects to top that mark in 1947.

T. I. Parkinson

The reason for this optimism is based on generally favorable business conditions and a growing awareness of the importance of group insurance in stabilizing labor-management relations. That awareness was boldly underlined during 1946 when group protection climbed by more than $5,000,000,000 to approximately $28,000,000,000 by the year's end. This group insurance trend should be defined even more sharply in 1947.

As the new year begins, the possibility of a depression is a question that confronts every businessman. My definite opinion is that such a condition is not probable, indeed it is not possible at this time. However, the handicap that faces all business is the carryover into the new year of the suspicion and distrust that marked labor-management relations in 1946.

If labor, for bargaining purposes, continues to make exhorbitant demands and if management continues to broadcast the possibility of ruin if labor's demands are met or if rates and prices are not increased, a bewildered public will not use its present large buying power with confidence or enthusiasm. If a manufacturer envisions continuous labor difficulties and a tightening market, he will scrap his expansion plans. Confidence on the part of both producer and buyer carries a tremendous weight in matters that appear superficially to be purely within the realm of fact and figure economics.

It is quite possible for us to talk ourselves and others into such a lack of confidence as to cause a temporary setback in what otherwise would have been activity and prosperity. The setback, however, would be the result of a general frame of mind and not of an economic trend.

A money supply four times that which was in the hands of the people in average years prior to the war is with us to stay until the Government pays off substantial amounts of its bonds held by the commercial banks, or until those banks sell off substantial volumes of such bonds to non-banking investors. Either of these methods of reducing the present inflated money supply is quite possible but neither is probable.

The situation today does not represent a condition of depression. The incidents of business activity and inflation are visible all around us. Both to enjoy the fruits of boom and to face the dangers of inflation we need confidence in our representatives in government, in our representatives in labor and in management.

There is much more reason for worry in the possibility that our bankers and fiscal authorities will fail to turn their attention to the control of inflationary forces which have developed and are still being allowed to run free than there is in the widely broadcast predictions on the part of strike-gloomy businessmen that business is due for a setback.

We have inflated our currency. That is accomplished to the degree of $165 billions. Our paper money is no longer convertible into gold and our bank deposits are only convertible into paper money. The purchasing power of our dollar, even in the near future, depends on factors hard or impossible to predict. Whether we suffer or escape the ruinous consequences of this inflated and paper currency depends on what happens to our money.

When we no longer have confidence in the future value of money we avoid further commitments in that money. We buy equities in land or stocks or we buy commodities. We buy them not because we want them now or think we may need them in the future. We buy them because we don't want to keep the money. That is the flight from money which puts inflation into high gear.

Despite the dangers to business in 1947 which would flow from lack of confidence in the future, we in the life insurance business look forward with enthusiasm to increased sales of our protective services during the new year. If, during the early months of the year, business generally absorbs the worries with which 1946 closed, life insurance will share in the general business activity.

On the other hand, if buyers' resistance to presently available materials or high prices causes confusion and recession, life insurance should not be affected detrimentally. The huge supply of money in the hands of the people of this country will remain undiminished and possibly increased. The people may hesitate to make use of it for ordinary purchases or investments but they have confidence in life insurance and they will continue to use the money in their hands to buy annuities for their own retirement and life insurance for their own and their dependents' security. The only phase of the life insurance business which will be troubled by such developments will be investment of the large inflow of funds in quality securities at the necessary yields.

W. A. PATTERSON

President, United Air Lines

The outlook for the domestic airlines in 1947, from the standpoint of their ability to serve the public, is extremely bright. From the standpoint of their ability to produce big earnings during this transition period, the situation is far less promising.

W. A. Patterson

In this year the airlines expect to realize many of the revolutionary advances which they have been promising the air traveling and shipping public and which, unhappily, they have been unable to deliver up until this time. Already they are taking delivery on new aircraft which will enable them to provide faster, finer, more efficient service than ever before. Meanwhile, they have ironed out many of the immediate postwar "bottlenecks" which hampered them in common with most other business and industry. Large-scale expansion of ground facilities to keep pace with the increased accommodations aloft are under way all along the nation's air routes.

Such things as pressurized cabins on the new postwar planes, new and ingenious electronic devices aloft and on the ground, improved operating procedures and heat anti-icing all promise further progress toward complete schedule regularity along with comparable advancements in safety. It has not been possible to place these devices in regular use just overnight; thorough research and development, testing and personnel training must precede the adoption of any new aid to flying.

The airline earnings picture is beclouded by a number of factors. First of all, much airline financing is needed to pay the costs of postwar expansion. Secondly, operating costs have been steadily rising, producing decreased net profits despite record gains in operating revenues. Third, with the increased size of airplane fleets and with a return to normal travel and shipping conditions, airline load factors have been going down. While this is beneficial from the standpoint of accommodating the public, it obviously means less revenue per airplane mile and is in contrast to the capacity of operations carried on by the airlines during the war when they scarcely could help make money.

To produce sounder financial results there must be improved efficiency of which there has been a showing of progress in recent weeks. This will not be enough. Increased mail rates or fares and possibly both are inevitable.

It will also be well for the Civil Aeronautics Board to stop look and listen. The Board should review the expansion which it has encouraged in the past and after careful deliberation decide whether or not a new approach should be made to the future. One of the major responsibilities of the Board is to build a *sound economical* air transportation system.

Certainly no year can be as difficult for the airlines as the one just passed. With all too few airplanes and experienced personnel to handle the job, they were faced with a tremendous demand for air transportation. They added planes and personnel as rapidly as possible but they could not keep pace with the demand. Neither could they provide the high standards of ground service to which the air traveling public was accustomed. There was legitimate criticism from airline patrons but the airlines were cognizant of the situation and definitely were trying to do something about it. Actually, they turned in quite a record of performance—carrying approximately 78% more passengers than in 1945, moving approximately 57% more express and freight, and flying 43% more airplane miles.

Today, U. S. airlines are flying approximately 160% more miles daily than they did during the peak prewar year of 1941. Domestic route miles have reached an all-time high of 90,000 and overseas routes of U. S. carriers total more than 175,000 miles. Planes in service on U. S. domestic and international airlines total 816—and approximately 175 more planes are on order.

The investing public may not be overly impressed with the airline picture right at this moment—but airline patrons as well as airline operators can be assured that 1947 will bring significant advances in speed, comfort and efficiency.

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The British Violation of the Loan Agreement

(Continued fro mpage 395)

India, Egypt and other countries as a result of goods and services supplied the British during the war and which, because of the necessary system of British exchange control, have not been convertible into other currencies. Those balances, however, have been available for the purchase of British goods and services when obtainable.

One of the American conditions of granting the loan to Britain was that the United Kingdom solve the problem of the "blocked sterling" debt. Three methods of disposing of this debt were envisaged: cancellation of part, funding of part, and freeing of part for conversion into other currencies, such as the dollar.

The Argentine pact, which is complicated because it deals with meat, railways and the negotiation of a new trade treaty, is not a simple solution of the Argentine blocked sterling. As to the latter, it authorizes the use of part to repatriate outstanding Argentine sterling debt, to repatriate British investments in Argentina, and to transfer £10,000,000 to Brazil. The rest is in effect funded, being made subject to interest at ½% per annum, and from this remainder £20,000,000 is to be made available to Argentina over a four-year period for current transactions anywhere.

Clause (B) (6), it is said, was inserted at the insistence of Argentina, whose negotiators feared that Britain might not continue to maintain the volume of its purchases from Argentina on a scale commensurate with Argentina's purchases from Britain. According to this interpretation of the reason for (B) (6), Argentina would then be free to pay for the balance-of-payments difference out of its old sterling balances.

Where a "technical violation" of the American loan agreement arises, then, is in connection with that US-UK loan provision making freely convertible into any currency such parts of the blocked sterling as may be freed as a result of British bilateral understanding with the owners of the blocked sterling. Under (B) (6), part of the Argentine blocked sterling would be freed only for use within the sterling area.

Another Interpretation

From another viewpoint, of course, the language of (B) (6) may be regarded as holding forth an inducement to Argentina to buy more from the sterling area than it would otherwise buy. Given that interpretation, the provision becomes obnoxious to some American export interests. Perhaps for this reason Rep. Howard Buffett of Nebraska a few days ago referred to the matter in a floor speech, in which he disclosed that he is seeking to obtain the texts of the letters exchanged by Secretary of the Treasury Snyder and Chancellor of the Exchequer Dalton.

Rep. Emanuel Celler's speech of the same day on this subject is doubtless motivated more by Palestine than by trade considerations.

It may be noted in passing that (B) (6) is not the only feature of the Anglo-Argentine agreement which has been viewed critically in the American Government, another being the meat clauses. Whether there has been any exchange of correspondence between Washington and London on those clauses is not known. But Mr. Snyder has made it clear to the press that the Administration believes an agreement is an agreement and should be kept to the letter. Mr. Dalton's admission that the loan agreement has been technically violated doubtless means that the violation, however technical, will not soon be repeated.

Is the Loan Condition Unreasonable?

Since it was made clear last year that the British could not even attempt to make blocked sterling convertible without substantial aid from the United States, and since the loan—generous though it was—is perhaps not commensurate with the magnitude of the sterling problem today, a question may be raised as to the reasonableness of American insistence on full convertibility of *old* blocked sterling such as the Argentine balances in question. Some American critics of clause (B) (6) of the Anglo-Argentine agreement are also critics of the trade agreements program and the additional tariff reductions now under consideration by the Committee on Reciprocity Information. These critics are in the position of demanding at one and the same time that the British convert blocked sterling into dollars for expenditure here by Argentina and other owners of sterling, and that the United Kingdom send less goods into the American market and hence acquire fewer dollars with which to redeem the blocked sterling. It is a case of wanting to have our cake and eat it too, a chronic American affliction.

Earlier Criticism Answered

Lest it be assumed that all the criticism of the Anglo-Argentine pact stems from business circles, it may be recalled that as long ago as last October the newspaper "PM" raised some questions about the agreement. The points made by "PM" correspondent and the official British reaction thereto may be summarized as follows:

The "PM" article implied, but did not specifically state, that the text of the Anglo-Argentine agreement was being suppressed in this country. This implication is erroneous. The full text of the agreement was made public almost immediately after signature.

"PM's" correspondent stated: "Section (B) (6) of the (Anglo-Argentine) agreement . . . provides that 'if in any year the balance of payments within the sterling area were unfavourable to Argentina, Argentina may furthermore dispose freely within the said area of its sterling balances for an amount equivalent to the deficit'."

The British view is that any discrepancy between the Anglo-Argentine agreement and the Anglo-U. S. agreement is academic. Current earnings and the instalments of £5 million which are to be definitely released under the Anglo-Argentine agreement will be fully available for current transactions *everywhere*, it is stated. The additional right which enables the Argentine to use its balances further to meet deficits with the sterling area is described as purely hypothetical in the four years which this point covers because there is no possibility of the Argentine having a deficit with the UK. It cannot affect Argentine import policy and cannot therefore have any discriminatory effect; for there is no additional release of balances until and unless a deficit in the sterling area has arisen, and in practice there is no prospect of this during the four years in question, the British maintain.

"PM" later asked: "Suppose Argentina shifts purchases not only to England but to other members of the sterling bloc and thus manages to create an unfavorable balance of trade and a chance to cash in on that frozen sterling?" To this the British reply that this possibility is equally remote. For instance, in 1945 of Argentine expenditure in the whole sterling area only about 18% was in countries other than UK. The type of products supplied by sterling-area countries, apart from UK, are not of the kind required on a large scale by the Argentine, and there is not the slightest possibility of the Argentine expanding her imports from the rest of the sterling area to the extent of converting her favorable balance with the UK into a deficit, the British say.

"PM" also asked: "Suppose this provision sets a precedent for future sterling bloc agreements, thus undercutting one of the main purposes of the Anglo-U. S. loan agreement?"

The British official view is that: (a) The Argentine is outside the sterling area and the terms of settlement made with her are most unlikely to set a precedent for settlement with countries within the sterling area.

(b) Each large sterling balance differs from the others in character, according to the way it grew, the way in which it has been held, and its size. It would be quite impossible to settle for all sterling balances in a uniform manner. Each of the main sterling balances will have to be dealt with on its merits, and in the light of local and other conditions particularly affecting it.

John B. Huhn Joins Staff of Bache & Co.

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, announce that John Bell Huhn, formerly Commander, U. S. Navy, and previously partner, Post & Flagg, is now associated with the firm in its main office.

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Business and Finance Speaks After the Turn of the Year

(Continued from page 458)

I. S. V. PATCEVITCH

President, The Conde Nast Publications Inc.

1946 has been an outstanding year for the magazine publishing industry. Both circulation and advertising for most publications have reached new peaks in an upward trend which started in 1943. An ever greater proportion of advertising expenditures is being made through the medium of magazines and the advertising revenues of magazine publishers in 1946 will show an increase over 1945 of between 20 and 25%. Reader interest too, is at a high level and circulation increases during 1946 are running about 10% ahead of 1945.

I. S. V. Patcevitch

Whether these trends will continue favorably during 1947, maintain 1946 levels, or turn downward depends upon developments in the fields of management-labor relationships, international affairs, increased production of all types of goods, and availability of essential materials, — developments which cannot be forecast without considerable hazard.

Assuming a reasonable solution to these major problems, 1947 may be faced optimistically by the periodical field. The war years have introduced many new advertisers to the value of magazines as an effective advertising medium and have gathered many new readers who are finding in magazines those elements of service, information or entertainment which obviously appeal to them. While there may be some recession from the present high levels, it is reasonable to assume that much of this expanded interest will be retained and that magazines will continue to enjoy volumes considerably larger than pre-war levels.

Advertising in 1947 should also be stimulated by the return of a competitive situation. As consumer demands are met by a higher rate of production, or react unfavorably to high prices, the need to actively promote one's products and sell in the face of real competition becomes more urgent and should be a strong factor in inducing advertisers to maintain or expand their programs. Further, the advertising volume anticipated from manufacturers of durable goods and from such major industries as construction has not materialized and advertising prospects for 1947 may well be bolstered by additional activity from these sources.

The prospect for continued high circulation remains good. As a result of paper shortages and a consequent inability to produce sufficient copies to meet the demand, the actual ceilings which the favorable circulation trend might have reached have never been accurately measured. There exists, therefore, a substantial potential audience to replace any decline of current readers, a condition which should enable those periodicals which maintain their editorial standards to retain or increase their current levels. While some magazines apparently have already reached their circulation peaks, there are still many which are substantially underdistributed.

The shortage of paper has been the most serious problem affecting the magazine field over the past few years. The record advertising and circulation volumes have been attained in spite of the inability of publishers to accept all business offered to them. Paper production has substantially increased during 1946 but is still below the demand and paper will probably continue to be in short supply during 1947. However, improved methods and expanded facilities should produce larger quantities during the coming year and close the gap between demand and supply in many types of paper.

While the maintenance of a high business volume is promising, the maintenance of current profit levels will be a far more difficult task. Since the end of the Pacific war, magazine publishing, in common with all industry, has been confronted with sharply rising labor and material costs. This trend of higher costs may be expected to continue through 1947 and, unless recoupment is made through larger volume or increased rates, will inevitably result in lower profit margins.

W. T. PIPER

President, Piper Aircraft Corporation

The light plane industry has just completed the largest year in its history. More personal airplanes have been made in a two months period than were produced in the best prewar year, and in the entire year 50% more planes were made than the total number of licensed planes in the United States at the end of 1941. No planes had been made for the commercial market for nearly four years and the pent up demand was so great that customers were literally waiting at the end of the production line. As production increased and the more urgent needs were filled, the demand slackened and by October some manufacturers were having difficulty in selling their planes and their organizations had all the planes they could afford to stock. This forced several companies to stop production, others to curtail and only a few were able to continue at full speed. There has always been a decrease in sales for a few months in the winter, but as soon as spring approaches, activity at airports increases and buying is resumed. I believe this season of slow-down is largely responsible for the present condition.

W. T. Piper

Many estimates have been made of the demand for personal planes over the next few years. They have varied from a few thousand to 100,000 per year and this slowing down of sales caused many people to wonder what is ahead for 1947 and several things should be studied before trying to answer that question.

Automobiles have become such a necessity that everyone is confident that they will continue to be in big demand. Airplanes, on the other hand, are not yet so considered, and sales to a great extent will depend upon the general business condition of the country. The personal airplane industry will be one of the first to be affected by a depression and will boom when business is good.

Forty-three years ago there was not an airport in the United States and now we only have 4,000 or one for every 750 square miles. All large cities have one large airport but they all need several conveniently located small ones for the personal planes. Thousands of small towns have no landing facilities. Since the real utility of a private plane is making trips where other forms of transportation are lacking or poor, the utility of planes will be greatly increased when more fields are built. The government passed an airport bill by which the United States will furnish 50% of the money used for construction of airports. The large cities are trying to get their share of this money increased, but the smaller places have not accepted this offer too enthusiastically. However, when one builds an airport, additional prssure is put on neighboring towns to build one, also. This will undoubtedly cause the building of large numbers of new fields, each of which add to the usefulness and safety of planes, and each new field naturally furnishes a sale for one or more planes.

One of the greatest obstacles to the increase in the number of planes is a serious lack of hangars. More than half of the planes in this country are tied out in the weather and most people do not wish to pay $2,000 and up for a plane and not have it properly housed. At present hangar rents, it is difficult to find any investment that will give as large a return for the money as individual hangars.

Another thing on the brighter side is the fact that no industry has had the advertising that aviation received during the war. Thousands of pilots and mechanics were trained and millions of soldiers saw how useful flying could be.

With the business uncertainty, lack of fields and hangars, together with the fact that most people have not yet organized their lives so that an airplane is a necessity, many estimates of output seem entirely too optimistic. New fields are being built and people are learning how to use them to advantage. Being made in comparatively small numbers, the first cost of a plane is high, but its life is so long that the first cost per mile is below that of an automobile. Flying is such a fine way to travel that it will undoubtedly have a healthy growth and the light airplane industry should have less material shortages and have a volume of sales about equal to 1946. There are entirely too many things over which we have little or no control to make any estimate more than a guess.

HARRY H. POND

Chairman, The Plainfield Trust Company

As an optimist, I am trying to look forward to 1947 with high nopes, but I cannot fail to observe certain signs that spell caution. Defiance of Court orders; portal to portal suits; demands for increased pay for labor; insistence upon shorter hours and less work—all these things, and others, disrupt the smooth flow of business, which is so necessary for a successful year.

Harry H. Pond

On the other side of the picture, we have potential buying power awaiting essentials which can be sold if labor produces. Should everyone put his hand to the wheel, we will have plenty of work for everyone and good earnings. Business cannot offer employment, supply merchandise, and operate successfully without the cooperation of labor.

Much has been said about large banking earnings—the size of which has been greatly exaggerated. It is true that recoveries of losses have caused the return of some capital charged off during the depression, but this cannot be classed as earnings. Earnings from banking have not been as large as they should have been in order to allow proper increase in capitalization, so necessary to insure the safety of depositors and reasonable dividends to stockholders.

In a broad sense, banking is a stable business and runs on nearly the same level of earnings year after year. Fluctuations of profit or loss on securities and loans vary, of course, as business conditions change. Competition from loan agencies other than banks is now very great, and loans of a kind never before sought from banks are now requested. These present problems that deserve serious consideration.

Labor and capital are so closely interlocked that neither can operate without the other. Each should be liberal with the other and greed, ruthlessness and distrust must be eliminated on both sides before a satisfactory solution of labor trouble can be reached. The problem is by no means one-sided but apparently the pendulum has swung to far in favor of labor and unless the employer and the employed are placed under the same restrictions this country will no longer be the land of the free. As business goes, so goes banking.

If we can rid ourselves of the many "crack-pot" ideas that have been thrust upon us in past years, as well as radical labor leaders, and again substitute clear thinking and hard work, our return to sound principles of true democracy will be assured and our future will be free from the devastating controversy of self-centered factions.

Strikes during 1946 did cause a considerable loss of buying power. Nevertheless, the year has been a successful one for our merchants and manufacturers. Their success is reflected in the healthy growth and the sound condition of the banks in our locality. While 1947 now appears to present many problems, our banks look with hopefulness to the future and anticipate a reasonably good year.

W. Y. PREYER

President, Vick Chemical Company

Since our company has become pretty well diversified, it's hard to make any general statement that applies to these diverse types of business—so I think it best that I first say that in our overall picture we look for a bigger year than last, for our fiscal year which ends June 30, 1947. This applies to both sales and profits.

W. Y. Preyer

In looking ahead for the next 12 to 18 months, I think it best that I speak of our old original products in the proprietary field as there will be many others occupying more important places in the other fields whose reports you will have.

Therefore, we look forward to a continuation of our upward trend in sales. This will be brought about, we believe, by a substantial increase in the birth rate, the large crop of new babies, and to the high level of purchasing power among the great masses of people.

While great strides have been made in eliminating the dangers of pneumonia, mastoiditis and some of these serious aftermaths of colds, yet nothing has been found to definitely cure a cold, nor, in all cases, to prevent it. Our clinical records show that if taken in time may small colds can be prevented from developing, and we can give much relief and help shorten the duration of a cold—and this is the place where nearly everybody becomes a prospective customer.

We also find that in times of business recession we are not affected as much as other types of business.

We have not advanced our prices but have relied upon larger production to absorb part of our increased cost. Therefore, people can still buy our old Vick products at prices of some 15 years ago. Like many people in our field, we will try very hard not to raise prices.

It is our belief that both management and labor will see the wisdom of settling their differences without long and costly strikes, and if this can be done I think we can all look forward to a very satisfactory New Year.

GWILYM A. PRICE

President, Westinghouse Electric Corporation

All of us at Westinghouse are proud of the company's 1946 achievements in engineering and scientific research. Since the day it was founded by George Westinghouse, the growth and progress of this company have been closely tied to its success in solving technical problems.

Gwilym A. Price

Such technical advances are gratifying proof of our ability to improve the comfort and physical welfare of the nation. But, essential as they are to our progress, they do not help us solve one of the gravest problems in today's world. That is the problem of getting along with one another.

Our hopes for a better world and a happier nation depend upon our recognition of the interdependence of nations and of individual men. American labor and management today have a clear-cut choice between two courses of action. One calls for class struggle with union-minded men and women fighting against those who are company-minded. The other calls for industrial peace based upon the cooperation of men and women who are neither company-minded nor union-minded, but instead are together-minded. This really is the only course of action we can take if we are to avoid disaster.

Fortunately for us, none of us individually has to solve the problems of getting along with Russia, straightening out China, or keeping the peace in Europe and Asia. Our job is much simpler than that. Each of us has the job of living peacefully and productively with his neighbors—the job of making interdependence a success in his own individual circle. Surely we can learn how to do that; how to get along with men and women of our own kind, who speak the same language, have the same birth-

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The Outlook for Interest Rates

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of about $25 billions in December, 1945, and subsequently these war loan deposits have declined to less than $3 billions which reflect reduction in the Government's working balance to an approximate minimum. From an overall resources standpoint, and this perhaps is the most striking comparison, the banking system began the war with something less than $80 billions. At the peak this figure had increased by $100 billions to $180 billions and subsequently it is estimated to have declined to approximately $160 billions.

Increase in Liquid Assets

With the increase in the debt, liquid assets in the economy, as represented by demand, time and savings deposits, holdings of Government securities and volume of outstanding currency, have increased tremendously. Individuals, including unincorporated businesses and trust funds, added $55 billions to their holdings of Government securities from the end of 1939 to the end of 1945. During the same period demand deposits in this category increased from less than $12 billions to $38 billions; time deposits from less than $28 billions to almost $75 billions, and currency from $5 billions to almost $25 billions. As you know, the total of currency in circulation, which was less than $8 billions in December, 1939, rose to a peak of a little over $29 billions in 1946 and has since declined moderately.

These figures are cited for the purpose of emphasizing the magnitude of the financial changes that have taken place during the past seven years and to provide us with a background for the discussion of the future.

That the expansion of the public debt by six times the amount outstanding before the war was accomplished at a declining interest rate is a clear demonstration of the effectiveness of Federal Reserve and debt management policies. In June, 1939 the annual interest rate on the public debt was a little over 2½%; at the end of February last year it had declined to a little less than 2%, and at present the cost is very slightly in excess of 2%. The slight rise that has taken place since last February was also a direct result of debt management and Federal Reserve policies.

The banking system was slow to grasp the significance of the debt repayment that began last March from the overborrowing that had taken place in the Victory Loan Drive the preceding December. Retirement of commercial bank and Federal Reserve holdings of Government securities, the elimination of the wartime preferential borrowing rate of ½ of 1%, the pressure on banks to liquidate loans made against Government securities, and the sale of about $½ billion of the Government security holdings of the National Insurance fund in the open market, all combined to bring about the decline that took place in the Government market from the highs of last February. Considering the scope of these operations, accomplished as they were when bank loans were rising, their effect on the markets was relatively slight. Actually the level of Government bond prices today is very little lower on the average than the level prevailing just before the last war bond drive in December, 1945. About all that has happened is that the speculative rise in the early part of 1946 has been eliminated.

Factors Influencing Interest Rates

So much for what has taken place in the past. In seeking the solution to what is likely to happen in the future, we come to an examination of the factors influencing interest rates. These fall into two broad general categories; (1) debt management and Federal Reserve policy, constituting the more potent force; and (2) the natural or economic forces. We have already noted the effectiveness of the easy money policy on borrowing rates during the war and of the slight tightening process which has been engaged in from March of last year to the present.

Debt management and the Federal Reserve policy cannot and should not be directed solely toward the maintenance of interest rates at any specific level. Rather, they should be used for the primary purpose of influencing the general level of the economy; as a stimulus to business during periods of recession and as a curb to inflationary trends in periods of active business. In neither of these cases have debt management and Federal Reserve policy been immediately or wholly effective in the past. Taken alone there is no reason to expect that they will be in the future. The high interest rate policy of the late 20s had little immediate effect in curtailing speculation in securities. The opposite approach, that of an easy money policy, certainly did little to stimulate the economy in the early 30's. While these controls need to be used in conjunction with other factors, which will be discussed later, it should be emphasized here that a great deal of experience in money management has been gained in recent years, and that the powers and resources available to the Treasury and the Federal Reserve banks today are far greater than they have been at any previous periods in history.

Controls Justified

In theory, I think we are all opposed to all controls. On the other hand, those controls now lodged with the monetary authorities, in my opinion, are justified on the basis of the necessity to deal properly with the complicated machinery of today's economy. At the same time I have an even stronger conviction that the present controls are entirely adequate and that it would be unwise to consider extending or expanding them until such time as it can be clearly demonstrated that additional powers are in the public interest.

If, as I have suggested, debt management and Federal Reserve policies should be directed primarily toward improving the general welfare of the economy, I can see no compelling reason at present for the monetary managers voluntarily to embark upon a policy of bringing about a materially higher level of interest rates for government securities than that which exists today. Conversely, a materially lower interest rate pattern certainly cannot be proven to be in the public interest. What I would like to suggest, however, is that some flexibility is desirable, and in this view I am wholeheartedly in sympathy with the remarks that Mr. Sproul made in his address before the New Jersey bankers. To be specific, the fixed rate of ⅜ of 1% on Treasury bills and the put and take privilege attaching to bills no longer serve a useful purpose. Of the $17 billion of bills outstanding, $15 billion are held by the Federal Reserve Banks and only $2 billion by all other investors, including the banking system.

In addition to unpegging bills, the time has come to give serious thought to the removal of the fixed buying rate on certificates of indebtedness. Continued maintenance of this rate has two serious drawbacks: (1) it effectively removes control of the volume of credit in the banking system from the hands of the Federal Reserve Board, and (2) if the government continues indefinitely to pursue a policy of refunding maturing issues solely into certificates of indebtedness, the floating debt soon would be built up to a disproportionate and unhealthy percentage of the total. Until debt retirement at a much more rapid rate than has been indicated by the new budget can be effected, this refunding policy prohibits a proper maturity distribution for the debt. Over the next five years some $77 billion of government marketable issues become due or callable. Of this amount $30 billion are represented by certificates and the balance of $47 billion by other issues carrying coupons ranging from 1¼% to 4¼%.

Refunding Into Longer Maturities

Secretary Snyder frequently has stated that government securities should be tailored to meet the needs of investors. A step in this direction could be made by refunding some of the certificates or other issues as they mature with a security of longer maturity, and beyond that to spread maturities on refundings in the maturity category most suited to the needs of the market at the time.

This is not to suggest that the Treasury necessarily refund with long term bonds. Perhaps at the outset an 18-months or two-year note would serve the purpose. What I am suggesting is that the time has arrived to unfix the short rates which are meaningless and to restore to the Federal Reserve Board the power to control the volume of credit in the banking system. The principal objections that have been raised to this program is that the cost of carrying the debt would be increased and that the entire level of the government bond market would be disturbed. These conclusions do not necessarily follow.

Admittedly, unfreezing of the short rate and adoption of a flexible refunding policy could cause

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Business and Finance Speaks After the Turn of the Year

(Continued from page 460)

right and the same basic traditions, people who share a common economic interest.

Business—and I mean everyone who works in industry or commerce—today has no more important task than to understand and make clear the facts of mutual interest and mutual progress. Understanding and unity, like charity, begin at home. We cannot have national unity or world unity without unity on a local level. And the place to begin to achieve that unity is in the individual business, in the development of confidence and trust and team-work between manager and employee. There should be no conflict of interest between two members of the same team.

The year 1946 has been a difficult year for Westinghouse. We have had a long, costly strike, shortages of critical materials and pricing difficulties. All have combined to slow our progress. As a result, Westinghouse sustained an operating loss of more than $50,000,000 in 1946, in spite of the fact that its dollar volume of production has been greater than in any peacetime year prior to 1941.

Even after giving effect to the carry-back provisions of the wartime tax law, our net income on more than a quarter billion dollars of sales in the first 11 months of 1946 was but little more than $4,000,000. Westinghouse cannot look to tax carry-backs to protect it against such losses in 1947. No tax law has ever been made that can assure wages or profits. These come only from the ability to make a good product and sell it competitively.

I have sketched the darker side of the picture first and certainly do not wish to dwell upon it, because there is a bright side too. Nobody knows for certain what 1947 holds in store for us but the facts we do have are encouraging. For example, Westinghouse approaches the new year with nearly $600,000,000 of orders on its books. This is the greatest backlog in the peacetime history of the company. The production of this great volume of goods can mean steady work for the 96,000 Westinghouse employees—the largest peacetime production team in the company's history. By working together we can meet this record production goal and do it with good wages for all employees and a fair profit to our company. I should like to emphasize the importance of profits to the prosperity of all of us. Without them there can be no prosperity. For it is only out of profits that a company can increase and improve its facilities and provide more jobs. Companies should apologize when they make losses, not when they make profits.

We hope that the estimate proves correct that the total profits of all corporations in 1947 will reach new peaks. We hope this happens because total wage and salary payments have always gone up when profits have gone up, and wages and salary payments go down when profits go down.

Increased wages and increased profits both come out of prosperous business, good management and cooperative labor.

Now as we move into 1947, Westinghouse can balance its books and I believe we can find more good things on the right side of the ledger than distributing factors on the wrong side. Westinghouse has made substantial progress in its $132,000,000 postwar expansion and reconversion program. We now have more business on our books than ever before in peacetime. Even in the last months of 1946 our production reached new peacetime heights. We have increased facilities to set new production records if material scarcities are overcome, and we have more than 96,000 employees to do the job.

For the nation and for Westinghouse, the year 1947 can be the best of all our years.

CARLETON PUTNAM

President, Chicago and Southern Air Lines, Inc.

Speaking from the standpoint of the medium-sized air line, in the last quarter of 1946 we suffered a return to prewar load factors at postwar costs and in many cases at a mail rate substantially below 1941. The result could only be a shift from profit to loss. In this situation the Civil Aeronautics Board must be the first to take a hand. Companies like Chicago and Southern, which before the war were operating on a plane mile rate in the high twenties, cannot be expected to continue on a rate of one-tenth of that amount now that load factors are back to what hey were in 1941 and costs have risen 30%.

Carleton Putnam

The air lines themselves will have to do a certain amount of retrenching. Most of us were at fault in assuming that the feverish traffic conditions of war time would go on indefinitely in the case of air travel, and we allowed this optimism to make us over-liberal in some of our expansion programs. From this standpoint the current recession has been a wholesome corrective. But no industry which has had a five-fold expansion in volume in three years can be criticized too severely for not knowing just where the increase was going to stop, or when to cut off plans to meet a still greater demand. I believe the following factors will contribute to a sounder situation in 1947:

1. A mail rate structure better tailored to the needs of the individual carriers.
2. More realistic management planning in the light of postwar traffic experience.
3. The advent of more economical and faster equipment (although this factor may be somewhat slow in taking effect, as there will be substantial costs involved in the initial period of installation).
4. A sounder national economic picture with improved production and consequently more travel.

FRANCIS F. RANDOLPH

Chairman of the Board, Tri-Continental and Associated Investment Companies

Two well-defined types of forecast of business conditions have developed in respect to 1947. The first of these looks forward to a substantial recession in activity as well as prices during the year, leading to a "depression low" in the neighborhood of 140 for the Federal Reserve Board index of industrial production as compared with a current level of about 180. Such forecasts usually involve little change in the first half of 1947, but an accelerating decline thereafter to a low point in, say, the first quarter of 1948. They do not however contemplate a decline comparable in severity with the pattern of 1937 or 1921, which would result in an index around 120.

If business developments are to follow this pattern in 1947, industrial stock prices might rise for a while above present levels, since such forecasts generally look forward to expansion in the first quarter and little letdown in the second quarter, thus making a very active first half as a whole. Under this interpretation of the economic outlook, the activity of the first half year would give way to a sharp and severe decline during the second half. Investors' confidence might then be so undermined by such a development that stocks would decline sharply and probably to new low levels.

The second type of forecast is usually stated as a readjustment which will actually be accomplished in costs and prices with only a moderate amount of contraction in business activity. As is true of the first view as well, those adopting the second generally look to the anticipated decline in prices of commodities and goods as the basic developments now in prospect. They believe that the adjustment will be spread over a period and will not result in a sharp shrinkage of business activity. Such price and cost adjustments as occur will, in this view, facilitate the meeting of the strong demand which exists for construction, equipment, durable consumers' goods and some items of non-durable goods—a demand which will prevent the recession from going as far as forecast by the first group. This view, in general, holds to the belief that the readjustment, instead of being postponed until the second half of 1947—or even later—is beginning even now, and accordingly may be finished before the end of 1947, if not earlier.

If developments follow the second course, industrial stock prices need fall little, if any, below the lowest levels of the past quarter and might even rise substantially if it becomes apparent that the fears of a severe decline in business were overdone and if investors' confidence improves. The present conservative capitalization of industrial earnings in the stock market and the prospect that earnings would be moderately and only temporarily affected, would lead to this conclusion.

The national economy is now obviously in a position which is more vulnerable to the effects of widespread and long continued strikes than it was last spring. Hence the more optimistic view must admit the possibility of sufficient disruptions being caused by labor disputes to set back business activity seriously. However, the prospect of lower foodstuffs and food prices and other cost-of-living factors and possible fears of political disfavor reduce this strike probability. There is believed to be decidedly less propensity to strike among workers than existed before the results of last year's action had been experienced.

No one can accept either of these forecasts without reservation, although this seems an era of economic and financial forecasters. It is obvious that many now unforeseen factors and developments will influence the course of business and security markets.

A comprehensive survey of present business conditions favors the preliminary conclusion that a business readjustment is in prospect which will be moderate in its effects on the volume of business—less serious than now anticipated in many quarters. It may well begin early in the year rather than be postponed to the second half. The national economy, however, is now much more vulnerable to the effects of strikes than it was a year ago, and important strikes involving many workers may produce a larger recession in business activity than is anticipated now. It is still too early to judge the course of such developments, however, and continuous attention must be given to the labor situation and to commodity and goods prices during coming months. At present, however, the significant factors point to readjustment of moderate scope. With such a business background, the fluctuations of the stock market may be largely determined by the ebb and flow of investor confidence rather than major changes in earnings and dividends.

FRANK C. RATHJE

President, Chicago City Bank and Trust Company

There are certain fundamental factors which have emerged in our economy during the past 15 years which will have a profound influence, both on the near term and the more distant future developments.

Frank C. Rathje

First: We have expanded our currency in circulation from $4½ billion in 1929 to $29 billion as of the current date.

Second: Bank deposits have increased from $45 billion in 1934 to approximately $150 billion at the end of 1946.

Third: The Federal debt has grown from $20 billion in 1933 to $260 billion at the present time.

Approximately 40% of this debt is in the form of short term securities. $50 billion of the Federal debt is in the form of Series "E," "F" and "G" Bonds held, in the main, by private individual investors, as distinguished from institutional investors, which are the holders of the major portion of the remainder of the debt.

Fourth: We have the greatest ownership of gold ever concentrated in the hands of one nation, totaling in excess of $20 billion (at $35.00 an ounce), compared to $4 billion in 1934 (at $20.67 an ounce).

Fifth: We have reduced the required gold certificate reserves for currency in circfulation from 40% to 25%, and for Federal Reserve Bank deposits, the required gold certificate reserves have been decreased from 35% to 25%.

If the tremendous influence of these changes in our monetary and fiscal affairs could be determined, then a forecast might be justified. Competency in the banking business today requires an open-mindedness that will guide the banker to analyze and to continuously study the effects of these fundamental developments. To broaden our mental horizons, to secure an understanding of the expansion possibilities created by these changes, yet avoiding an unsound over-expansion, is a challenge to every man engaged in the banking business. Every executive must determine to what extent prices have risen by reason of shortages and increased worldwide demand, the influence of which may be temporary, and to what extent the changes in the price level have been the result of a permanent decline in the purchasing power of the American dollar.

I am not in agreement with the many predictions of a "boom and bust" in the near term future. It is true that there are segments in the price, wage and cost structure, which are out of balance. The adjustments that are taking place, and which will take place in the near future, will be of minor, not major, magnitude. They will cause the elimination, by failure and consolidation, of many marginal producers. For the competent and efficient in industry, there is a substantial basis for a sustained high level of business activity.

In agriculture, the adjustments required will be greater than in other phases of the economy. This is due, in the main, to the war and postwar developments, which resulted in increased demands on the United States for food, which in turn stimulated the improvements of seeds, an increased and more effective use of fertilizer and a rapid mechanization in farming methods. Yet, the continued worldwide shortage of food provides the opportunity for our government to find, by intelligent efforts, methods for developing ample markets for our farm products, if not at present high prices, at prices sufficiently high to provide stable prosperity on the farm.

Sound banking policy in the year ahead bespeaks a caution in the over-extension of cerdit. The commercial loans in banks are increasing at a tremendous rate, and this expansion is justified, in part, by the increased working capital needs of business, arising from expanded operations and high costs of production (both increased labor rates and raw material prices). Judicious conservatism in banking practices is needed to prevent an over-extended private credit structure. The present potential for credit expansion raises a doubt as to the desirability of eliminating Regulation "W" of the Federal Reserve Board, or of changing the present regulations of marginal trading on the security exchanges. The government has the further responsibility to avoid stimulating an unsound expansion of credit through the activities of its own lending agencies. The ability to pay debt is still an essential yardstick for the creditor and debtor alike, if it is our purpose to maintain a sound economy.

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The Outlook for Interest Rates

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a slight firming in this section. This logically would be expected to extend to intermediate bonds, but with the maintenance of the 1% rediscount rate any rise should be moderate and I question that the long term rate need be influenced at all.

If modest premiums over a 2½% long rate and 2% intermediate rate are satisfactory to the Treasury, as I should think they would be, the present market in these categories affords plenty of leeway for a modest adjustment.

Cost of Borrowing Not Increased

That the overall borrowing cost to the government would not increase with a policy of flexible refundings results from the fact that the $47 billion of debt, other than certificates, due or callable in the next five years, carries a rate of almost 2% on the average, and a good portion of this is partially tax exempt. If all market issues, including certificates coming due within the next few years were refunded at an average rate of 1½%, the overall cost to the Treasury of carrying the debt would not be increased from the present cost.

Despite the arguments for or against a flexible policy, the language used by the President in his recent budget message would seem to preclude the possibility of any change toward a lower level of prices in any section of the government bond market for the present. Thus, to sum up the outlook for the basic rate, or that which prevails on government bonds and which exercises such a strong influence on rates for all other types of investing and lending, the prospect is for little change. At best, and I use that advisedly, at best even under a flexible policy, if that were to be adopted at some time in the future, only a modest firming in short and intermediate rates could be looked for.

I have emphasized that the government rate is the most potent force on other rates for lending and investing. On the other hand, it is far from controlling. In fact, it is probably less important at present than it has been at any time during the past several years, this because there exist today other borrowers in the market in substantial volume and when the government is retiring some debt for the first time in the past 16 years.

The natural or economic factors influencing interest rates are of wide variety including the general level of the economy as represented by the gross national product, the level of prices, the productivity of labor, profits of business, individual habits with respect to saving, spending and investing—which is better expressed as mass psychology—taxes and international trade and money movements—all of these, together with debt management and Federal Reserve policies go to make up the supply of money, demand for money and the rate at which money is available to various classes of borrowers. Each is deserving of some discussion. In order to relate one to the other and gauge their composite effect upon the leading borrowers and leading lenders, certain assumptions obviously must be made.

A Short Recession of Business

To arrive at the prospective general level of the economy over the next several years (and in referring to the next several years let us take the next four or five—even that is looking too far ahead) as expressed by the gross national product, I am adopting the view of most of the professional forecasters that some recession on business activity during the early part of this year can be expected. On the other hand, more than a recession of temporary duration is regarded by most authorities as improbable. This case rests upon the thesis that the great backlog of pentup demand for consumers durable goods, housing, automobiles and capital goods is expected to provide the stimuli for a high level of gross national production for several years to come. Let us accept this as our first assumption—a high level of gross national production, before we engage in the guesswork in relating the other factors. The second factor, the productivity of labor obviously has a strong bearing on the first and the predicted high level of economic activity probably could be more easily upset by a disruption of production than by any one other factor. What is most needed to assure a sustained high level of economic activity is cooperation between labor and management and a realization on the part of labor that real earnings can be secured only through increased man-hour production. If this can be achieved, the third factor, reasonable profits to industry will be assured. The importance of this latter factor is that profits are essential to assure the necessary flow of capital to business.

Mass psychology is always difficult to gauge. For the past several years the large credit reservoir and the tremendous amount of liquid assets in the hands of individuals have provided the base for the explosive type of inflation. Historically, inflations have had their foundations in just such situations: shortages, large money supply and inability to purchase goods. During the war controls were successful in preventing an outbreak, and although goods of the type for which there is the greatest pentup demand have been slow to reach the market since the war, the American public has exercised commendable restraint. In fact, the more recent price advances have met with resistance and there has existed of late a psychology that a waiting attitude will produce better quality at lower prices. This psychology, together with the distorted position of inventories to which I shall refer later, is the main basis for the expected early and short recession in general business activity. From the longer standpoint, we are assuming that the combination of the three factors—prices, labor productivity and mass phychology—will produce several years of a generally high level of production at prices somewhat lower than those now prevailing, accompanied by reasonable profits to industry and a higher standard of living to labor than it has enjoyed in any previous time in history.

The Budget and Taxes

The next factor, taxes, is important both with respect to purchasing power and profits, as well as for its effect upon the government's fiscal position. The President's recent budget message was disappointing. The hoped-for reduction in expenditures did not materialize and the projected surplus available for debt retirement is so negligible as to be non-existent for practical purposes.

The most disturbing element of the budget is that it allows for no tax reduction, which could and should be accomplished through the return of governmental operations to a peacetime basis. Prompt liquidation of agencies, bureaus and jobs created for war purposes would go a long way toward permitting a reasonable reduction in taxes and larger retirement of debt. There is still hope that the Congressional majority may be successful in achieving this.

As for the next factor, international trade and money movements, the budget indicates that direct governmental loans to foreign countries will begin to taper off after the current fiscal year and that future capital for foreign countries will be provided largely through the machinery of the International Bank. With the prospect that the United States will be a net exporter for several years to come, there may be some modest inflow of gold in settlement of international transactions but the bulk of exports obviously will be paid for through borrowing. One more point on the budget. This shows only a slight surplus of receipts. On the other hand, taking into account non-cash expenditures and agency transactions, the Treasury on a cash basis should have something in excess of $3 billion on an annual basis with which to retire publicly held debt.

Borrowing Prospects

This background of the general economic influences obviously could vary considerably from the set of circumstances we have arbitrarily chosen. I shall discuss later the effect of a less prosperous or a depressed economic situation on money rates. Let us first appraise what effect the assumption we have taken will exercise on the prospective borrowers and lenders. In the non-Treasury segment the principal potential borrowers are corporations, states and municipalities and foreign countries through the International Bank. On the other side the leading lenders are the savings banks, insurance companies and commercial banks. On both sides are individuals, including unincorporated businesses, trust funds and estates.

In this post-war period, individuals are likely to increase both their assets and liabilities. Savings will be sizable as will borrowings, but net, individuals cannot be expected to accumulate funds at anywhere near the rate they did during the war when goods were unavailable for purchase. On the other hand, some net accumulation is to be expected. To discuss the principal borrowers, let us first take the individuals to see what effect they can be expected to exercise on the financial machinery in an active business period. Their main borrowing demands probably will converge in the field of residential construction, thus providing mortgage loans or loans on real estate in substantial quantity to commercial banks, insurance companies and savings banks. Beyond this, individual borrowing requirements will be principally in the field of consumer finance to provide funds for the purchase of automobiles and other durable consumer goods. The commercial banking system should supply either directly or indirectly the bulk of this demand.

To the extent that loans are contracted in the banking system, deposits will increase. Also while some of this group of individuals are contracting debt, others will continue to accumulate savings, resulting in a prospective increase in commercial bank demand and time deposits. It is expected on the other hand, that savings bank deposits will tend to level off as money is withdrawn to purchase goods for which the savings were built up originally. For the same reason, most estimates indicate that individuals will redeem holdings of Government bonds at a rate slightly in excess of their new purchases. At the same time, it should be expected that insurance policies will be continued in force and that new insurance will be purchased at the same rate that has prevailed over the past several years. In addition, some of the funds of individuals will be available for purchase of open market securities, particularly equities. While it is too early to say that the recent decline in outstanding currency represents a permanent trend, there is reason to believe that the banking system will be the beneficiary of some of the excess cash that for one reason or another has been

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Business and Finance Speaks After the Turn of the Year

(Continued from page 462)

R. L. REDHEFFER

Chairman of the Board and President, Merchandise National Bank of Chicago

What will be government and business trends for 1947? Is 1947 destined to be a long step towards survival or extinction of our free society? We hang precariously in the balance though neither space nor time can be wasted in this article on post mortems concerning the causes of our present situation. Government controlled economy is at mortal grips with private economy throughout the world and we have engaged in the battle as a token of "keeping up with the times."

R. L. Redheffer

The hall mark of private economy is the status of the individual and his dominance or subservience in relation to the State. If we still believe the individual is the important ingredient in our domestic economy, we must do all in our power to preserve his strength and integrity. Whenever he becomes a mere cog in the vast machine of government, we are done for, whether we continue to call ourselves "free" or not.

1947 offers the first opportunity in 15 years for the individual to return unto his own. As government controls are gradually lifted and we return to free enterprise, business will need to emerge from its chrysalis of government-regulated prices and fly again in the strong winds of competition. Whether the forces which have shaped business life for the past 15 years can be entirely eradicated or whether they have become too firmly imbedded in our economic thinking to allow us to get back to free enterprise is yet to be seen. Obviously, only time can tell whether we will accept the challenge and make the grade or not.

Government policies always have drastic effects on business. First things come first, and our primary task is to reform our fiscal policy on which all else depends. We must cease to follow the will-o'-the-wisp of "spending ourselves into prosperity." We must balance our budget, let the chips fall where they may. We must revive our healthy concern for posterity by revising our attitude toward our national debt. It is disturbing to observe how careless the present age is about laying up debt and taxes for the next generation.

Our secondary concern should be government's attitude toward labor and labor's attitude toward the public. If we concede labor's right to a fair profit for services, we must concede management's right to a fair profit for goods. If management can not hold out the prospect of profit to investment capital, the rehabilitation of our outworn tools will be impossible except under State ownership. Perhaps the single most important individual is the unknown stockholder.

Let us hope that in 1947 all wage earners will realize that greater pay must be synonymous with greater production. The pay envelope means little if prices rise faster than pay increases. It is unsound economics to believe that wages can be raised indefinitely without affecting prices. Government policy has a great effect on the value in the pay envelope. The national debt causes inflation and deflation by variations in the volume of money in circulation.

Therefore, business and the people will be greatly influenced by our fiscal policy and our labor legislation. Both have important bearing on the problem of bringing to their maximum the enormous productive possibilities of American enterprise.

HENRY M. REED

Chairman of the Board, American Standard Radiator and Sanitary Corporation

We are optimistic concerning the outlook for the industries in 1947 and unless unforeseen events again interfere with the Nation's economics, we feel that the next twelve months will witness a period of unequaled production for the entire industries.

Henry M. Reed

Construction and plumbing and heating go hand in hand. According to the Department of Commerce, new construction in 1946 was valued at $10,131,000,000, which includes $909,000,000 for December. The 1946 total was two and one-half times greater than 1945; while that of December doubled the corresponding month of the year before.

Private construction aggregated $7,868,000,000. Public construction aggregated $2,263,000,000. Residential construction was valued at $3,303,000,000; private industrial $1,699,000,000; and privately-owned public utilities $851,000,000.

There was a 500% increase in private construction of warehouses, office and loft buildings. Compared with 1945, public residential construction was up 433%; private residential construction, excluding farm, was up 393%; and private industrial up 321%.

These are the figures we must surpass in 1947, with stepped-up schedules, particularly for vitally needed cast iron enameled ware, vitreous china, plumbing fixtures, boilers, radiators, warm air furnaces and plumbing brass for essential needs. We foresee inroads of a considerable portion of the huge postwar backlog of demand this year.

During 1946, despite nation-wide material shortages and labor problems, American-Standard production steadily increased and by the end of the year we had attained a nearly normal prewar production volume. Our goals for 1947 call for a substantial increase over output of any previous year, both in plumbing and heating products.

Our own company's contribution to help supply the demand and prepare for increased normal future demands, is the erection of a new Vitreous China plant in Southern California, located at Torrance, California, in the Los Angeles area, and a Plumbing Brass plant at Richmond, California, in the San Francisco area; as well as contemplated increases in present factories.

ARTHUR M. REIS

President, Robert Reis & Co.

During the year 1947 there will undoubtedly be a change from a seller's to a buyer's market and while output will be large, the public, on the other hand, is becoming more and more "value" and "quality" conscious. The current national income will be great and sales should remain at a high level. The standard of living of many millions of people is substantially higher than before the war. This, in itself, assures a good market for quality merchandise. Unless the attitude of labor is unreasonable or the country should witness continuous strikes, production will be maintained at a high level and prices of commodities will show no material difference over the present level.

R. S. REYNOLDS

President, Reynolds Metals Company

Aluminum has always had the weight strength factor and now, with its low price, it is entering into a thousand new uses. The field is so large that already we are considering the best way to conserve the supply of aluminum for the most strategic requirements of peace.

R. S. Reynolds

You may have heard the wild tales of how aluminum will usurp the thrones of steel, of wood and of fiber. Take my word for it—aluminum comes not as a thief in the night to rob and to destroy. In the spirit of the new age that is dawning, aluminum comes bringing new magic of protection that will multiply the uses and the service of steel, of wood and of fiber.

A short time before the war I carried into the office of Mr. Eugene Grace, two small sheets of Bethlehem Steel—one sheet just as it came from his mills and the other we had armor-plated with a thin coating of aluminum. I placed both sheets on an open-flamed toaster on his desk. The two sheets faced each other across the flame, arrayed for battle. I challenged the great Steel Executive to place his finger on the unprotected sheet of Bethlehem steel while I placed my finger on the sheet of steel clad with Reynolds' aluminum. In less than one minute, Mr. Grace surrendered and exclaimed, "It is not true! It is not true!" I still held my finger against the sheet of steel plated with the magic metal of Victory. After a few minutes, I removed the cool sheet from its long exposure to the intense heat rays and handed it to Mr. Grace, who once again exclaimed, "It is not true! It cannot be true!"

It is true. A thin coating of aluminum reflects 96% of the heat rays and opens up new fields of service for steel, for wood and for fiber, such as the world has never known before. This is but one of a thousand new uses for this magic metal which has saved the freedom of the world and stands ready and eager to save the peace of the world.

Some time ago I traveled with an executive of one of our great transcontinental railroads. We decided to calculate the weight factor of aluminum, as compared with steel in refrigerator cars. The results of this calculating indicated that this one railroad could save $10 million a year by the substitution of aluminum for the super-structuce of refrigerator cars and enable each train, without additional cost, to carry fifteen extra cars.

E. J. RIES

President, Ritter Company Inc.

We are entering the New Year with a spirit of optimism, which we believe is well-founded within the dental and medical field. Dental and medical equipment are in urgent demand the world over, evidenced by the large accumulation of back orders which we have on file. During the latter part of 1946 we carefully reviewed all of our orders on hand and with the cooperation of our dealers attempted to eliminate all orders that were fictitious in character in order that we might begin 1947 on an authentic and actual basis insofar as possible. We believe we have accomplished this end and our records show a very large backlog of business that will permit us to operate our plant at full capacity throughout the year.

E. J. Ries

We are further encouraged by the fact that business has recently emerged from some of the many ills by which it had been harrassed during the years of the war. Many of the governmental regulations have been removed, business is being given the opportunity to function more nearly normal, and we are very hopeful that legislation will be enacted that will further relieve it of many of the unfair restrictions with which it has had to contend during recent years.

F. L. RIGGIN

President, Mueller Brass Co.

I can't help but be optimistic about the future of the United States and for business in 1947. Our greatest need is understanding between management and labor that will permit co-operation and working in harmony. There is evidence that a great deal of constructive thinking is being done by busi- and by those who represent employees, and far more important, by employees themselves.

F. L. Riggin

The year 1946 has clearly indicated to management and to employees that long strikes are not only expensive to every one, but what is more important, they gain nothing for the employees themselves and seriously impair the ability of the employer to do as much as he might otherwise have been able to do for his employees.

I can see a continuous large demand for all kinds of goods. I believe the cost of living will be materially reduced during the year, and that prices will have reached their peak and will hit a downward trend very soon. I do not believe that increased wages can be absorbed without increasing prices. That is a fallacy which the whole year of 1946 clearly demonstrated. The greatest increase in real wages to employees generally will be the reduction in prices, which can easily be made possible by greater production. This will mean more money in the bank at the end of the year for every one.

My feeling is that there are a great many fundamental truths that must be recognized and accepted by both management and labor unions, and when accepted will give a basis for working together, which can easily accomplish the greatest era of prosperity this country has ever known.

CHARLES R. ROBBINS

President, A. G. Spalding & Bros. Inc.

All indications point to a strong market for athletic goods in 1947—and very probably for several years thereafter. Spectator interest is at an all-time high, as is shown by the reports of the record-breaking attendance at all sports events—golf, tennis, baseball, football, basketball and hockey. More important to the athletic goods industry is the participation of individuals in these sports. Here again the interest is greater than in any previous period. In golf and in tennis, we see more active play than ever before. In the schools and colleges, baseball, softball, football and basketball are appealing to a greater number of boys and girls than for many years before the war.

Charles F. Robbins

As a background, there is evident a greater appreciation on the part of the average community in the desirability—if not even the necessity—of developing and maintaining good physical condition, combined with the development of character, both of which result from properly organized and supervised athletic programs. Much is being done in this field through educational programs which are being conducted by several State, county and city administrations, as well as by the many service organizations which are active both nationally and locally. The benefits to be derived from this activity mean so much in the development and improvement of the population of our country

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The Outlook for Interest Rates

(Continued from page 463)

carried in pockets or kept in mattresses during the war.

Corporate Capital Requirements

Now to take the position of corporations. At a high level of gross national product the new money requirements of industry (over the next several years), are variously estimated at from $5 to $20 billions. Given reasonable profits, a good portion of this is expected to be financed out of earnings, and some of it will be provided through liquidation of holdings of Government securities. On the other hand, a sizable amount of money will be required through equity financing, open market borrowings, term loans from insurance companies, or bank debt. The largest part of industry's prospective requirements falls in the field of capital goods worn out or rendered obsolete during the war. New plants, modern tools and heavy equipment are most needed. The bulk of this type of capital should be raised out of earnings, financed in the equity market or through borrowing on long-term securities. The amount that corporations are likely to seek from the banking system, therefore, might well represent a minor percentage of their total needs, perhaps limited to inventory requirements; in fact, given sufficiently favorable circumstances in the other mrakets, business loans could show only a negligible increase from the present level.

Inventories

I would like for a moment to refer back to my previous reference to inventories. The dollar value of inventories today is the highest of at any time in history. In relation to sales, however, we are told that inventories are below normal. The distortions—acute shortages in some lines and substantial oversupply in others—have come about because of inability in some cases to obtain the one or two essential parts required to turn out the finished product. In other cases, oversupply has resulted from price restrictions that have encouraged manufacturers to withhold goods from the markets. The contention of some economists that a further rise in inventories can be supported on the basis of the present price and sales level fails to take into account that neither the price nor sales level is guaranteed at any specific level. In addition there is a belief in some quarters that there is a substantial volume of some lines of inventories in the hands of consumers. I do not pretend to be an expert on this subject but I mention it for what it is worth in perhaps eyeing with suspicion any further substantial rise in the total volume of inventories.

To get back to the main subject, to the extent that corporations resort to open market borrowing, their obligations will find their way into insurance companies and savings banks for the longer maturities and the banking system for the shorter maturities. Again, of course, increases in bank loans and investments increase bank deposits dollar for dollar.

Municipal Borrowing

Next we come to the probable requirements of political subdivisions: States and municipalities. With the large deferred maintenance during the war, higher operating costs, new constructions such as schools and airports, and with soldier bonus payments, States and municipalities have begun to enter the market in a sizable way for the first time in a great many years. The total of borrowing authorizations in this category for the present year is in excess of $1 billion, and the needs of municipalities easily could support this rate of borrowing for several years to come. Since the tax exemption features of municipal bonds is of minor importance to insurance companies and of no importance to savings banks, the bulk of new municipal offerings probably will be absorbed by the commercial banking system.

Further, the attractiveness of municipal bonds to individuals will be diminished if taxes are reduced.

The only other borrowing demand of importance would appear to be loans to foreign governments most of which it is indicated will take place through the machinery of the International Bank. Since the nature of the underlying loans to foreign countries is long term, maturities of the bonds issued by the bank should be designed primarily for savings banks and insurance companies. Some maturities may be made available to the commercial banking system. This constitutes the probable demand for funds in the various categories of borrowers. What about the sources of these funds?

Individuals, insurance companies and savings banks are the principal lenders and purchasers of securities. We have estimated that individuals, at the same time they are contracting debt and redeeming savings bonds, will continue their present insurance in force, purchase new insurance, provide capital to corporations through purchase of securities principally in the category of equities, and build up both their demand and time deposits in commercial banks, and deposits in savings banks but to a lesser extent. In addition, they are expected to return some money from circulation.

With individuals continuing their present insurance in force and purchasing new insurance, at say the same rate as during the war, insurance companies ought to have available from $3 to $4 billions of new money on an annual basis with which to make mortgage loans, extend term loans and purchase long-term corporate bonds, as well as some securities of the International Bank. They may also have a slight excess available for purchase of government bonds.

Mutual savings banks, we have estimated, will experience negligible deposit gains from this level so that the lending operations of these institutions for the most part will be confined to the transfer of earning assets. For example, to the extent that mortgage portfolios are deficient and desirable loans are available, savings banks might be modest sellers of government securities to provide the funds with which to increase mortgage investments. The same is true of corporate securities and International Bank securities to the extent that they are made attractive to savings banks. Generally speaking, however, the character and volume of savings banks assets are expected to undergo little change in an active business period over the next several years.

Commercial Bank Prospects

Thus the commercial banking system is left to provide whatever balance of credit the economy may require. As mentioned earlier, some return of currency from circulation and a possible increase in the gold stock will tend to increase bank deposits and reserves. Deposits also will increase as loans and investments increase. While the outlook for bank loans will vary with the condition of the capital markets, the assumption we have taken indicates that business borrowings from the banks might well be confined to a minor percentage of business' total needs. The major source of demand for bank credit would appear to be in the real estate field through individual borrowings under FHA guarantee, this to be followed by loans to others in the consumer loan category. The amount of International Bank securities that may be designed for bank purchase is difficult to estimate. The probabilities are that this will not be a factor of too much importance. On the other hand, holdings of municipal bonds should increase by fairly sizable amounts for some years to come.

Summary

Now for the reconciliation. We have estimated that the government will have a minimum of $3 billions per annum with which to retire marketable debt. For the most part it is expected that this will be directed to bank holdings. On the other hand, if redemptions of savings bonds by

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Business and Finance Speaks After the Turn of the Year

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that it is greatly to be hoped that they will be vigorously continued and expanded.

Difficulties in obtaining needed materials, work stoppages caused by strikes and slowdowns in transportation, which are the obstacles to production in all lines, have retarded the manufacture of athletic goods in 1946. The decontrol of prices and the elimination of government regulations have eased the situation in materials. If serious stoppages caused by strikes and transportation can also be eliminated, a larger supply of athletic goods in 1947 may be confidently expected.

E. A. ROBERTS

President, The Fidelity Mutual Life Insurance Company

The rough treatment accorded most prophets by the events of 1946 should make one twice wary about expressing views concerning the probable velocity of business for 1947. The dismal and the optimistic forecasters alike were confounded.

E. A. Roberts

The volume of new life insurance and the persistence of old business depends absolutely upon the economic state of our nation. There may be time lags in the observance of curves either way, but in essence this is true. Similarly, our opportunities for investment, both as to quality and quantity, depend upon the needs of our governmental and business structures.

There are no insurmountable problems of labor or inventory inherent in our business. But these considerations may affect the fortunes of many of those with whom we expect to do business. At best the prospects are most unclear. Before we can make any estimate of our own situation we must attempt an evaluation of the problems facing the productive elements of our economy and the chances of their happy solution.

The demand for almost everything is patent and, unlike China, it is coupled with an ability to pay.

With minor exceptions the elements for good business are present and plainly visible. The heavy industries should be supported by a sharp increase in building construction, in automobiles and other manufactures. This in turn should give the rails higher tonnage which they will carry at better rates.

In fact the prospects for all forms of transportation are brighter. Public utilities should do as well or better—many industrials markedly better.

Some government economy coupled with some tax reduction should help the average man who finds himself the victim of the inflationary squeeze. There is still more inflation to come in some areas but offset by some deflation, the earliest evidences of which have already appeared. At this point a quantum of deflation seems both desirable and healthful. If it is not too abrupt and if it is not aimed exclusively at agricultural products and by-products we should all benefit.

If in 1947 the automobile industry, through a combination of enlightened management and productive labor, can produce five million units, the American people will absorb them hungrily with only one eye toward cost or color. It is worth remembering, however, that the same or other people will take an equal or larger number in the following year with both eyes on cost, if not on color. So it is with many products for which we hunger.

If as a result, however, there arises an overfed desire for immediate position, a dip if not a bust later is guaranteed. An insistence on dizzy peaks will insure sickening valleys.

Life insurance has wide and deserved acceptance. Smaller effective dollars demand larger insurance holdings in one's portfolio. Those of us who entered 1946 with misgivings have seen this borne out in a record of hitherto unsurpassed accomplishment.

If sanity can prevail in place of selfishness we should have one of the greatest years in our economic history. The doing of private business, including life insurance, finds itself in a good climate.

WALTER F. ROCKWELL

President, The Timken-Detroit Axle Company

Col. W. F. Rockwell

More units were shipped in 1946 than in any other peacetime year in the company's history. Backlog of orders is at an all-time high, excluding war years. We look forward to a continued heavy demand for truck and bus axles for 1947. New models of advanced design have been well received by the industry.

In the Timken Silent Automatic Home Heating Division, shipments are at the rate of 300% higher than in any previous year and we hope for further increases in production in this division as a result of plant improvements and a return to free markets for many of the materials that have been in short supply in 1946.

Barring labor disturbances, 1947 should be a record year.

BRIG. GENERAL DAVID SARNOFF

President, Radio Corporation of America

Progress and prosperity in 1947 depend upon greater international cooperation for world peace and accelerated industrial production. In the achievement of these objectives, it is imperative that a free flow of information prevails throughout the world. It is also vital that scientific research be expanded to create new products, services and processes that continually will lead to full employment and rising standards of living.

Gen. David Sarnoff

The uncertainties, largely related to shortages of raw materials and other industrial deterrents, which cloud the horizon of the New Year, must be cleared without delay to avoid economic paralysis. If industrial unrest is ended and the flow of basic components is increased, 1947 holds promise of being America's first major television year, for science has equipped that great new industry to move forward as a service to the public. Furthermore, trade estimates indicate a large replacement market for radio sets and radio tubes which were in service throughout the war years. In addition, a potential market for radio-phonographs and television receivers exists in the 7 to 10 million new homes which may be built during the next ten years.

Television in 1947 can make big strides in taking its place alongside the older arts, and in many instances visual communication can give them new and modern import. Although the television camera already has scanned national political conventions and presidential candidates, it will be ready to play its first big role in the 1948 campaign. That year will be to television what 1924 was to broadcasting, when Coolidge, Davis, Dawes, Cox, Bryan, and other orators picked up the microphone for the first time in a national campaign and marveled at its ability to reach the people. Political techniques were vastly changed in that era of the headphones and gooseneck loudspeaker horns. Similarly, in 1947, television will be studied as a new factor in politics as plans are laid for the '48 campaign of radio sound and sight. In 1948, it may be expected that in the United States there will be several hundred thousand television equipped homes, possibly as many as 500,000.

Increased activity among the broadcasters in television programming during 1946 revealed that the showmen are prepared to present an interesting variety of entertainment, newsreels and sports events. Their technique in the operation of new cameras has attested that they are on the mark and ready to go! They now have mobile camera-equipped television trucks to relay on-the-scene programs by short-waves to the main transmitters. New York is the television capital of the world—the center of this great new medium of entertainment, which will expand through networking across the country from city to city and from state to state—and finally nation-wide.

All-Electronic Color Television

On Oct. 30, the men of science at RCA Laboratories demonstrated for the first time in history, clear, flickerless, all-electronic color television. And it was accomplished without the outmoded rotating disk or any other moving part. It was done all-electronically by means of electron tubes and electron beams "painting" pictures in natural colors. The pictures were viewed on a 15 x 20-inch screen.

The realization of this universal system of television, which transmits and receives both color and black-and-white pictures with equal quality, is as far-reaching as was the creation of an all-electronic television system which supplanted the mechanical discs used in black-and-white television when it first began. The realization of all-electronic color is as significant in television as electronic recording over mechanical recording of phonograph records, or the present color movies over the early mechanical color on the screen.

By this new advance in television, *simultaneous* color transmisison, instead of *sequential* transmission, color by color, is achieved. Thus, our scientists enabled RCA, the creator of all-electronic black-and-white television, also to create all-electronic color television which has been the dream of radio scientists from the beginning.

The new RCA electronic color television system, which contributes to the television leadership of our country, will be available to the entire radio industry. The initial demonstration firmly established the basic principle; it will be followed in 1947 by the transmission and reception of color pictures in motion, then outdoor scenes and finally, in 1948, electronic color television on large-size theatre screens.

At the same time that RCA demonstrated all-electronic color television, it announced a simple, inexpensive and easily installed radio frequency converter which will enable black-and-white television receivers —even those of 1939 vintage—to receive in monochrome the programs of color stations when in the future they take to the air on ultra-high frequencies.

Thus, the problem of obsolescence in television has vanished. The public may enjoy the thrills of television, while scientists and engineers are exploring the high frequencies, building apparatus to study their behavior, field testing new instruments and laying the goundwok for commercial standards and practical color television service. This is a big task. Our engineers estimate that it will require about four years to bring any system of color television to the present status of black-and-white all-electronic television.

Sensitized by wartime research and development, television's electronic eye now rivals the human eye in what it is able to see. Performance of the RCA Image Orthicon television camera during 1946 greatly advanced the art and proved that television no longer needs brilliant lighting; it can see whatever the eye can see in twilight, moonlight, candlelight, and even go a step futher and see in "black light," or infra-red to which the human eye does not respond.

Radio, which gave a world-wide voice to Peace and Freedom, now gives to them the added advantages of vision through space. With the scientific revelations of 1946 as the foundation, more and more people, more and more nations will extend their radio sight in 1947 and in the years to come. Those who witnessed the dawn of all-electronic color television beheld triumphant colors of progress—a rainbow of promise that eventually will arch over a world-wide horizon.

Radio-Electronic Triumphs

While television portrays the expansive pictures of baseball, football, prizefights and panaoramas, the electron microscope—another triumph of radio science—continues to peer deeper into the unseen world of the infinitesimal. In 1946, at RCA Laboratories, this powerful aid to man's eye carried his vision into the submicroscopic domain, where tiny cells grow, where bacteria and the virus dwell, no longer hidden from view. Such tiny particles now can be magnified 200,000 diameters, which means that a germ can appear larger than the footprint of an elephant and a molecule larger than a basketball.

Thus, man through science in 1946 greatly extended the range of his vision. The same radio science, which by the miracle of radar flashed a signal to the moon and echoed it back across 240,000 miles in two seconds, also caters to the eye and promises great new services for people everywhere—new services in entertainment and education; new services in the war against disease; new services in international understanding.

New Frontiers in Outer Space

There are countless and unbounded frontiers of radio research extending into the upper atmosphere and far beyond the orbit of the moon. As radio penetrates the secrets of outer space, it will bring back new knowledge that will open many undiscovered frontiers for other branches of science. The scientists of this planet, who are only beginning to reach upward in their conquest of Nature, continually will be challenged anew.

Those who have been working scientifically with atomic energy have been looking underneath the ground for metals such as uranium and other materials which are employed to release the power contained within the atom. Yet, who among the scientists would be willing to say that there may not be more nuclear energy between the heavens and the earth than is within the earth? Will a way be found to release the nuclear energy of hydrogen, nitrogen, helium or other gases that may be in space? When we seek atomic energy that may be released from cosmic rays, we may find that there are greater treasures in the emptiness of space than in the solid earth.

The Magic of Electronics

Electronics has become a vivifying force in American life. This science has a magic touch that not only creates new instrumentalities, but brings old devices and services up-to-date. Electronics has, for example, made the phonograph in combination with radio more popular than ever. Yet there was a day in the Twenties that the cry went up that radio was broadcasting the requiem of the talking machine; that the newspaper was imperiled by newscasting, and the theatre by radio entertainment. All have survived and have grown; they supplement each other and have gained new popularity in their spheres of influence. In 1946, RCA Victor turned out its billionth phonograph disk, and 1947 promises to quicken the pace on the way toward the second billion.

The modern magic of electronics goes far afield of the home. By radar, ships are navigating fog-hidden channels and rivers, as if in the clear sunlight. Aviation too is offered new safeties through radio and radar, and by Teleran—the new RCA radar-television system of air navigation and traffic control.

The world-wide communication services operated by RCA were mechanized and speeded in 1946, enabling significant reductions in traffic rates to many points. In 1946, RCA handled more than 245 million words. Circuits cut off from enemy countries and invaded lands during the war were restored, and RCA Communications, Inc. now operates direct radio circuits to more than 51 foreign countries. Similarly, radiophotos take wing across the hemispheres to a longer list of cities.

Broadcasting and television now are supplemented by the service of FM, or frequency modulation. RCA approached the end of the year with facilities in readiness to produce tens of thousands of FM receivers and combination AM-FM sets, that is, FM plus standard broadcast reception.

Broadcasting, which won the rapt attention of anxious listeners throughout the world in wartime, finds people no less anxious for news, forums and entertainment in peacetime. Ears, which for six years were tuned to theatres of war, now are turned to the microphones that put UN on the air, listening in hope that the voice of Peace will grow ever stronger in every language. Those who heard the atomic blast at Bikini echo around the earth by radio, and later saw the televised films of

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The Outlook for Interest Rates

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individuals and savings notes and short-term holdings of corporations should exceed the cash amount that the government has available for redemption, it would be necessary for the government to sell additional securities to the commercial banking system. This is unlikely. In the event that corporations, individuals and savings banks need additional funds for their purchasing and lending operations, and therefore decide to make these available through their holdings of government securities, it is more probable that there will be a transfer of marketable securities from other holders to the banking system. In either case the effect would be inflationary and would result in increased deposits.

With this background of the probable supply of and demand for money, let us attempt to gauge the effect of these factors on the rate at which money will be made available to the various categories of prospective borrowers.

We concluded that there is not much basis for expecting other than a nominal, if any, change in the rates on government securities, at least for the time being. This is concurred in by no lesser authorities than the President of the United States and the Secretary of the Treasury. Further, we concluded that the rate for government securities exerts a strong pull on rates for all other types of lending and investing, and from this it would seem to follow that other rates cannot be expected to undergo much change.

On the other hand, the non-government factors influencing interest rates today are more forceful than at any time in perhaps the last decade. These influences have already brought about some widening in the spread between government rates and rates in the other categories as the volume of demand has increased. The differential between the best grade corporates and government bonds has spread out moderately in the past nine months. Likewise, rates on bank loans have begun to rise from the wartime level, and municipal bonds that nine months ago yielded considerably less than Government bonds after taxes now provide a good sized increase from the Government yield after taxes.

If we are entering a temporary period of recession, it may be that the rate adjustment has gone far enough for the present, but looking further ahead, increased business activity will be accompanied by increased borrowing demands. In this circumstance the rate spread between Governments and other forms of investments and loans should continue to widen. The more active the period ahead, the greater will be the borrowings demands in all categories aside from Government; and as banks and other lenders gradually obtain loans and investments in a ratio they regard as more normal than the one that has existed for the past seven years, rates to the borrowers can be expected to increase. If the business situation begins to assume boom proportions, debt management and Federal Reserve policies also can be expected to be of a more restrictive nature than at present, with resultant tightening effects on the money market.

On the other hand, should the expected setback in business activity extend beyond a period of temporary recession to, let us say, a depressed condition, the circumstances would be reversed. Borrowing requirements would diminish. Federal expenditures would increase, and debt management and Federal Reserve policies would be directed toward creating more funds in the hands of the banking system with concomitant pressure for investment. In these circumstances, rates could be expected to decline. The action of the Federal Reserve Board on Friday in restoring margin trading on Feb. 1, is some evidence that the recession is more than a myth.

In conclusion I would like to sound a note of caution. During the war, the banking business was as nearly riskless as it has been at any time in history. This was because we had a guaranteed minimum level of bond prices and repayment of credit extensions in most cases was, in effect, guaranteed by the Government. Companies engaged in war work borrowed money on Government orders, and prompt repayment was assured. Those few businesses engaged solely in peactime operations had a ready market for their products by reason of the acute shortage of goods in relation to the huge purchasing power. Today the situation is quite different. We have gone from a riskless lending business to one in which risks are perhaps the most inherent element of loans. We no longer can rely on an assured buyer at fixed price to liquidate our loans. Many of the small and inefficiently operated prewar companies that mushroomed during the war on the basis of Government orders for the purpose of getting production at any price will find survival in the postwar period under a competitive situation difficult.

The lack of desirable loans and investments other than Government securities brought about a hunger on the part of the bankers to employ a larger share of their funds outside the Government market. The natural result of this, as we have seen, was not only a narrowing in the spread between rates of the best grade corporate credits and Governments, but further, it led to a policy of insufficient distinction in terms of rate for differences in quality. Many companies that were distinctly of second rate credit standing before the war were able to obtain funds during the war at only a slight differential above the prime rate.

The same situation came to exist in the bond market, where many distinctly second and third grade bond issues commanded prices entirely unjustified on the basis of their intrinsic worth that could be supported by peace-time operations. The time has come to abandon the war psychology of lending and investment, to carefully scrutinize credits and to make distinction in quality in terms of rate.

Despite the view of many economists that a depression never again is necessary, there inevitably will be losses on loans and securities in the future. We should begin now to take steps to protect ourselves against these contingencies by obtaining a fair rate to allow provision for the reserves which will be needed at some future date.

The present outlook for bank earnings in comparison with the past two years is none too good anyway. There has alerady been a deflation in deposits and earning assets. Operating costs have risen and will continue to rise. Security profits at the wartime rate are no longer in prospect. Bankers should adjust themselves to this prospect. The banking system enters this period in the strongest position in its history. If we are conscious of the pitfalls ahead, we can keep it that way.

New Cabinet Post Proposed

A bill, sponsored by Senators J. William Fulbright (D.-Ark.) and Robert A. Taft (R.-Ohio), designed to establish a new Department of Health, Education and Security in the Cabinet, was introduced in the Senate on Jan. 10, Associated Press Washington advices stated on Jan. 10. If passed, the legislation would put under the new Cabinet Officer all health, social security and educational functions of the Government. A similar proposal has been made in the House by Representative Oren Harris (D.-Ark.).

Would Make Guam Territory

Representative Robert A. Grant (R.-Ind.) on Jan. 6 introduced a bill to give Guam territorial status, with provision for appointment of a governor for the island by the President of the United States, and for a unicameral legislature, having power to override a gubernatorial veto, to hold legislative authority. Under the proposed legislation the Federal Security Administration would appoint a medical officer to serve as surgeon general of the island, a dispatch from Washington from the Associated Press stated on the same day.

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Business and Finance Speaks After the Turn of the Year

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"Operation Crossroads," may well have hoped that it was radio's final portrayal of war. That detonation, which roared in all directions from the Pacific, may well have been the thunder of a radioactive storm that has passed—if man so chooses.

When man thinks of television, he thinks of it as an instrument of peace, although it can be used in war. When he thinks of atomic energy, he thinks of it in terms of war. This reaction must change—he must relate the atom to its vast possibilities for good in peacetime as he does television.

The Lesson Taught by 1946

Science is at man's command! He can use radio and radar to guide rockets and bombs loaded with atomic warheads; he can equip these winged missiles and robot planes with television eyes focused on great cities as targets of destruction. Or he can use radio, radar, television and atomic energy for peacetime pursuits in commerce, industry and home-life that will contribute greatly to "One World" in which people everywhere may live together in understanding, happiness and friendship.

Man's fate, his destiny and that of civilization are in his hand which grips the clutch of science and in his fingertips which rest on the push-buttons that give War or Peace the right of way on the international highways. If he ignores Peace and presses for War, he will never regain control; he may never have a second chance again!

Should he press for war he would not survive to behold the beauty of the world that can be unfolded on the television screen. A third World War would shatter the picture; the drama of civilization would end in tragedy. But this cataclysmic finale need not occur if man will turn his mind, his heart and his soul toward Peace and use of science for the benefit of civilization. That, it seems to me, is the lesson which 1946—the first postwar year—has taught. Thus, science in 1947 and in the years to come can play an all-powerful part in the everlasting attainment of "Peace on Earth, Good Will Toward Men."

JOHN A. SCHOONOVER

President, The Idaho First National Bank

I have not looked for anything particularly difficult in the banking business during the ensuing year, and I believe that, generally, interest rates will continue low except in the very lowest brackets and in the short term category. In other words, I expect that the companies which are now paying 1½% for short term credit may, by the end of the year, be paying 1¾% or 2%.

John A. Schoonover

Business during the year will become more competitive. It is already definitely apparent that buyers who have money to spend are not buying goods of inferior quality and will probably be more critical in the future.

I do not look for any depressions for several years, because important depressions are always accompanied by heavy unemployment, and it does not seem apparent at the moment that anyone would have difficulty in obtaining a job if that person was at all capable or conscientious.

We will see a progressive increase in the number of business failures, and as a consequence banks will have to be more careful in their scrutiny of credits.

I do not look for any perceptible overall change in deposits in banks during the current year although the shifting of deposits from one part of the country to another will probably continue.

H. H. SCHELL

President, Sidney Blumenthal & Co. Inc.

I am confident that the business outlook for 1947 is bright. As we gain more and more freedom from wartime controls and restrictions, the prospect for an era of unprecedented prosperity becomes more favorable. 1947 can make great strides towards that era of prosperity if both employers and employees cooperate to insure the high productivity which is essential. This trend can be reversed only by a new surge of wage increases which would increase costs and selling prices and which would undoubtedly invite consumer resistance.

Herbert H. Schell

There is ample evidence in the textile industry that a changeover from a seller's to a buyer's market will be accomplished this year. This indicates that prices in general have reached their peak. Some prices may still go up modestly at the wholesale level. Yet more will come down due to mounting production. There is a heavy pentup demand in some sections of the industry which will reflect itself in firmer prices. On the whole I feel confident that the housewife buying in the retail market will not only find steadily decreasing prices but she will also find better quality textiles. In spite of this, manufacturers should reap their benefit through expanding volume.

The field of foreign trade offers not only unparalleled opportunity for broadening our economy but it also offers an ideal opportunity to lay the groundwork for lasting peace and international well-being through resuming world trading on a scale far greater than that which was ever known before. American businessmen will seize the opportunity to prove to all peoples that the American system of free private competitive enterprise does offer the best basis for world peace and prosperity. This is a real challenge which no American—either employer or employee—can refuse to accept.

1947 should see the solving of many of our labor difficulties. When American labor and management are again on a friendly and cooperative basis, there will be no limit to our progress. Every imaginable element of prosperity is present today awaiting only the green light. Labor-management team work will be the signal to go. This teamwork will spell higher production with lower costs and the resultant higher standard of living.

That is the American way. That is why I am confident.

WILLIAM SCHMIDT, JR.

President, Consolidated Gas Electric Light and Power Company of Baltimore

The electric and gas industries should experience unprecedented demands for their services in 1947. As materials in short supply become more plentiful, production generally should move toward full capacity. Modifications in governmental restrictions on construction should result in expanded activity in that field. With these developments, industries can expand, more housing facilities can be built, and a larger supply of electric and gas appliances can be made available. All this means greater use of electricity and gas.

William Schmidt, Jr.

Preparations to meet these greater demands for service are going forward. Production capacity is being increased and distribution systems are being enlarged and expanded.

Although some difficulties are being encountered in obtaining necessary equipment, I have no doubt that, just as in the past, the electric and gas industries will be ready to meet the greater demands for service as they develop.

As in other industries, operating expenses have risen because of higher labor costs and material prices. This development may force utilities to apply for rate increases because a great deal of new money will be needed for construction purposes and adequate earnings must be allowed if the additional capital is to be secured to meet the expanded needs of American communities.

The electric and gas industries face a busy year.

F. E. SCHLUTER

President, Thermoid Company

Thermoid's expansion program during the past eleven years will be continued during 1947, and will pass a long planned milestone in the completion of a major factory in Utah. The replacement customer demand which Thermoid expects to face in 1947 is an expanded one for quality products and a "full line" well merchandised. Management also foresees an ever growing demand for the newly developed and engineered products which have been developed by the company's research and engineering divisions for the original equipment divisions. Although market trends indicate some deterioration in the position of certain manufacturing fields, Thermoid contemplates a continuing demand both for replacement parts in the automotive field and industrial and oil field products.

Frederic E. Schluter

Total passenger automobile and truck populations held amazingly well through the war and start 1947 in close proximity to prewar totals. Advanced average ages for all motor vehicles, with increased rates of wear for all automotive replacement parts, has had the effect of trebling the demand for Thermoid's products in this field. No substantial reversal in this trend can be expected until postwar vehicles form the majority of the total, which may be three to five years off.

The demand for new industrial machinery should be sustained at a high level due to the fact that, similarly, during the war years most of the country's production of cranes, shovels, hoists, tractors, and other heavy industrial machinery were consumed for military purposes, leaving the home market in need of replacement equipment. This has also necessitated greater use of replacement parts for all existing equipment. This practice will of necessity have to be continued because heavy industry is booked to capacity for many months to come. The demand for transmission and conveyor belting is thus increasing due to the long periods needed to obtain new equipment.

Industrial hose such as various types of oil suction and discharge hose, hydraulic and steam hose, as well as welding hose have a similar outlook. Renewed oil field drilling and development will create a greater demand for all Thermoid's oil field products. Demand for draw works, pumps and winches has increased tremendously due to the continuous use the present units have endowed.

Cognizant of the vital importance of employee relations in America's industrial life, Thermoid has recently appointed a factory personnel relations director who, hereafter will report directly to the President. The company at the moment doesn't deal with any union, the CIO having lost its bargaining rights. Conditions are most harmonious with peak production records the last few months.

FRANCIS P. SEARS

President, The Columbian National Life Insurance Co.

We enter the year 1947 with very brilliant possibilities for prosperity.

Last Summer financial experts became worried over various threats to our well-being, which was strongly evidenced by the great recession in the market price of bonds, stocks and some commodities. The strikes in industries essential to people's actual existence such as those in the Public Utilities in Pittsburgh, the Maritime Service in New York and worst of all in the soft coal industry with the stoppage of mining for nearly three weeks in winter were terrifying; the New Deal Government had gone too far in legislation unfairly favoring labor against industry upon whose prosperity workers depend for their livelihood. Thus, several reckless labor bosses were actually encouraged by the New Deal to make impossible demands.

Francis P. Sears

But the overwhelming victory of conservative forces in the November elections has changed the picture essentially, for the new Congress will insist on protecting the people against strikes in essential industries and I believe union labor leaders understand this thoroughly.

Wages are at the highest rate in history and "take home" pay is higher than at any time except for a few months during the war when there was big overtime extra pay caused by our intense efforts to furnish the planes, the ships, the ammunition, the food, and other supplies that would end the war quickly.

Prices are still high, but there is strong evidence of a gradual decrease in cost of most commodities; this will result in good net earnings for all.

I feel that union labor leaders will not try to destroy our well-being by recklessly calling strikes, and so I feel we may look for a prosperous year in 1947.

There has been some business recession after most wars, but I suppose the recession after World War I is the only one that might be a pattern for a short recession in the latter part of 1947. The depression of 1920-1921 quickly following the First World War was very short and then came very great prosperity for a long period.

Now, as after World War I, we have escaped any material damage to our own country and our losses in manpower have been comparatively light, though sad and grievous.

The cost of carrying on the war was terrific and it is predicted that it will take 100 years to pay off the debt incurred.

This indicates that for many years to come there will be "managed money" with low interest rates which, with higher wages and increased taxes, will in turn mean higher costs for Life Insurance. Those who have policies already will be wise enough to keep them in force, for it seems unlikely they will ever be able to buy so cheaply again; their appreciation of this fact is evidenced by the very low lapse rate that has prevailed for the past three or four years.

1946 was the best year in volume of production of new life insurance we have had since 1929. This was due to the ever greater realization that life insurance is about the only way to create an estate under modern conditions, the understanding that more insurance is needed to take care of higher living costs, the general prosperity of the people and their desire to save part of their present high earnings for the future of their dependents: their widow and orphans.

Some life insurance companies have already put in effect higher premiums necessitated by the higher cost of doing business and the low interest rates, but many companies are putting this increase off until Jan. 1, 1948, when the new system of figuring rates under the so-called Guertin Laws becomes effective; therefore, as a sort of last call for current rates, 1947 is likely to be a very active year for life insurance companies, even though there may be a small recession in volume of new business in the latter part of the year as compared with 1946.

But following the pattern after World War I, I expect that any such recession will be short and that we may expect several years of great activity and prosperity in this most helpful industry.

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Observations

(Continued from page 393)

into misconceptions of causes and effects, similar to his consumer-credit philosophy. For example, he says the Board should "curb inflationary developments brought about by speculative activity in the stock markets." But also that: "it now appears that inflation has largely run its course, assuming that fiscal, labor and management policies, such as I have indicated, are pursued. Accordingly some readjustment in margin requirements is appropriate at this time." In any event Mr. Eccles' basic concept of inflation *vis-a-vis* stock prices seems invalid. His aim to regulate the degree of inflation by "managing" stock prices is merely like trying to change the temperature by tampering with the thermometer.

The only possible defense of such logic that can be made is that a bull market may psychologically make people feel more inflation-spirited, and that hence the government should try to change such psychology when it thinks the time is ripe. But even this relatively minor policy has not worked in past practice (which will be demonstrated hereinafter).

As a matter of fact, far from adding to inflation in the general economy, a rise on the level of stock prices and in the purchase of new securities, actually relieves the inflationary consumption-pressure on the supply of goods, by syphoning off the dangerous purchasing power into the purchase of stock certificates (the proceeds of which go mainly into capital expenditures and not into consumption until much later).

But the greatest objection to the Board's policy in seeking securities and instalment credit management, is because it is so selective —not only as far as the general economy is concerned, but even in its own particular spheres.

The Necessary Vast Concomitants

As Mr. Eccles himself states, the ending of inflation "assumes that fiscal, labor and management policies, such as I have indicated, are pursued." These he specifies as: "combining continued high levels of taxation with prudent economy in all government expenditures . . . a budgetary surplus which can be used to reduce further the public debt held by the banking system . . . full and sustained production depending on an extended period of industrial peace, the avoidance of further wage increases that bring about increased prices, and the downward adjustment of prices that are now out of line." Quite a sizable *sine qua non* indeed to accompany the small element in the vast economic picture constituted by stock market credit limitation! And the lack of importance and "selectivity" of the latter are accentuated further by the fact that only listed securities are included thereunder—the large amount of over-the-counter and other issues being left thus unregulated. And of course speculation and credit-induced "inflation" in other capital assets, such as real estate, are simultaneously left untrammeled.

The best proof of the ineffectiveness of restriction applied in this limited specific field, is found in the record of actual past performance. For example, although in March of 1929, the call money rate was boosted to its all-time high of 20%, and the renewal rate to 15%; nevertheless, the fantastic stock prices of the period became even more fantastic and did not reach their peak until seven months later. So much for the interest rate! Similarly in the case of margins; their general rise from 20 to 30% in 1929 did not stop the bull market. The 22% rise in margins instituted in January, 1936, was followed by 18 months of rising markets; the move of this one arm of the government being completely vitiated by the Administration's concurrent easy money policy; entailed in the huge expansion of excess reserves, obliteration of interest rates, huge deposit creation and monetization of the public debt. The margin rises of February and July, 1945 were followed by *advances* in the stock average of 33 and 25% respectively; and even the complete elimination of margins in January 1946 did not end the bull market.

"Selectivity" of Controls

Such "selectivity" in the Board's gestures of credit control likewise apply in the consumer field. As is pointed out in the article by Mr. William J. Cheyney, "Installment Credit Should Be Decontrolled," appearing in this issue of the "Chronicle": charge-account credit, which is not controlled, is outstanding in an amount 10 times that of the installment segment over which the Board is seeking to retain control. Hence, as in the field of securities, such restrictive pot-shots at relatively small targets, will only result in a transfer —rather than a cessation—of the perhaps-inflationary spending.

The Problem A Broad One

As in the case of margins, in the consumer field also Chairman Eccles realizes that other elements besides installment spending are involved in trying to manage the business cycle. In explaining to Congressman Philbin how it would expect to determine and vary its regulations of credit terms, the Board said it would take into account a number of factors, "which would include the general level of economic activity; the distribution of activity between durables and other things; the price level and its movement; the volume of credit and the rate and direction of movement in that volume; public holdings of liquid assets; and other similar matters." Surely a cosmic array of economic phenomena, the mis-appraisal of any of which, or the entry therein of some other imponderable, would render the entire grandiose management effort abortive.

"Selective" Discrimination

Then too, this one branch of the government in its "selective" action here, is undermining other government aims. For in cutting off families, who do not possess the higher savings and incomes sufficient to meet the raised payment requirements, it is lowering the standard of living of the underprivileged—in direct contravention of the OPA aims and of its general desires for social justice.

Many consumers can add to their inventory of durable equipment only during periods of business-cycle upswing. The present philosophy indicated by the government would prevent these relatively underprivileged people from buying at those times, when they can afford it; and at the cycle's downswing, general economic conditions also would shut them off from such goods. Should their subjective individual legitimate interests be sacrificed to the principles of overall business-cycle experimentation?

The Present Legislative Situation

Omnibus legislation may bring an end to Regulation W, if special legislation or action by the Federal Reserve Board does not.

In addition to bills which are appearing in House and Senate to eliminate this control, attention should be paid to House Resolution 56 (Rep. Earl Lewis, Ohio, R.) and Senate Resolution 35 (Senator Wiley, Nebraska, R.). The Lewis bill, endorsed by House leadership, calls for prompt end of all regulations and controls derived from the grants of power to the executive, and contained in the Limited and Unlimited Emergency proclamations, and the State of War Declaration; except for those promulgated by the War and Navy Departments and affecting the Armies of Occupation. The theory here is that there may be certain other special regulations which must be continued for one reason or another. The House leadership will listen to reason on this and is prepared to exempt such controls, provided a good showing of their necessity is made by those who advocate exemption. This throws the burden of proof in each situation on the executive agency responsible. Fairly prompt action may be expected.

The Senate measure calls for each standing committee of the Senate to examine all wartime controls within its province and to recommend by Feb. 15 to the Judiciary Committee the continuance or elimination of each individual regulation. The Judiciary Committee then is directed to correlate these recommendations and report an overall bill by March 15. Here, the Senate would itself evaluate, through its committee structure, the worth of each war control. This resolution has top leadership agreement, it is understood.

Several Reserve Board officials have openly stated as a chief support to the continuance of Regulation W that it is favored by "leading economists in the country." As the opponents of the regulation assuredly can and presumably will, also marshall leading economists on their side, perhaps the Congressional schedule should include an extended Economic Forum on the topic!

NASD District No. 13 Elects New Officers

At a meeting of the District No. 13 Committee of the National Association of Securities Dealers, Inc. the following officers were elected:

Francis Kernan, White, Weld & Co., Chairman; R. Parker Kuhn, First Boston Corporation, Vice-Chairman; Frank L. Sheffey, Executive Secretary; George E. Rieber, Assistant Secretary.

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Business and Finance Speaks After the Turn of the Year

(Continued from page 468)

E. L. SHEA

President, The North American Company

A survey among the important customers of North American's operating companies indicates a continuing high level of productivity for 1947 in the great industrial areas radiating from Cleveland, Milwaukee and St. Louis.

Photo by Blank & Stoller
Edward L. Shea

With the supply of materials increasing and with labor and management showing a desire to settle wage and hour problems constructively, we look for the release of many brakes which have retarded the nation's industrial output.

Our utility operating companies anticipate further expansion in the electricity requirements of residential, commercial and industrial users. The continued aim of these companies and the industry is to provide first-class service at low prices, keeping electricity the most valuable, yet cheapest, item in the family budget.

HERBERT E. SMITH

President, United States Rubber Company

Although the rubber industry produced a record peacetime volume of goods in 1946 and is expected to repeat this performance, or better it, in 1947, the pent-up demand for rubber products is such that shortages will continue for many months.

Herbert E. Smith

Indications are that final sales figures will show that the industry in 1946 produced goods valued at $2.3 billion, which was more than double the volume of 1940, the previous record year of wholly peacetime out. It is estimated that sales in 1947 will be $2.3 to $2.5 billion.

The demand for tires is still greater than the supply and dealers find it impossible to build up inventories. This situation will probably continue during the first 3 to 6 months of 1947 but during the second half supply is expected to be more adequate.

Rubber footwear, both waterproof and canvas, is being produced in increasingly large quantities but it will be some months before depleted retail stocks are brought up to normal levels.

The demand for rubber clothing and coated fabrics will continue to exceed supply for many months. The supply of golf balls and bathing caps will remain tight, although these articles will appear in much larger numbers than in 1946. Lastex yarn will be short in the first part of the year, but will be more plentiful in the latter half. Industrial products such as belting and hose, for which demand still far exceeds supply, probably will be short all year.

In 1947, for the first time in four years, the industry will use more natural rubber than synthetic. Consumption of natural is expected to be about 51% of the total. This compares with 22% in 1946.

Total consumption of rubber by the United States in 1947 is estimated at 980,000 tons, of which 502,000 tons will be natural and 478,000 tons various kinds of synthetic rubber. Consumption in this country in 1946 was slightly over one million tons.

The greater part of the 1947 tonnage will go into tires, which will be manufactured in almost as great quantities as in 1946, when output reached record proportions. In that year, 88 million units, of which 66 million were passenger car tires, were expected to be produced. The 1947 forecast is for a total of 80 million units, with 62 million for passenger cars.

C. R. SHEAFFER

President, W. A. Sheaffer Pen Co.

During the war, the activities of the W. A. Sheaffer Pen Co. were directed primarily toward the production of direct war materials for the War and Navy Departments—much more so than any other manufacturer in the field. The production of our fountain pens and mechanical pencils fell off considerably, and what limited production we had was distributed chiefly to the Armed Services.

C. R. Sheaffer

As a result of our preoccupation with war work, the period of reconversion following V-J Day seriously impeded our return to peacetime production until rather late in 1946. Although this delayed start made it impossible for us even to begin to fulfill our dealers' demands, production in the latter part of 1946 was stepped up sufficiently to permit us to forecast a reasonably good year ending Feb. 28, 1947.

The fiscal year 1947 should be a good one for us. We have every reason to believe that during this year we will be able to satisfy the requirements of our dealers. Our production is fast approaching the desired level, which, incidentally, is much higher than the prewar level. The quality of our merchandise which we designed and tooled up for over a year ago, is better than it has ever been, and we plan to introduce other new and fine products to the trade.

We, of course, can not speak for the other members of the fountain pen and mechanical pencil industry, but, from all indications, they have had a good year, and the leaders in the industry should have an equally good year in 1947. The public demand for quality fountain pens, mechanical pencils, ball point writing instruments, desk sets, and writing fluid, although more discerning, should remain at a high level for the greater part of the current year. The year 1947 should also bring with it a return of healthy competition which will bring the fountain pen industry back to the sound basis from which it was forced to depart during the war.

There are, quite naturally, many factors that have a bearing on the industrial outlook for 1947. This company, for instance, is faced with a shortage of skilled labor which, if not alleviated, will seriously limit our output. The lack of building materials and the high cost of construction will delay the desired and needed expansion and modernization of our present facilities. These problems, we assume, are common to the industry. Moreover, strikes in manufacturers' plants or in the plants of their suppliers or in industry generally will also have an important effect on production and earnings. Finally, it must be borne in mind that a large volume of business in 1947 will not necessarily produce a fair rate of profit if the cost of labor, raw materials, finished parts, and the like continues to rise.

The extent to which the fountain pen and mechanical pencil industry will make in 1947 its contribution to the national economy and to the welfare and prosperity of its own employees and stockholders will, in the final analysis, depend upon the productivity of labor, upon the farsightedness of management, and upon a sound tax and legislative program, both State and national.

HURLBUT W. SMITH

President, L. C. Smith & Corona Typewriters Inc.

It is expected that additional manufacturing facilities now under construction will be completed and in use before Summer so that, barring unforeseen manufacturing interruptions, 1947 production should be the highest of any year in the company's history. Up to this time there has been no letup in the demand for Smith-Corona typewriters, adding machines, duplicating machines and typewriter supplies, which indicates very satisfactory sales during 1947.

Hurlbut W. Smith

WALTER W. SMITH

President, First National Bank in St. Louis

The major problem facing the country in 1947 is restoration of economic equilibrium. Our progress has been halted by the maladjustments produced by the war, and the stability of our economy is threatened by the abuse of privileges granted to labor during the prewar decade and further extended during the war. There is no denying the need for labor reform during the early 1930's, but the attempt to accomplish this through the grant of special privileges without concomitant responsibility has merely given to a single group a huge reservoir of power. This power not only has been corrupted by abuses, but is inherently incapable of correcting the evils which were the excuse for its original grant. Privilege and monopoly power are invariably used for selfish purposes and society as a whole now finds itself the victim of this too-liberal granting of privilege. Public opinion is reacting, as it has in the past, and is beginning a forcible demonstration of its opposition to monopoly power whether wielded by a corporate trust or by a labor union. The reconversion period has crystalized our decision that the present clash of social and economic forces resulting in unprecedented work stoppages cannot be permitted to continue. The climax reached during the coal and Pittsburgh power strikes has definitely shown the American people that we must create a more equitable balance between labor and management if collective bargaining and the system of competitive enterprise are to function effectively. This requires, not punitive legislation, but such amendments to existing laws as will produce a more balanced relationship between labor and management and protect society from ruinous economic strife. Both labor and management must assume an equal obligation to honestly bargain collectively. Each must be given the same rights of free speech, and neither must be permitted, either directly or indirectly, to engage in unfair practices or coercion to achieve an objective. We have reached the turning point: labor and industrial management must together find peaceful means to negotiate their differences, or both will be destroyed. A democracy, to function, must provide equality under the law. The alternative to a free society is not pleasant to contemplate: it consists of a managed economy under an authoritarian state with dictatorship and inflexible bureaucracy succeeding the society of free people that made America synonymous with liberty and opportunity for all.

Walter W. Smith

GEORGE H. SNYDER

Vice-President, American Steel Foundries

With the general trend toward a more stabilized economy in industry, the American Steel Foundries is taking an optimistic viewpoint of operations for the year 1947.

The need for new freight car equipment is generally recognized from the standpoint of modernization in coping with the more stringent present day operations, and also in replacing the many thousands of cars that have already served their usefulness. Nearly one-third of all freight car equipment exceeds an age of 25 years, which has often been considered as the length of their normal life. If the present railroad and private car inventory of approximately 2,000,000 freight cars is to be maintained, purchases of approximately 70,000 freight cars should be made annually. During the past year, due largely to interruptions caused by labor disturbances at the plants of the builders, and the inability of such builders to obtain many needed materials, the figures fell far short of this objective. The backlog of cars to be built has almost doubled from a year ago with the general tendency to better availability of steel and other materials, and with the outlook for more favorable labor relations there is every reason to believe that increased productivity can be expected from the car builders. This in turn should stimulate railroad purchases which have been retarded in many instances due to the length of time required in obtaining freight car deliveries.

With the building of passenger equipment completely curtailed during the war period, passenger car purchases during the past two years have exceeded those for any similar period in the past 20 years, and more modern passenger car equipment is again coming into evidence. It is anticipated that passenger equipment activity will continue for some time to come.

Similarly, in the locomotive field, with more general acceptance of diesel power, extensive purchases of this type of equipment are to be made and activity in the locomotive builders' shops is continuing on the upgrade.

American Steel Foundries are large suppliers of freight car trucks, clasp brakes for passenger cars, locomotives and tenders, couplers, springs, and other component parts of railroad equipment. They have recently developed a freight car truck designed for safe, easy riding at any and all operating speeds, and wide acceptance of this truck is already manifest.

The company will enter the year 1947 with a large backlog of tonnage of all of its railroad products, and has every hope that operations will continue at a high rate during the year.

REUBEN E. SOMMER

President & General Manager, Keystone Steel & Wire Co.

R. E. Sommer

I believe that there exists in this country today a tremendous potential demand for goods and services, and that the only thing that will prevent prosperity for several years to come will be our failure to take advantage of the opportunity that presents itself. When I say "our," I mean the Government, the workers, and management.

The mistakes of 1946 should help us to use better sense in 1947. I believe that 1947 will be better than 1946. Our own company, which makes steel and wire and wire products, has demands far in excess of our ability to produce, so we look to the future with confidence.

J. P. SPANG, JR.

President, Gillette Safety Razor Company

The current problems of Gillette Safety Razor Company and its subsidiaries throughout the world arise from the fact that its factories are unable to produce enough Gillette products to supply the demand. This condition exists even though production in all plants, except in Germany, has been materially increased from prewar levels. In most markets, including the United States, it continues to be necessary to allocate goods to the trade.

J. P. Spang, Jr.

With a world-wide shortage of Gillette goods, the demand seems likely to tax our production facilities for the next twelve months.

What I have said relates only to Gillette. There is no shortage of razor blades as such.

(Continued on page 472)

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Instalment Credit Should Be Decontrolled

(Continued from page 395)

2. In the face of the $100 billion consumer economy of today as contrasted to the $60 billion prewar economy;
3. As contrasted to prewar consumer incomes considerably less than now and hence less able to carry total indebtedness than they can today;
4. As compared to our present industrial output capacity for consumers' durable production, far in excess of prewar totals.

Another confusing element in the picture is that a good many retailers came out of the war period in what they thought was liquid condition only to find that they mistakenly had put too much of their cash assets in "fixed investments," paying off first mortgages, or investing in other ventures than their retail operation.

Thus the Federal Reserve System points with some accuracy to some retailers who beg for continued protection of the government in instalment credit restrictions to enable them to finance greater sales with less liquid assets; to bridge the gap of impaired working capital.

Will Switch, Not Stop, Spending

It is the public, particularly the working people, who are to pay for this unfortunate situation. Of course, the public probably will not stand for it long. It does not make much difference to a housewife or working man whether the retailer down the street has sufficient working capital or not. The important thing is whether or not the major consumers' durable products are available to this family on terms that it can meet easily. The requirement of $80 down payment on a $240 refrigerator obviously is more than is economically necessary. The regulation requring it will not stop the family from spending its income. Hence it will not truly be deflationary. It will merely cause the family to switch its spending to less durable, more quickly consumed products and services. As the years pass these, having been quickly consumed, will leave little residue in the form of "consumers' plant and equipment," one of the most important segments of the ordinary family's savings.

Discrimination Against Low Income Group

A few weeks ago an official of the Reserve System said that the Reserve Governors in retaining the present regulation on instalment purchases of durables, allowing all other consumer credit purchases to go scott-free of control, were guided considerably by the opinion of a half-dozen economists whom he named. This was one of the most surprising admissions we have seen lately, one which will lead the average man to wonder considerably. At least one of these economists had written his views in a pamphlet for the Committee for Economic Development. He said that the working family should be restricted from buying durables until those more fortunate economically, with cash to spare, had purchased all they want. He said, "The present regulations on instalment credit . . . for the purchase of consumers' durable goods . . . (should) be removed when the production of durable goods has reached a peak and has started to decline . . . The release . . . could provide a valuable stimulus to purchasing power when it could be most beneficial as a check on possible deflationary forces." This means of course that the average family which needs to use credit to obtain these products like refrigerators, washing machines, automobiles, watches, etc., should be used as pawns to protect the private economy of this country; that only when those with cash resources have done their utmost and have failed to sustain industrial output and employment at necessary levels, and not until then, should the poorer families be permitted, by credit buying, to share in the products we produce in the United States.

Repudiation By CED

It is to the credit of the Committee for Economic Development that this philosophy was repudiated—that the Committee does not feel that the average family should have to wait for "its share" until all others have been satisfied. Yet the recent publicity would seem to indicate that the Federal Reserve System is following this point of view so obviously contrary to American economic-social principles.

People will not long endure a Federal policy based on the assumption that certain classes are to be denied their part of the industrial output of the nation until other classes have been supplied in full. Today the man with cash or an open charge account can buy not just one radio but six if he chooses, whereas by this philosophy, and under Regulation W today, the working man who hasn't large cash resources is denied opportunity to buy one, until his neighbor has finally withdrawn from the market and the Reserve System sees it wise to call for this buying help of the poorer group to sustain falling markets.

Favoring the Position of Retailers

A little publicized but unfortunate development through the past few years has been the use of employees of the Reserve System to persuade retailers to say that they favor continuation of Regulation W. The System's employees have been going from door to door in many sections of the United States to inspect retailers' books of account, under the "Regulation," and in the course of inspection have inquired pointedly as to whether the retailers like these credit curbs.

It would be stretching things a little to expect a merchant to express his true feelings about a Federal regulation on inquiry from an inspector who is going over his books. Washington has denied sponsorship of this systematic door-to-door inquiry but it has gone on just the same and most certainly no effective attempt has been made to stop it.

While many retailers undoubtedly find that Regulation W is a good offset to inadequate working capital with the "cost of inventory" rising and with new impetus to accounts receivable, it is questionable whether this is a consumer's problem, whether the consumer should be saddled with a regulation preventing his acquisition of returning, war short products because of a paternalistic protective device continued in behalf of these particular merchants.

It is ironical that certain industries which were "decontrolled" Dec. 1 by the Federal Reserve now find themselves still very much under control. Executives of some large stores report that as electrical refrigerators and similar products have become available on their floors, jewelry and ready - to - wear business has dropped noticeably. The housewife entering a store intending to buy jewelry or perhaps a dress or suit, with perhaps $80 in her pocket, is likely to lay out her entire cash fund for the purchase of a refrigerator if she finds it available. The result? She "passes up" the jewelry and clothing departments. So long as major products very much wanted by the public are still controlled the other, technically decontrolled business will suffer.

Selective Controls Have Complex Implications

The Federal Reserve System in dealing with consumer credit has its finger on a much more complicated economic mechanism than can be fittingly or constructively dealt with by what it calls these "selective" controls—which are selective only to a degree but really jolt business and the public far beyond the limits of the twelve major product groups now still "covered" by Regulation W.

So long as Washington continues its philosophy that the masses of Americans can be soaked with impunity by bureaucratic controls, without danger of measurable kick-backs; so long as Washington believes that the financial economy is more important than the people; so long as its policy is to acknowledge that a segment of the people must be hurt, as Reserve Governors have acknowledged in the case of Regulation W, for the sake of an artificial mechanism to nibble at a "controlled economy," the true basis philosophy of government as it was taught to most of us, is being shelved. It has always been our philosophy here that both Government and the economy exist for the people.

For several generations now we have worked steadily toward broadening the size of the group of those achieving and enjoying the standard of living of which we have boasted in this country. Regulation W points back in the opposite direction. It narrows down this group, makes it subservient to a vague "welfare of the economy," makes the economy loom more important than the people, plays directly into the hands of those who already have well in hand and fully enjoy their share of American prosperity.

Emerson, Roche Admits Dunn; Adds Branches

AUSTIN, TEX.—Emerson, Roche & Co., Capital National Bank Building, announces the admission to partnership of James L. Dunn. Mr. Dunn, who was formerly proprietor of Dunn & Company in Austin, will be in charge of Sales and Trading.

The firm has also opened branch offices in Dallas and San Antonio. Resident managers of the Dallas office in the Second National Bank Building, will be E. M. Alsbury, Jr., Earl J. Sanderson, formerly sales manager of the firm, will be in charge of the office in the Wilson Building in Dallas. Walter Gaetjens will be resident manager in San Antonio, with offices in the South Texas Building.

Chem. Bank Announces Official Appointments

Emil C. Williams, formerly assistant Vice-President, has been appointed Vice-President of the Chemical Bank and Trust Company of New York. Fred W. Buesser, Manager of the municipal department, has been appointed an Assistant Vice-President.

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Business and Finance Speaks After the Turn of the Year

(Continued from page 470)

ROBERT C. STANLEY

Chairman and President, The International Nickel Company of Canada, Limited

World deliveries of Canadian nickel in all forms in 1946 will compare favorably with those of 1945, despite reconversion conditions and labor difficulties.

Robert C. Stanley

Demand for nickel has been expanding in the past few months and deliveries in the fourth quarter will be substantially above the corresponding period last year.

In line with improvement noted in the general industrial situation nickel operations have increased appreciably during the last half of the year. Production of nickel by International Nickel has recently risen considerably from the levels prevailing earlier this year. Operations are now running at about 75% of capacity, which rate closely approximates that prevailing during 1937.

On Nov. 25 International Nickel's United States subsidiary increased its United States prices for nickel, bringing them into line with those prevailing in the world market. Canadian and United Kingdom prices remain unchanged. The United States contract price for 99.9% electrolytic nickel from the Port Colborne refinery was placed at 35¢ per pound, the published spot price previously obtaining. The new prices include the existing 2½¢ United States import duty. The price to general contract customers previously was 31½¢ per pound.

Price increases are necessary in order partially to offset substantial cost increases during recent years in the operations of mining, smelting and refining of nickel at the company's plants.

The steel industry continued to be the largest consumer of nickel during the year. It is estimated that over half of the nickel consumed by the steel industry in 1946 was used in the stainless steels. Inquiries for stainless steels from peacetime industry continued to expand and indications are that in 1946, despite interruptions in steel operations, stainless steel production will approximate that for 1945, when a new high record was established. Of the wrought stainless steels produced, the chromimum-nickel types comprised more than two-thirds of the total. This was substantially higher than any peacetime year.

Combining a pleasing appearance with permanence, the stainless steels are again being employed in quantity for consumer products like kitchen and pantry equipment, including range tops, stoves, sinks, refrigerators, cutlery, cooking utensils and other uses in the home, restaurants, hotels and other public institutions. for stainless steels in the industrial equipment field. In transportation, many more stainless steel cars or trains have been ordered. These steels continue to be employed in essential parts of commercial and military aircraft and they were used throughout the year in the manufacture of truck and trailer bodies for a variety of purposes.

Postwar manufacture has been resumed of stainless steel beer barrels. Preference is being shown for the stainless steels for many applications in the air-conditioning, heating, plumbing, chemical, paper and pulp, textile, marine, petroleum and food processing industries, where substantial quantities were consumed during this year.

The three-way or triple alloy steels containing nickel, chromium and molybdenum which came into prominence during the war have left their mark on current peacetime production. Their tonnages still represent the largest of any single class of engineering alloy steels. Of the prewar standard steels the nickel-molybdenum types for case-hardened parts which were restricted in use for part of the war have returned to an enlarged peacetime application.

This past year also has seen an appreciable expansion in tonnage of those low-alloy high-strength steels, containing small amounts of nickel, for flat products and light structural shapes employed in the construction of railroad cars, automotive truck bodies, power shovels and similar types of equipment where weight saving is important.

Consumption of nickel by the plating field attained a new high during 1946, the extent of the increase over prewar years being over 50%. The desire of electroplaters to build up their inventories which were depleted or turned in for government use during the war has probably been an important factor in the activity which has characterized the electroplating field sinve V-J Day. Other contributing influences have been the employment by the automotive industry, largest consumer of nickel for plating purposes, of heavier thicknesses of the metal and increased plated areas in new models; new industrial and decorative applications for heavy nickel-plate and wider use of nickel coatings on plastic and aluminum articles. The application of nickel-plating for industrial uses in broadening to include numerous fields other than for decorative purposes. (In the food and chemical industries increasing use is being made of heavy nickel-plate to provide corrosion resistant surfaces for processing equipment.

Among the outstanding developments in nickel coinage during the year were the substitution of pure nickel for silver coinage in India; the replacement of silver coinage by a cupro-nickel issue in the United Kingdom; the resumption by the United States of minting the prewar five-cent piece containing one-quarter nickel and the resumption by Canada of the issuance of pure nickel five-cent pieces.

Pure nickel is well suited for coinage because of its appearance, wearability, the difficulty counterfeiters find in working it, and the fact that it is magnetic and readily distinguishable from most other coins. The metal has been used for coinage purposes since 1850. Of the 139 coin-issuing governments for which statistics are available, over one hundred have used nickel either in its pure state or as an alloy, as a part of their coinage systems at some time during their monetary history.

The British coinage bill authorized the issuance of cupro-nickel coins in the same denominations as the country's existing silver coinage. The cupro-nickel coins will be composed of 75% copper and 25% nickel. The present quaternary alloy silver coins consist of 50% silver, 40% copper, 5% nickel and 5% zinc. The advantages of using pure nickel instead of cupro-nickel in place of the silver coinage were fully discussed during the Parliamentary debates on this subject in October. It developed that majority opinion was willing to accept cupro-nickel rather than pure nickel as a temporary expedient because the machinery and equipment in the British mint would require various modifications to handle pure nickel but was suitable at present for stamping out cupro-nickel coins.

Many other countries are contemplating the use of, or return to, pure nickel or nickel alloy coinage.

It is indicated that the production of nickel silver in the United States in 1946 will be 50% greater than the annual prewar production. This is largely due to the pent-up demand caused by wartime restrictions in the use of nickel silver in plated ware, slide fastener, key stock and communications applications. Its use as a base for silver-plated articles has the added advantage over other alloys of more nearly matching the appearance of silver if the base metal is exposed due to wear.

Cupro-nickel alloys are becoming increasingly important in the marine, petroleum, power and chemical industries, particularly in the form of tubing for heat exchangers. The most widely used type is the 70-30 cupro-nickel alloy. Present commercial interest is due in large measure to its war record as the material specified by the United States Navy for heat exchanger tubing and salt water lines, where it stood up well in the severe conditions of wartime service.

Nicel, monel, inconel, and other INCO nickel alloys again assumed their important place for industrial and consumer purposes. Some important applications ranged from the use of nickel, monel and inconel in the several processes for the manufacture of synthetic soaps without the use of fats; of monel in the production of ammonium sulphate fertilizer from waste coke-oven gas; of inconel for the high-temperature heat-treatment of alloy steels and other materials; of inconel, nimonic or new nickel alloys for jet engines and other airplane engine parts; and of nickel tubing for beer-cooling coils, to the standardized use of monel for several larger models of hospital sterilizers.

Expansion in the use of these materials in the consumer field was likewise of a widely diverse nature. Inconel returned for the sheathing of electric heating elements in kitchen ranges and other units. Monel hot water storage tanks and kitchen sinks again appeared on the market. Even such smaller household accessories as kitchen pot cleaners were introduced, and sporting goods manufacturers offered many items of rustproof fishing equipment from trolling lines to surf-casting reels.

One outstanding development pioneered by International Nickel's research division and its Bayonne Works was the introduction of Ni-Rod, a new electrode for the making of machinable welds in cast iron.

During the year operations were begun at the company's new precision casting plant at its Bayonne Works. This plant is now producing precision cast shapes in nickel, inconel and monel.

Announcement was recently made of the development of a new product, nickel oxide sinter, to be offered for use in the manufacture of steels. This sinter is the result of intensive research during the past four years at International Nickel's laboratories and plants in Canada. A new plant for the production of the sinter is now being built at Copper Cliff, and if construction is not delayed by shortage of material and equipment, it is expected that this plant may be completed and in operation during 1947.

Many of the postwar development and research plans of International Nickel have been put into effect this year. Our development and research work has been greatly extended by former experienced personnel who had returned from government and military services, the employment of new metallurgical specialists and the establishment of new technical sections in Canada and the United States. In addition some of the technical information bureaus in various parts of Europe, which necessarily were closed during the war, have been reestablished at important centers. Research work in solving steel alloy and metallurgical problems during the war is now proving of assistance in meeting reconversion problems. The company's research facilities in Canada, Great Britain and the United States have been augmented.

The development and research work of the past has not only created new applications but also proved the commercial economies of nickel and nickel alloys. With industry more aware of the benefits of industrial economies than ever before, the outlook indicates expanding sales in the world markets for nickel.

HERMAN W. STEINKRAUS

President and Chairman of the Board, Bridgeport Brass Company

There is a great deal of confused talking and writing about what the future of business will be in 1947. In much of this writing and broadcasting one would assume that certain things will happen to us in business as an astrologer might forecast, and people are trying to outsmart each other in predicting what it will be. There seems to be too little emphasis on what business and industry can do about 1947.

H. W. Steinkraus

We will have the kind of 1947 that the American people really want. If we want full employment at high wages and improved purchasing power we can have it, but each major segment of the population will have to do its share. Management will have to fight to keep prices down as low as possible and to reduce them as fast as improved costs will permit. Organized labor must get away from the idea of constantly demanding more and more, coupled in some cases with the idea of less and less work. The general public must make its influence felt in refusing to purchase materials that are overpriced, and should also vigorously insist upon the government reducing expenditures.

We all know that if these things are done the prospects for the American economy will be great; for only as the over-all picture is good can any particular segment be successful in the long run. I would like to suggest that we stop "passing the buck," and each do our part to bring about this condition. I think Senator Taft in his statement hit the nail on the head when he said, in effect, that what we want is not higher and higher wages to meet the rising prices, but what we want is lower prices from which the entire population will benefit instead of any particular segment of it.

As to the brass and copper business, the demand continues very strong—but a four cent tariff on copper put in effect at the time when copper was selling around six cents per pound, during the depression thirties, is now causing inflated prices. In our judgment the industry and the public would both be better off if this tariff were removed. Since the brass and copper industry depends so heavily on the building industry, the electrical industry, and the automotive industry, all of whom have heavy schedules ahead, I expect that 1947 will be one of the biggest years in the history of the brass and copper business.

LAWRENCE F. STERN

President, American National Bank and Trust Company of Chicago

At the beginning of 1947 many of the uncertainties which were present in the early days of a year ago are still with us. The most serious threat to business for the year, now as then, is the possibility of further labor troubles with all of its ramifications.

Lawrence F. Stern

1947 will be a year of adjustments. The labor situation will be the most important hurdle. Fortunately there are some reasons to believe that strikes this year will not be so severe. In the first place, costs of living should fall or at worst not rise at the rate which we have recently seen. Then there are some indications that labor itself is taking a much more conservative attitude toward strikes with the rank and file opposed to long periods of unemployment. Another thing that warrants some optimism is the fact that the present Congress will be in session a good part of 1947. While legislation is not the solution to labor problems, laws unfavorable to labor may be enacted if a large number of strikes are called.

It is apparent that the pipelines of many materials are now filling up and that competition in some markets is returning. This is true in the so-called consumer soft goods lines and has been reflected significantly in prices of women's clothing. Admittedly there is still a shortage in garments for men but it is not at all unlikely that this will be corrected during the year.

At the present time there is still a shortage of consumers durable goods. This is producing a shift from the manufacture of soft goods to the durable items. A situation such as this always is accompanied by an unbalanced inventory picture which probably will become more evident as the year goes on. Also there are numerous instances of weaknesses in the price structures. The drop in the price level of furs late in 1946 is one example, the current weakness in butter prices and certain allied agricultural prices is another. This is one segment of our economy where it seems safe to say peak prices were passed some time ago. A second situation where there are signs of definite weaknesses is in retail sales.

On the other hand, that a substantial demand will continue throughout 1947 for automobiles and building materials seems pretty well assured. There is nothing definite on the horizon which indicates that the shortages in

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Terrell Heads Dept. At Westheimer & Co.

CINCINNATI, OHIO — Westheimer & Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges, announce that Chester T. Terrell has become associated with them as Manager of their Unlisted Securities Trading Department.

Chester T. Terrell

Mr. Terrell, a native of Cincinnati, has been in the Unlisted Securities Trading Business for the past 19 years. He started his career in 1928 with The Herrick Company, then headed by Myron T. Herrick, former Ambassador to France.

Mr. Terrell is a member of the Cincinnati Stock and Bond Club and National Securities Traders Association.

His connection with Westheimer & Co. was previously reported in the "Chronicle" of December 5.

Chicago Stock Exch. Sponsors Dinner

CHICAGO, ILL. — Ralph W. Davis, Paul H. Davis & Co., Chairman of the Board of Governors of The Chicago Stock Exchange, has announced that The Chicago Stock Exchange will sponsor a dinner on February 6, 1947 at the Blackstone Hotel, honoring the Governors of the Association of (New York) Stock Exchange Firms. It will be a dinner to which all partners and officers of New York and Chicago member firms will be invited. Invitations are also being extended to principal underwriting firms and banks in the Chicago area. Speakers will be James F. Burns, Jr., President of the Association of (New York) Stock Exchange Firms, and James E. Day, President of The Chicago Stock Exchange. Guests of honor will be the officers and governors of the Association, John A. Coleman, Chairman of the Board of Governors of the New York Stock Exchange, Edward C. Gray, First Vice-President, and Howland S. Davis, Executive Vice-President, of the New York Stock Exchange.

The meeting will provide for an off-the-record discussion of matters vitally important to the securities industry. It is expected that the dinner will be one of the high-lights of the three-day annual meeeting of the Governors of the Association of Stock Exchange Firms, which will be held in Chicago on Feb. 5, 6 and 7.

Van Alstyne, Noel Offers Pantasote Stock

An underwriting group headed by Van Alstyne, Noel & Co. on Jan. 21 offered 50,000 shares of $1 par value common stock, priced to the public at $11.25 a share. The company, a manufacturer and seller of artificial leather in Passaic, N. J., will use the proceeds in purchasing new equipment and constructing a warehouse. Upon completion of the offering, Pantasote's outstanding capitalization will include 40,000 shares of 5% cumulative convertible preferred stock, par value $15, and 435,138 shares of common stock.

Marx & Co. To Admit Two New Partners

Marx & Co., members of the New York Stock Exchange, will admit John S. Jemison, Jr. and Abram J. Feuer to partnership as of Feb. 1. Mr. Jemison will make his headquarters at the firm's Birmingham office, Brown-Marx Building. Mr. Feuer will be at the New York office, 37 Wall Street, with which he has been associated for some time.

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Business and Finance Speaks After the Turn of the Year

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these fields will be overcome to any great extent. In all probability these prices will remain high.

Weaknesses in agricultural prices and a slowing down in retail sales in sharp contrast with the large demand for automobiles and building, are examples of the unbalanced situations which will be with us this year. Conditions such as these may produce shortages of employment in some industries while there is unemployment in others. In short, while we cannot look forward with full confidence to this year's business, on the other hand, it seems that it would be a mistake to overlook the elements of strength in the situation. The constructive forces in consumers durable goods and in heavy goods in general should provide the country as a whole with another year in which the gross national income will be at a very high level. Unfilled needs here and abroad plus substantial buying power will be with us throughout the year.

JOHN A. STEVENSON

President, The Penn Mutual Life Insurance Company

In 1946 life insurance had the greatest year in its history. New peaks were reached in the volume of insurance in force at $174,000,000,000, in total owned assets at $48,000,000,000, in net addition to assets at $3,500,000,000, and in number of policyholders at 73 million. On the average, every other person in the United States, man, woman and child, was insured. The average coverage per person was $2,375. No one in the life insurance business would suggest that this figure approaches what is adequate, but the extent of the advance which has been made is indicated by the fact that after the last war only one person in three was insured for an average of $960.

John A. Stevenson

The year just closed has not, however, been without its difficulties. Interest return on new investments reached unprecedented lows. While there was some recovery from the levels reached early in the year, reasonable caution indicates the wisdom of placing new business on a lower rate of guaranteed return. This step will require payment of a higher premium on new contracts but we are sure that present and future policyholders will endorse this realistic accommodation to the long-run outlook for interest rates.

Another problem has been an increase in the surrender of life insurance contracts. This tendency is largely a return to pre-war conditions and the rate of surrender is still far below what it was in the last pre-war year.

Looking back on the best year in its history, the life insurance industry at the same time looks forward with assurance to even better years ahead. It stands with undiminished confidence in the future of the country and in its own ability to contribute to personal security through individual thrift.

JACK I. STRAUS

President, R. H. Macy & Co., Inc.

The outlook for business generally in 1947 is good. Department store sales during the first half should continue somewhere near present high levels. It appears, however, that the period of unrestricted buying is over. Customers are growing more selective. They are not paying excessive prices for merchandise simply because it is available again. As merchandise becomes more plentiful, indiscriminate buying lessens. Customers demand greater value. We believe that this is a time for merchants to follow conservative buying policies and to be alert to the possibility of downward wholesale price changes.

Jack I. Straus

When government controls were abandoned, the obligation was thrust squarely upon manufacturers and retailers to accept the responsibility of holding down the cost of living. It was evident that upon the inter-relationship of prices, wages, profits, and production would depend the health of the national economy. There have been industries which have held the line remarkably well. Those that have not, we believe will discover that the public is unwilling to pay inflated prices for their goods.

Many wartime technological developments have not yet found their way into merchandise designed for widespread public use. Out of these developments thousands of new and better products will be manufactured. All of them will play their part in creating sales, jobs, and income. The retailers of this country have a responsibility to assist in speeding up this delayed process. They are in daily contact with the buying public. They know what the public wants, and what the public will pay. Retailers have an obligation to guide manufacturers in the development and sale of these products.

Labor plays a very important part in this price situation and has an equal responsibility with management in keeping prices down. The hope of everyone in business —labor and management alike—is for a high national income based on full production. This means a steady increasing purchase of goods of all kinds by the public. According to recent studies, 90% of the national income is accounted for by the flow of goods to consumers. Should recurring increases in the costs of labor result in sharply higher prices, it is entirely likely that the public will refuse to pay them. This would be a crippling blow to the national effort to sustain a high national income. What we need is more and better goods at lower prices.

It is to the interest of both management and labor to maintain the national economy at its present high level. That requires teamwork to keep prices down so that consumers can continue to buy. The individual worker can play his part by maintaining a high individual work output. It is to be hoped that we will see vastly more of this sorely-needed, American brand teamwork in 1947.

MARTIN L. STRAUS, II

President, Eversharp, Inc.

Demand for personal writing instruments, at least for those which are branded, strongly advertised, precision-made and which represent the highest quality attainable, will be strong in 1947. This is the premise upon which eversharp is predicating its new year's marketing and manufacturing activities, both of which are scheduled for peaks surpassing those of 1946.

Martin L. Straus

It is perhaps natural for those people not in the industry to grow timorous when they become aware for the first time of the stature attained by sales figure in 1946. But, in our opinion, they may be overlooking some fundamental considerations.

Before Eversharp, Inc., succeeded to the business of the old Wahl Company, fountain pens were looked upon as retail items which would always have a comparatively slow turnover. The stationery sections of the big retail stores often were relegated to undesirable locations within the stores.

We believe we can claim, in all modesty, at least some of the credit for changing the average retailer's attitude toward pens. By using powerful advertising programs, by intelligent point-of-sale merchandising, and above all, by throwing the full weight of a hard-hitting, pavement-pounding sales organization behind products properly styled, we have helped make pens and pencils move rapidly off dealers' shelves. Proper styling and thorough research are of utmost importance to us. In moving the sales volume of our company from $2 million in 1940 to $40 million in the Writing Instrument Division for the fiscal year 1946, pens and pencils of styling and quality never before developed in the industry accounted for a substantial share. In other words, we tapped markets that had always existed but which had never before been offered suitable products.

Our magic-sphere CA* pen, of course, truly revolutionized the industry. Make no mistake about it—this pen has won a permanent place for itself and will continue in strong demand for many years to come. With the introduction last October of our new, permanent ink—which exceeds government standards for lasting quality —a new market broadened before us. This is the market represented by all types of financial and business institutions, which can use the CA* feeling safe in the assurance that the writing on documents and records will endure as long as the paper it is written on.

This year will be a buyer's market. A number of eminent men, at least, state that this will be the case. But we of Eversharp are prepared for this kind of market. Over the past seven years we have spent some $20 million building a demand for our products through advertising. This year we are increasing our advertising expenditures. This demand is in actual existence now. We feel its pressure in our orders, which are taxing our capacity to produce. Our sales organization—now numbering some 175 men, and our dealers organization, now numbering some 35,000 outlets—sense its pressure.

It is perhaps, more of a mass market than existed in 1946. Upon this market we are concentrating with all the merchandising ingenuity at our command. We are confident that our diversified line of conventional and sphere-pointed pens in a wide varitey of price ranges and styles will maintain our sales in 1947.

In our Shaving Instrument Division, we confidently expect to more than double the sales volume and profits of 1946.

D. J. STROUSE

President, Twin City Rapid Transit Co.

The mass transportation business so accurately reflects the business and general employment conditions that I look for further increases in 1947. Meeting the tremendous demand for articles not available during the past few years will furnish full employment and larger revenues for urban transportation companies. This is assured, provided manufacturing facilities are used to their full capacity and there are not work stoppages on account of strikes. It is now time for a sane labor and management program with all parties assured of their equitable rights, including very definitely the right to work.

The industry has expended large amounts for facilities so that as a whole it is in a much better position to furnish attractive, comfortable service to its patrons.

WILFRED SYKES

President, Inland Steel Company

We approach the year 1947 hopefully. In the absence of severe work stoppages caused by strikes and to the extent that certain necessary economic readjustments can be effected without imposing drastic limitations on our economy, it is our belief that production may well continue in high volume during the new year. If, on the other hand, a new wave of crippling strikes and wage adjustments such as were experienced in 1946 should further distort the present wage-price relationship, corrective action will be greatly accentuated in the months ahead.

Wilfred M. Sykes

The demand for steel remains far in excess of the ability of the industry to produce the tonnages required and new orders within the industry still exceed the ability to make shipments. The inventories of steel in the hands of manufacturers, however, were greatly depleted during the recent coal strike which drastically reduced the production of needed semi-finished products. Several months will undoubtedly be required to rebuild such inventories in the hands of manufacturers so as to permit continued production on an efficient basis and in adequate volume.

The scrap situation remains difficult, but Inland, through the operation of blast furnaces and coke ovens recently acquired from the War Assets Administration, will be able to lessen the need for scrap by the production of greater tonnages of pig iron and at the same time cooperate with the housing authorities in the production of pig iron essential to the construction industry.

If production in 1947 is to be maintained at high levels, the whole-hearted cooperation of labor is essential. The present wage-price relationship must not be further distorted and cooperation is imperative if efficiency is to be increased, costs lessened and prices lowered within the ability of the consumer to buy. If this cooperation is available, labor at present wage levels will enjoy real wages and the fruits of a higher standard of living. Shortages also will be eliminated much more quickly and the impact of the adjustment period will be greatly minimized. If, on the other hand, a new wave of wage increases is generated, labor leaders must be prepared to assume full responsibility for the more drastic reaction which results.

EARLE S. THOMPSON

President, American Water Works and Electric Co.

During the period of war, we were proud of our record of having successfully met all the demands made upon our electric and water works systems for taking care of the greatly expanded industrial activity in the territories we serve. At the termination of hostilities these demands decreased somewhat as was to be expected, but during the past six months they have increased at a very rapid rate until they have reached an all-time high even over war-time levels and our electric loads are currently running approximately 17% ahead of last year. This satisfactory increase is reflected in all categories of our business.

Earle S. Thompson

In spite of the shortage of new electric appliances, the domestic consumption per customer has increased at a rate rarely before experienced, and our commercial business is rapidly expanding. The industrial demand which constitutes a large proportion of our electric business is also expanding at a very rapid rate. Many industrial customers are adding new electric equipment and there seems to be a general tendency in all industry to eliminate so far as possible their own coal requirements and further to mechanize their processes. To meet these increasing demands we are completing a substantial addition to an existing power station, and are undertaking the construction of two new power stations for completion in 1948 and 1949. We have a third new power station under consideration. We are also undertaking the expansion of our water works facilities.

During the war the lack of labor and materials prevented us from accomplishing many improvements to our facilities which are now under way. Unfortunately the operation of high tax rates siphoned off a large part of funds which should have been permitted to remain in the business and could be used for this purpose. In spite of the elimination during the past year of war-time excess profits taxes, out tax burden is still extremely onerous. I believe that the continuation of this level of taxation constitutes a definite threat to the survival of American industry as a free enterprise system.

In common with all other industries, the cost of our labor and materials has climbed rapidly. In the past we have been able to overcome these mounting expenses by lower unit costs due to increased volume of sales and improvement efficiency. Our efforts are continuing to be concentrated in this direction.

Our industry is distinguished by being very large employers of capital and relatively small employers of labor.

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Our Reporter's Report

A shift, temporarily at least, to industrial financing is scheduled for early next week when investors will have the opportunity of subscribing to new issues of two such concerns.

Largest of these will be the $25,000,000 of new 25-year debentures, to carry a 2⅝% coupon, being issued by the Firestone Tire & Rubber Co. with the proceeds earmarked for the retirement of part of its outstanding 4½% preferred stock.

The second offering, partly in the form of a secondary undertaking, involves the overall offering to the public of 207,937 shares of $1 par common stock of B. T. Babbitt Inc.

Of the total stock involved here 66,000 shares is for the account of the company with the proceeds destined to reimburse the treasury for construction expenditures, and the balance for the account of a group of selling shareholders.

Since both issues are of the negotiated variety, that is not subject to the competitive bidding rule of the Securities and Exchange Commission, and since the preliminary prospectus is now available for broad use, subject to certain requirements, bankers undoubtedly will be able to work up broad advance interest in their wares.

Aside from the foregoing issues, however, the approaching week has little more to offer in the way of new undertakings.

Really Calculating

Every so often bankers encounter a situation where they know that it is going to require some pretty close figuring to assure them of being in the race for a given issue.

That appeared to be the case in connection with Tuesday's offering of $42,000,000 of revenue bonds of the Omaha Public Power District.

Two groups sought the bonds, consisting of $22,000,000 in serials and $20,000,000 in term bonds with the unsuccessful group fixing a net interest cost basis of 1.983% for the basket.

The successful bankers, however, carried their bid price out to five decimals 100.04999 giving an interest cost, carried out to six decimals, of 1.980999. What it all boils down to from the issuer's standpoint is a saving of $840 annually in interest cost on the lower bid.

Financing N. Y.'s Airport

Naturally with the subject a topic of a great deal of conjecture arising from the proposals set forth by two agencies seeking to operate them, the matter of financing New York City's airports is quite actively discussed in banking circles from time to time.

Since business is business investment bankers obviously would be interested in undertaking the necessary flotations provided these are set up along lines which will appeal to the investors.

But in municipal bond quarters the consensus seems to be that it would be a real task to market an issue of bonds supported only by revenues of the project with anything like a 2½% coupon.

A minority, well-acquainted with financing of this nature, expressed confidence that it could be done, but at a rate perhaps a bit higher than that quoted above.

Stock Sold Quickly

Offering of 140,900 shares of $5 par common stock of Old Town Ribbon & Carbon Co., Inc., a substantial secondary operation, proved a marked success early this week. The celerity with which this block of stock was absorbed, considering the none-too-encouraging behavior of the seasoned market, was widely noted.

Priced at $18 a share, the block represented the holdings of a group of shareholders, including one of the organizers. The capitalization recently was changed from 30,000 shares of no par value to 450,000 shares of the new $5 par of which 300,000 shares were issued.

A sizable syndicate of underwriting firms handled the marketing and oversubscription was reported several hours after the books were opened.

Interest Rates

The gilt-edge bond market did not appear to be visibly disturbed by the latest warning that short-term lending rates must be expected to stiffen over a period of time.

Even Treasury issues were relatively steady in face of predictions by Allan Sproul, President of the Federal Reserve Bank of New York that interest rates on such securities could be expected to increase.

His predictions, however, were qualified to the extent that he said he thought the time would come when there will be a "moderate" increase in short-term rates.

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Business and Finance Speaks After the Turn of the Year

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It is interesting to note that the investment in our total plant and property amounts to approximately $68,000 per water works employee and to over $30,000 per electric employee, against approximately $7,000 for this purpose for manufacturing industry as a whole. Our welfare, therefore, depends not only on an adequate supply of labor but also of capital at reasonable prices.

We have in the past proved our ability to attract capital to our industry at favorable money rates. It is important that Government competition does not destroy our industry's standing in the highly competitive capital markets if we are to be able to continue to meet our requirements for necessary plant expansion.

Our industry operates under regulated rates and it should be noted that charges for utility service are almost the only ones which have so far not reflected the great increase in cost levels. We hope that we will be able to continue this situation, but should expenses continue to rise the time will soon come when it will be necessary for us to seek relief through higher charges to our customers as have other forms of public service and industry as a whole.

Never has the outlook been brighter for expanding the volume of our business and we, like other industries, look forward to doing so on a profitable basis.

J. K. THOMPSON

President, Union Bank of Commerce

The year 1946 was a disappointing one business-wise, largely because of work stoppages which made it difficult for industry to produce or to plan with any assurance.

J. K. Thompson

The year 1947 should be a good year for all business, if industry is permitted to produce without another series of work stoppages due to labor controversies, with the attendant production difficulties. The present outlook is not too good for such an ideal situation. Industry also has before it the disturbing question of portal-to-portal allowances and the substantial amounts involved in suits covering such allowances claimed to be due for considerable periods in the past. The new Congress will probably adopt legislation which will be helpful in improving labor-management relations.

I would sum up my thinking regarding 1947 along the lines that the progress we will make will be dependent largely on labor attitudes. With a continuity of production and reasonable production efficiency and only slight wage changes, it will probably still be possible to price most products on a basis that they can be sold in large volume, resulting in good business all along the line. The removal of price controls improves the outlook for 1947 as compared with 1946, but a recurrence of the difficulties experienced in 1946, with the consequent necessity of higher prices, could well result in pricing many items out of the market, and in turn, several months of poor business about the middle of the year.

I think that the banks are proving, and will continue to prove, that they can supply any necessary credit in every case where such credit is justified. I hope, however, that fewer loans will be required in 1947 than in 1946 by reason of out-of-balance inventory situations caused by unpredictable work stoppages.

The banks' costs of doing business have increased just as industry's costs have increased. While the outlook is still for an increased demand for loans, the increase in income from this source will probably be at least offset by reduced income account of the reduction in U. S. Government deposits.

M. N. TRAINER

First Vice-President, American Brake Shoe Company

The requirements of the railroads for operating supplies and materials during the year 1947 are expected to be slightly lower than during 1946 and in all probability the demand for brake shoes, journal bearings, and car wheels will follow this pattern. The demand for special track work, such as frogs, switches, and crossings will continue at its peak but the volume will depend in a large measure on the new rail available to the railroads.

M. N. Trainer

The demand for automotive brake linings will continue, we believe, at its present high rate. Small air compressors and other service station accesories will warrant our operating at full schedule throughout the year.

Orders for forgings, both upset and drop, we believe will continue at a rate sufficient to keep our plants operating at capacity. The indications are that the mining and excavating industries will continue to require full production of manganese steel castings. Although our capacity for the production of high nickel chrome alloy steel castings for use in heat treating and similar furnaces has been doubled, we believe the demand for this type of product will enable us to operate this division of our company at or near capacity.

The demand for gray iron castings for special purposes will continue at its present high rate, and this branch of our business will continue at capacity and, perhaps, will require overtime production.

The supply of materials which we need is generally short, particularly for the production of brake shoes and gray iron castings. An increase in the quantity of available scrap iron and pig iron wil be necessary for full production in these lines.

We believe that the production per man hour in our plants will improve somewhat and that unless labor unrest, leading to strikes, interferes with our production our combined sales volume will equal or possibly exceed that for 1946.

NILES TRAMMELL

President, National Broadcasting Company

Big jobs lie ahead of radio broadcasting as we enter 1947. Looking back on radio's record in 1946 and the years before, I am confident we will meet the test.

Niles Trammell

The biggest job for 1947 is, of course, the restoration of full production in industry. The real wealth of any nation is the wealth created of its resources. There are hundreds of new products born of wartime research to be introduced to the consumer in 1947. Radio will play a major role in the creation of new markets for these new products and thus raise our national level of prosperity.

The development of television broadcasting has been so rapid and spectacular in the final months of 1946 that it is difficult to predict accurately the progress it can make in 1947. The new year will witness the first really large scale production of television receiving sets and transmitting stations. The television network will begin to take form in 1947 with extension to new key cities.

Television in 1947 will bring for the first time to hundreds of thousands of American homes and meeting places eyes of virtually limitless range. To the familiar voice of sound radio will be added eyes that will bring into view the debates of our Congress and other congresses throughout the world, the stimulus of education and the excitement of athletic competition, the beauty of the art gallery and the advances of scientific experiments, the pleasure of good entertainment and the comfort of religious services.

The year of 1947 will be a year of decision for several of the groups upon which television depends for its progress. By short-sightedness or selfishness they can retard this lusty new art and a new industry which offers the promise of new jobs and the expenditure of millions in its development. The spectacular development of all-electronic color television by the Radio Corporation of America in 1946 has rendered academic technical objections voiced by some small segments in the industry. In 1947 there is literally nothing except a lack of cooperation by the human elements involved to retard teelvision's progress.

Radio's great progress in the past quarter century has been made possible by the support of its listeners and advertisers. As we enter 1947, our listeners understand better than ever why our American system of broadcasting is the world's best. They will resist with greater vigor than ever those who would seek to change it. Our advertisers who have with each passing year accorded us still greater support are more anxious than ever to enlarge the use of our medium for the distribution of their new products. There can be no new products without a prolonged period of industrial harmony. This is 1947's greatest need and our greatest hope.

W. G. VOLLMER

President, The Texas and Pacific Railway Company

Freight car loadings have always been a reliable barometer of business activity. This is another way of saying that what happens in the railroad industry this year will depend to a large extent on the general tempo of American business. A railroad, in the final analysis, is a service institution, a facilitating function of commerce and industry. As the need for rail services in commerce and industry increases or decreases, the fluctuations are reflected in the balance sheets of organizations providing the services.

W. G. Vollmer

Last year for the railroad industry was something of a paradox. It was a year of high traffic levels, yet many railroads experienced financial strains ordinarily associated with periods of depressed business activity. While some lines showed a profit for the year, the number reporting deficits are out of proportion to the volume of traffic carried. This condition was the result of materially increased wages and payroll taxes and increased costs of materials and supplies, while the base of railroad revenues—freight rates—remained essentially the same.

Despite significant decreases in revenue, however, most of the railroads are going forward with their plans to improve their services by the addition of new equipment, the rehabilitation of roadway and station facilities, and the continuation of operating efficiencies developed during the war years. Hundreds of millions of dollars have been committed for the purchase of passenger equipment that will set new high standards of travel, comfort and luxury. Freight equipment, including more powerful locomotives, special purpose cars, railroad radio equipment and other improvements of wartime research, will give shippers faster and better service, and will serve to increase the over-all efficiency of the railroads.

Labor-management peace must be achieved in 1947 if industry and commerce is to expand and our national economy is to be placed upon a safe and sound footing. Even the United States, with all its vast productive capacities, cannot afford a duplication of last year's unrest. The world is looking to America for leadership—leadership in the realm of economics as well as politics. Democracy and the free enterprise system are on trial. Those who would change our system find in this unrest fertile ground for their seeds of discontent. We must not nurture these seeds by our failure to correct the conditions which make their planting possible. But the method of correction is as important as the need. Our actions must be guided by justice and tolerance, and have as their goal an economic order based on mutual understanding and trust.

If these things can be accomplished, and I have faith that we shall make progress in that important direction, then I anticipate a year of heavy traffic volume and moderate net revenue, for it seems obvious that the increase in freight rates will not be sufficient to provide the normal relationship between traffic volume and net revenue.

LOWELL P. WEICKER

President, E. R. Squibb & Sons

Leaders in the ethical drug manufacturing field know that despite the essential nature of their business, the anticipated normal growth in population and the present bright prospects in the export markets, continued long-term growth in sales volume will be affected by general business conditions. A high rate of industrial activity, with large disbursements in wages and salaries, and a high level of farm income has always been accompanied by a relatively heavy demand for our products.

To increase our sales under less favorable conditions can only be accomplished through the development and introduction of new products which gain the confidence and sponsorship of the medical profession followed by acceptance by the general public. It is in this way that the great expansion brought about in the vitamin, sulfa and antibiotic fields of our business has been accomplished.

The drugs and/or medicines which have been most effective in benefiting mankind have received publicity far beyond that which paid avertising could ever produce. This is true because the intrinsic merit of the products has been so spectacularly apparent that artificial ballyhoo has been unnecessary.

The cornerstone of our business will continue to be the development and production of uniform, efficacious and pure products. Our industry is spending millions of dollars annually in research and development of products of this character. It is by continuing to render service of this character that we shall continue to enjoy the confidence and high regard of the entire community and thus ensure our own successful future.

C. C. WEST, JR.

Vice-President, Continental Air Lines, Inc.

Regardless of the severe transitional period the airlines have recently undergone—from peak war-time service followed by major expansion necessary to meet the demands for postwar air travel through the year-end slump of 1946 due to business and economic conditions of the nation—most of the airline industry looks forward to 1947 with optimism.

Col. C. C. West, Jr.

During the transition period from a wartime to a peacetime economy, the airlines were able to meet the increase in operating with concurrent increases in revenues from the public. Before the war (fiscal year ending June 30, 1941) Continental Air Lines could "break even" with a 47.53% load factor but steadily increasing costs of labor and materials now require a load factor of 87.91% to meet the operating expenses.

While many airlines are presently experiencing financial difficulties, good management, retrenchment and reductions in wartime overhead will assure their continued operation. Continental Air Lines, has by carefully controlling costs reduced the "break-even point" for January and ensuing months to 71.55% load factor. Although, like all other businesses operating in the 1947 peacetime economy, the airlines will be dealing with a buyer's market, and will have to meet the test of price, quality and service, the public demand for air travel is assured along with the gradual recovery of industry in general.

The present airline fares are already competitive with other forms of transportation, and the test of the airlines in 1947 will be the quality of service rendered. The public remembers the excellent prewar personalized service provided by the airlines and anticipate a return to these fine services in this postwar period.

The safety record of the airlines in 1946 was better

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Television Prospects

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the number of times you can enjoy hearing the same musical selection.

Failure to consider television as something entirely new has crippled it in the past. It has been launched as a new commercial reality at least four times in the past fifteen years, with more publicity and greater public response than have been enjoyed by any comparable innovation. For fifteen years more people have felt they wanted television than owned radio sets in the five or six years it took radio to become a major industry, but relatively few people have ever seen it. In the same fifteen years, a vast fortune has been spent on the development of television. Yet, each attempt to launch it has been a noteworthy commercial failure.

Various reasons have been advanced to explain these failures. Business cycles, technical changes, The Federal Communications Commission and the war have all been successive whipping boys, and it is probable that now some are preparing to put the blame on James Caesar Petrillo. The real reason is that the industry has consistently followed a blind alley of illusion instead of studying and finding solutions for the full scope of television's problems.

Television is at once a science, an art form, and a business. As a science its development has been marked by brilliant achievement. Technically, it has been acceptable for many years. The recent development of high-definition, full-color television has lifted it to a far higher state of technical excellence than that enjoyed by radio during its years of greatest expansion. So far as purely scientific development is concerned, there is no barrier to television's expanding at a rate comparable to radio.

The Business Aspect of Television

Unfortunately, the economic or business side of television, and as a result the artistic side as well, have been sadly neglected. Because it is possible to send pictures through the air by radio waves, there has been an overwhelming tendency to think of television as just another form of radio, and to assume that its problems are identical with those of radio.

This misconception of television's problems has caused the same confusion that would result if the airplane industry tried to run its business like the automotive industry because both vehicles are propelled by gasoline engines. As an art form and a business, television has no more similarity to radio than radio has to phonograph records or to the production of Broadway plays. Had the same type of misconception prevailed continuously in the motion picture business, we would still see movies only in nickelodeons.

As a matter of fact, there is a striking parallel between the development of motion pictures and television. Both tell the story of a new invention brought to the point of technical acceptability; of attempts to alleviate financial pain by the sale of advertising. It took motion pictures twenty fumbling years to achieve spectacular success.

The commercial history of the motion picture began in 1894 when Edison's new "Kinetoscope" was publicly exhibited in New York. Filming of the Passion Play in 1897 attracted little attention, but pictures of the Corbett-Fitzsimmons fight were just as popular as are prize fights today over television.

Then came the period of movie shorts as vaudeville acompaniments, of nickelodeons, and barnstorming exhibitors, with a few attempts at more spectacular production.

In 1913, D. W. Griffith raised and spent a fortune on the colossal production, "The Birth of a Nation." The results were spectacular. The public had paid ten cents admission for poor movies and left many seats unoccupied; people stood in line to buy reserved seats for "The Birth of a Nation." The point is that the movies found it necessary to spend vast sums in order to provide entertainment that would continue to please a large section of the public, and to find some method of financing these costly productions. Once that lesson was learned, movies switfly became a great industry.

What happened was very simple. Instead of merely putting vaudeville acts and stage plays on film, with all of the limitations that the stage imposes, motion picture producers developed a new art form that used the camera's potentialities. They brought scenes from all over the world, changed settings constantly as the action indicated, and produced a form of entertainment that was different from anything ever known before.

Television faces the same problem of providing adequate entertainment and of finding some method of paying its way. Before deciding off-hand that it can be done by advertising, we should consider not only the lesson offered by the early years of motion pictures, but also the prime, basic maxim that each new business must look at its competition. Since television can provide news, education and entertainment in the home, it will compete with not only radio, but newspapers, magazine, motion pictures and the legitimate stage.

Here are some significant figures:

There is no way of determining accurately the number of people who listen to radio every day, but it seems conservative to estimate the audience as at least 100,000,000 people. Radio is supported entirely by advertising, at a cost to advertisers of about $400,000,000 per year.

Magazines, weekly and monthly, have a circulation of about 174,000,000 and account for about $450,000,000 of the nation's annual advertising bill. In addition, the public pays $310,000,000 a year to purchase magazines to make the total cost about $760,000,000.

Daily newspapers have a circulation of about 48,000,000; Sunday newspapers, about 40,000,000. Cost to advertisers who use these papers is about $660,000,000 a year and the public spends $766,000,000 a year to buy these papers for a total of $1,400,000,000.

Movies have a total of 4,-

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Business and Finance Speaks After the Turn of the Year

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than any previous year, and it is predicted that in 1947 air travel will be made even safer. More than $1,000,000 will be spent by the airlines in 1947 studying and effecting means and methods of improving schedule reliability, bettering passenger service and insuring safety. Despite the great among of publicity given air accidents in 1946, the safety record of that year surpassed all previous years. Approximately 83,000,000 passenger revenue miles were flown for each passenger fatality.

Vacation and pleasure travel into the vacation paradise served by Continental in six western and Rocky Mountain states is expected to reach a new high in 1947. The unsurpassed beauty of the many national parks, monuments and historical points of interest in this area will draw hundreds of thousands of tourists into the Rocky Mountain area for vacations and relaxation.

The tremendous increase in public acceptance of air transportation during 1946 points to a continued healthy growth and expansion in air transportation during 1947.

GEORGE AVERY WHITE

President, State Mutual Life Assurance Company

We are passing through a postwar era which follows a usual pattern. The intense activity which accompanies war has by some been mistakenly considered a normal condition. We have been feeding our economic and financial fires with our accumulated possessions and have devoted our energies to making things that would destroy the structures civilization has built.

George A. White

As we face the future we must bear the permanent burden of this wartime orgy—a staggering national debt—depleted natural resources, and inefficiency in work habits engendered by the fact that for years there have been more jobs than workmen. We are beginning to experience the first effects of inventory losses. Many more will follow because inexperienced business men who have enjoyed apparent success in a constantly rising market over a period of years have forgotten that the law of gravitation applies to business—what goes up must come down. The war-caused flush of fever has been too often mistaken for the glow of health and many have attributed to their own acumen the easy successes and profits of a boom period. The recession in prices is the first step toward a return to business sanity and the elimination of the unfit in our economic picture. 1947 is likely to be a year from which some will emerge sadder and many will be immeasurably wiser. The endeavor of this country to steer to the right politically and economically, while the rest of the world moves to the left, is a challenge to our best thinking and utmost endeavor. If we can restore our American incentive and free enterprise system we shall enjoy future years of prosperity while we make our very great contribution to rebuilding the world's civilization, to replacing the structures which the war destroyed, to satisfying the pent-up demand for the products of American ingenuity and enterprise. The kind of people we are will determine the kind of future we shall have.

In my opinion, 1947 will be a year of adjustment and of real progress.

Life insurance is so much a part of the economy of the nation and of its citizens that as the nation prospers, so life insurance coverages increase. While 1947 may not see a reptition of the record-breaking increase in life insurance coverage that occurred in 1946, it is likely to be a year of relatively high production and sales in both the individual and group fields. The trend toward group accident, health, hospitalization, and medical coverage, as well as group life and retirement annuities, seems certain to continue.

WILLIAM WHITE

President, The Delaware, Lackawanna and Western Railroad Company

In 1946 the railroads handled the heaviest volume of traffic ever handled in a peacetime year, but they did it without profit, which is regrettable because if the railroads are not able to prosper during periods of heavy traffic volume and lay up reserves for lean years, their credit will never be restored. The railroad industry requires a larger investment in plant and property to bring in a million dollars of revenue and to provide a job for an employee, and a bigger percentage of its revenue dollar is paid out for payroll purposes than any other industry except the coal industry.

William White

This country wants private ownership and operation of railroads to continue, but to preserve this keystone in the arch of private enterprise we must raise our sights with respect to railroad profits and permit the railroads to earn profits to provide for proper maintenance, necessary improvements, reduce indebtedness and to restore and maintain credit, all of which is necessary to provide for the American people the kind of railroad service which they need and to which they are entitled. To stay "two jumps ahead of the sheriff" is not enough, and there must be a re-appraisal of thinking on the part of the public, labor, Government agencies, and even railroad management.

The Interstate Commerce Commission in its recent freight rate decision admitted that the increases were sufficient only to permit earnings of less than 3% on the investment in plant and property less depreciation. No industry can maintain its credit on such a low basis of earnings over a period of years. While the railroads did not ask for a sufficient increase and the Interstate Commerce Commission granted substantially all that was asked for, there was too much time lag between increased cost and increased revenue. Wages in the railroad industry have increased about 50% since 1940, and the cost of materials, supplies and equipment has increased in that same period not less than 35%. Freight increases granted effective Jan. 1, provided for an increase in gross revenue of around 14½%. If increased rates were provided to bring about an increase in gross revenue of about 20%, that would still be less than the increase in prices of almost all commodities since 1940, and certainly would not be exorbitant; but that is roughly what is necessary to enable the railroads to do a better job and improve their credit, and it should be forthcoming while the country is prosperous, because no magic formula has yet been devised to insure against lean years.

EDWARD FOSS WILSON

President, Wilson & Co., Inc.

Meat production in 1947 is now expected to be somewhat larger than in 1946. More important, however, is the improvement which may be anticipated in the distribution of our meat supply. Total meat supplies in 1946 were fairly liberal on the average, but price controls, black markets, and the summer and fall decontrol and recontrol actions resulted in terrific maldistribution, both geographically and seasonally.

Edward F. Wilson

Since final price decontrol, meat prices have fluctuated widely. It naturally has taken considerable time for consumers, processors and producers to adjust themselves to competitive markets after four and one-half years of government control. Substantial declines in meat prices since the high levels immediately after decontrol, suggest that many major short-time readjustments have been made. It is good to have these behind and to be able, for the most part, to consider more carefully the longer-term outlook.

It certainly seems reasonable to expect more stability in meat supplies and prices in 1947 than in 1946 but we must remember that livestock and meat production is a slow process. Maladjustments in livestock production which started under price controls are bound to affect somewhat adversely our livestock marketing pattern this year. On the other hand, the improved feed supply and price situation place the industry in a favorable position to produce, in due time, the full amount and kinds of meat that consumers want.

The great effect of a high level of employment and consumer incomes on the demand for meat has been demonstrated clearly by the experience of recent years. There is evidently much truth in the statement someone has made that "The outlook for the livestock and meat industry is the outlook for the national income."

While many people throughout this industry have misgivings about the permanence of present livestock and meat prices, they nevertheless believe that consumer incomes at or near present level will continue to provide a sustained demand for a large volume of meat at favorable prices.

I am hopeful that 1947 will be a year in which our industry, as well as agriculture, labor and industry generally, will be building a solid foundation for the future by making sound adjustments to a peacetime economy. I am encouraged to believe that we have the economic and political climate in which this may be accomplished without serious impact upon our current well-being.

WILLIAM P. WITHEROW

President, Blaw-Knox Company

Industrial management's best bet for 1947 is to thrust past the fears and prepare for a period of sustained prosperity.

The national economy contains so many new and volatile factors that an analysis of the prospects can be given any shading, from the gloomy belief in depression to the equally emotional expectancy of a new dream world. But there is no reason to expect that emotional fears and hopes will get so dominating as to upset completely the natural development of basic needs that say we not only will have, but must have a long period of high industrial activity.

Wm. P. Witherow

A big part of this country's postwar adjustments should be completed within 1947. Price fluctuations and changes in availability of goods may cause dips in some fields. However, the effect of these on business as a whole should be softened by large scale activities in the heavier industries and throughout the large fields of employment.

Moreover, it is not to be expected that the public will long tolerate the waste, paralysis and injury to innocent groups brought about by industry-wide strikes and work stoppages.

An appraisal of the future cannot dismiss the existence of tremendous needs, both long term and short range, in producer goods and in consumer categories. Despite the frustrations of 1946 and notwithstanding the fears of depression, the logical prospect is that we cannot long defer the job of meeting these needs.

High on the list are the needs of industry itself. To a large degree it has been struggling with patched-up machines, just as the consumer has been struggling with an overworked automobile or an obsolete refrigerator. The steel industry, for example, is now spending more than a half billion dollars annually for maintenance and repairs. While it made capital expenditures of $1,083 million during the years 1941-1945, these were largely for an increase of 20% in pig iron and 18% in ingot capacity. By contrast, its capital expenditures of $968 million during the 1936-1940 period actually went for finishing facilities and modernization, not expansion of basic capacity. This important and interrupted task of modernization and refinement of finishing facilities will be resumed and a new advance towards greater productivity and flexibility of output registered by one of our biggest producers.

The war and the depression before it had interrupted another basic trend: the mechanization and electrification of industry generally. During the era 1914-1929, U. S. industry (exclusive of agriculture) increased its total horsepower installation per worker by about 50% and electrification by 218%. During the 1929-1939 period, these gains were 31% for total horsepower and 42% in electrical motor capacity. The pressures of manpower costs, and the long-range demand for goods, together with the presence of investment power and purchasing power, suggest that this trend will be resumed with new vigor.

To be spotlighted in this growing battle for production efficiency and lower costs is a class of engineering manufacturers underlying and priming the nation's industrial empire. These are the builders of producer goods such as plants and manufacturing processes, handling materials, mills, machinery and production equipment. A special responsibility devolves on these makers of producer goods and there is little question but that they will have a high volume of activity for some years to come.

It is unlikely that the nation will ever return to prewar scales of business volume. Many industries will expand and some new ones will be created. Agriculture will follow industry in mechanization. The tempo of business will be further increased by a new effort to complete the adaptation of municipalities and communities to the motor age.

The potential is more than the demands which piled up because of the war. The nation is in an era of building and growth. New needs have been and are being generated by the movement of millions of Americans to a higher plateau of living standards.

Finally, and of special importance in the immediate future, will be the sustaining activities of the automotive industry, the transportation field, particularly in the replacement of railroad rolling stock and the expansion of motor freight service, commercial and institutional building, utility expansion, public works and highway construction. The needs in many of these fields cannot be deferred for long. The employment required to meet such needs will serve to moderate dips in other fields and convey the nation's economy along to the next phase of what should be a long period of growing prosperity.

R. E. WOODRUFF

President, Erie Railroad Company

Last year the Erie Railroad handled the greatest volume of freight traffic of any peacetime year in its history, but like all the other railroads, found that in the midst of plenty their earnings were little better than during depression years.

Robert E. Woodruff

The reason for this unusual situation was that wages, materials and fuel costs increased sharply while the selling price of railroad service remained practically the same as before the war. Railroad wages have gone up 51% since 1939. The last increase was granted Jan. 1, 1946, but the railroads were not permitted by the Interstate Commerce Comsion to increase their rates until July when an emergency increase of 6% was allowed. This was far short of offsetting the huge increases in operating costs and it was not until Jan. 1 of this year that an increase was allowed that comes anywhere near meeting the railroads' needs. Even that 17% increase does not take into account the rise in material prices since the railroads' application was presented last April, nor does it provide for the increased payroll taxes brought about by the newly enacted Crosser Bill costing the railroads about $90 million annually.

As a result of this narrow spread between income and outgo, it appears that the railroads will be forced to

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Television Prospects

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940,000,000 paid admissions per year, for which they collect $1,500,000,000.

In spite of their large advertising revenue, newspapers and magazines require income from their circulation in order to operate as businesses. Radio is the only large-scale purveyor of news and entertainment that has been able to exist solely from the sale of advertising. The advertiser pays for everything that goes out over the air, including Presidential speeches, public service programs, sustaining programs, etc., because advertising is radio's only source of income.

On the other hand, some publications have prospered entirely or largely from their circulation revenue, with little or no income from advertising. The movies are doing nicely without any advertising revenue at all; their box-office income is nearly four times what the advertisers spend for radio, although their daily audience is only a fraction of radio's.

Radio is cheap because almost everybody has a radio set, and because the limited number of broadcasting stations insures an enormous audience for any half way decent program. But who makes up the mass audience that is such an effective sales medium for soap, breakfast food, beverages, and other items that can be purchased within a few blocks of most homes for less than a dollar? Is it the owner of costly phonograph combinations? No. Radio's mass market is made up of many millions who own inexpensive radio sets. In 1941, when more high priced radio sets were sold than in any prewar year following the depression, the average retail price of all sets manufactured was under $35.00. The mass public is keenly aware of price tags when it goes shopping for entertainment, and this goes for radio or television receivers just as definitely as it does for the theater, amusement park, or widely circulated magazines. What would happen, for example, to the circulation of the Saturday Evening Post if the price per copy were increased from ten cents to one dollar? Conversely, what happened to the sale of books when good titles became generally available for 25¢?

Television sets now coming on to the market are priced at least ten times as high as the public is willing to pay for the most nearly comparable radio sets. The first model on which substantial deliveries are being made sells for $350, plus another fifty for installation and service. This set, an excellent table model black and white receiver, will bring the purchaser television, and nothing else. It has no standard broadcast band, no FM, no shortwave—the only sound it reproduces is the sound channel of television. Larger models, equipped with some radio services and in some cases with turntables, are priced at what it would take to purchase a good automobile today. While competition and mass production, if really attained, will bring down prices, there is nothing in the cards to indicate that it will ever be possible to build television receivers for anything like the price that radio sets can be brought from the assembly lines.

Who, then, is going to buy television sets? Are newlyweds, who feel that they simply must have an inexpensive radio, going to spend the price of furnishing a living room on a television receiver? Not, I believe, until they have a good assortment of appliances and a car, by which time most of them will be doing business with maternity wards and dydee washes. Homes of moderate financial structure, every one of which posesses a radio, where housewives use the soap that pays for the serial stories to which they listen while they work? Not so long as that davenport in the living room needs re-upholstering, or until the new refrigerator and washing machine have been bought and paid for.

Every family has, consciously or otherwise, what might be called a "Buy List." On it are the items which that family intends to purcase in the immediate and indefinite future. It includes the new home, the new electric kitchen, the car, a new radio, and other heavy family investments, lined up roughly in order of purchases. Where will a costly item of such limited usefulness as a television receiver be placed on the buying lists of the millions who make up radio's mass market? And how can advertising-sponsored television live without a mass market?

Many dealers have told us Zenth is missing a bet on television, and backed up their statements by pointing to the way television receivers are being snapped up today. I grant you that for the present and for the immediate future, companies producing these sets will do a thriving business. There are in every city a number of gadget buyers, people who want to be first with the first. Many of these people have the price to buy television receivers, just as they and others with slightly divergent tastes can purchase costly cameras, rare first editions, and valuable paintings.

These fine people make excellen circulation; the only trouble is that their number is strictly limited. Even if we grant that television is a more effective advertising medium than radio, that some method will be discovered to keep the viewer from turning his eyes away from the commercial, should he dislike it as much as many radio listeners abhor radio's inescapable commercials, how great an audience will television require in order to afford entertainment even as costly as that now employed by radio?

Radio has succeeded with its present commercial set-up because it is cheap. Advertisers can reach an enormous audience at a very low cost per person. There is no indication that television will be the same. The eye is much more fickle than the ear. People can listen to radio with half an ear, can enjoy the same music played over and over again, are even free to do other things while listening to the inexpensive plays presented by radio. They can lay down a newspaper or magazine, pick it up later, and continue reading where they left off (they may even see the same ad four or five times).

But television, to hold interest at all, must present such superlative quality that it will draw the viewer from all other activity with never an inattentive pause. There can be no backtracking to pick up loose ends. Television producers have already learned that once a viewer's attention wavers, he is lost for that particular show, which means that the advertiser can count him out when the carefully planned commercial is presented.

Television Entertainment Costly

Producing television entertainment of the kind that will gain and hold a mass audience is going to be very costly. We can discount in advance the features about which we hear the most; namely, spot news, sports events, etc. All

(Continued on page 480)

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Business and Finance Speaks After the Turn of the Year

(Continued from page 478)

request an additional increase in freight rates in order to carry on an adequate maintenance program.

The Erie is optimistic about its prospects for 1947 and plans to carry on a nearly normal program of operations. It is estimated that freight business in 1947 will be in about the same volume as in 1946 although the revenue will be higher while passenger business will be lower because of the absence of military movements which were still going on in the early months of 1946.

As an indication of the Erie's faith in the future, it has placed orders for new equipment totalling $10 million which it hopes to have in service by the end of 1947.

A strong bid will be made to capture a greater share of the travel market for the Erie by inaugurating diesel-electric operated passenger locomotives with streamlined coaches, Pullmans and dining cars on all of the passenger trains operating between New York (Jersey City) and Chicago. Delivery of this new equipment is expected by mid-year when the schedule time of these trains will be shortened by about two hours.

In addition to seven-passenger diesel-electric locomotives and seven new roomette-bedroom Pullmans on order, the new equipment program also includes 500 new box cars, 300 hopper cars, 200 gondola cars and three more of giant 6,000 horsepower diesel-electric freight locomotives to supplement the six already in service. This will give the Erie a total of 16 diesel-electric road locomotives and 32 diesel switching locomotives, 20 of which were received within the last two months. At the present time the Erie owns about 750 steam locomotives, 25,000 freight cars and 750 passenger cars. It operates 2,240 miles of railroad.

The year 1946 saw many interruptions to industrial production because of the series of strikes in almost every industry. With a minimum of such strikes this year, the Erie looks forward to a steady flow of business which will provide continued employment for the 24,000 employees on its payroll.

EVANS WOOLLEN, JR.

President, Fletcher Trust Company

The outlook for banking in 1947 would appear to be a projection of the trends which have been operating in 1946.

Evans Woollen, Jr.

It would seem that the most urgent problem in 1947, as in 1946, would be one not reflected in the balance sheets, the personnel problem. Banking must continue its adjustment to modern personnel standards. Such a policy seems imperative, both in the treatment of present staff, and also by way of attracting young people of character and ability into this field of work.

In the year just closed, we have seen a large decline of balances of the Federal Government in bank and an increase of deposits from private sources which in many cases has not been fully compensating. The net result has been no radical change in total footings. Likewise no great change in totals may be anticipated in the early future while the magnitude and ownership of the public debt remain substantially unchanged.

There should be a further enlargement of lending, a further recovery of the traditional risk bearing function of banking. This should be particularly pronounced in two sections of the loan account. If building goes forward in anything like its needed volume, mortgages should be in enlarged supply. Also consumer credit, which has lately made a rapid growth with the impetus of large scale spending and with a relaxation of Regulation W, should go further ahead. It is to be hoped that it will not go too far or too fast.

There may also be somewhat more tendency to risk taking in the investment portfolio. If there continues to develop a wider margin of yield between securities of the Federal Government and other types of securities, banks may find some attraction in the latter.

Such better prospects as there may be for lending and investing will in many cases hardly balance necessary increases in the expense account. Earning may well become more difficult. Along with a modern personnel policy, bank management may be striving for more efficient performance and for operating economies.

HOWARD L. WYNEGAR

President, Commercial Credit Company

The year 1946 was not a satisfactory one for those institutions handling consumer credit paper. The bulk of such paper originates in time sales of durable goods such as automobiles, refrigerators, washing machines, electric ranges, etc. The production of such goods was sharply under expectation because of strikes at plants producing such merchandise as well as shortages of essential parts and material from their suppliers, again the result primarily of strikes. It was estimated that in 1946 there would be produced a minimum of 3,000,000 passenger cars and 1,000,000 trucks in the United States—there was actually produced approximately 2,150,000 passenger cars and about 930,000 trucks. It was also estimated in the beginning of 1946 that there would be a minimum of 3,500,000 refrigerators manufactured for that year, and the final figures will not show a production of more than 2,250,000 refrigerators. To a greater or lesser degree the same situation existed in connection with the manufacture and distribution of other durable goods.

Howard L. Wynegar

It is now estimated that for the year 1947 we can look forward to the production of 4½ to 5 million passenger cars and approximately one million trucks; the refrigeration goal is set at a figure of around 3,700,000 units with corresponding increases in the production of other durable goods much needed by American families. These predictions are entirely within reason and quite attainable if industry can be kept on a fairly even keel and labor disturbances are held to a minimum. It is also within the realm of reason that if these production figures can be reached in 1947 that the ultimate retail price to the consumer can and will be reduced from present levels.

It is likely that the much criticized Regulation W, which throws rather rigid restrictions around consumer credit and which comes under the jurisdiction of the Federal Reserve Board, may be liberalized by the Board or abolished by Congressional action. This would make it possible for a large segment of American families to purchase on more liberal terms the many items for which they have long been in need and would make available a substantial increase in consumer credit paper for financing institutions. In our other finance activities in which we are engaged, such as the factoring business, the financing of open accounts and heavy industrial purchases, we think such business will continue in good volume as it has in the past year and, under anything like normal conditions, will show a worth while increase.

Finance rates applicable to consumer credit have been substantially reduced as against rates that prevailed in the prewar period. This means, therefore, that a larger volume of consumer credit paper must be handled in the finance department to make the same gross and the same net dollar that was possible in the prewar period. Recognizing this fact, we in common with our progressive finance companies have increased our field coverage by way of establishing additional local offices to handle a much larger volume of consumer credit paper than we did previous to the war. We expect to "cash in" on these additional facilities in the year 1947 as more durable goods are made available for public consumption.

In following a policy of diversification, our company has invested a moderate amount in the purchase of the entire stock of several companies manufacturing various products. This policy has proven beneficial in the year past and we look forward in the coming year to fair returns from these investments which will help to stabilize the earnings of our company and help to neutralize to some extent the periodic ups and down in consumer credit financing.

To summarize, the finance companies can of course expect their share of problems for 1947, but given anything like balanced economy they will do a much larger business in the current year and should show increased earnings for their stockholders.

HERBERT J. YATES

President, Republic Productions, Inc.

The beginning of a new year is traditionally a season for optimism, and I share the opinion of many others in the motion picture industry as well as in all industries that the coming year is rich in promise. But I temper my enthusiasm with the sure knowledge that the picture business will have to prepare itself to meet the stiffest competition it has encountered in its entire history.

Herbert J. Yates

Foreign made films are improving in quality so rapidly that our domestic films will have to be better, even, than they have ever been before to hold our foreign market. 90% of our story material will have to be international in theme, another manifestation of the general trend toward "One World" which is becoming increasingly prevalent in all activities.

It must be our objective for 1947 to convince the public that for their money spent at the motion picture box office they get more entertainment value than at any other form of amusement. The motion picture camera can bring the wonders of the world to the common man. It supplies education, information and inspiration to a troubled humanity. It sublimates the love of adventure, the desire for travel, the curiosity about how people in other walks of life live. Its scope is unlimited, and the men and women who create our motion pictures have displayed highly commendable imagination and skill in catering to all these basic interests at a nominal box-office price.

I still believe, as I believed nearly a dozen years ago when Republic was first organized, that the most popular picture that can be made is the clean action picture. Republic's annual program always includes several top-budgeted de luxe outdoor films, along with its regular western series. The war has sobered the public to a great extent, and they are no longer amused by supercilious and often pointless dramas of shallow motivation.

I believe there will have to be even greater rapproachment between producer and exhibitor. Some sort of Motion Picture Congress would not be amiss, through which the producers and exhibitors could iron out their mutual problems and settle upon matters of cost, types of film, distribution technicalities and all of a thousand and one different problems that arise from time to time.

The biggest advance in the picture industry will be in the field of color. The time is not far distant when the black-and-white picture will seem as outdated as the silent picture. Republic is adequately prepared for this revolutionary change through the development and perfection of its exclusive "Trucolor" process.

The coming year will in any case be an interesting one, and a pivotal one. There are those who paint a gloomy picture of recession and depression, but I honestly believe that all the elements are present, in our national life, for an era of sound prosperity which will survive minor lapses. If hard times do come to us, it will be the result of unfounded mass hysteria.

Television Prospects

(Continued from page 479)

will be helpful, but their mass appeal for long hours each day will be strictly limited. All of our motion picture companies combined, with cameramen all over the world, produce only about two hours of newsreel a week, without sound, and this is cut to one hour when shown in special newsreel theaters.

A fight or two a week, with an occasional wrestling match thrown in, is about all that the average person will care to watch. Football, baseball and other sports lend themselves only moderately well to telvision and even if available in sufficient quantity, could not hold an audience indefinitely.

Preference polls without end have shown that people want drama to come by television, that they would like to see new movies and plays, that they expect to receive entertainment at least comparable to the movies in audience appeal. That immediately throws television into competition with movies and there is nothing to indicate that good television production can be done even as cheaply as good movie production.

Television is a one-shot proposition, so far as the particular station or network is concerned; rehearsals must be repeated until the production is perfect. The actors can't huddle in front of a mike and read script as they do in radio, nor can there be retakes of bungled scenes as with the movies. And, to draw an audience remotely comparable to radio's, the entire production must be so outstanding that a majority of the public will forego bridge, gossip, love-making, work or reading to watch it. And this pace must be maintained for many hours each day.

Most Americans go to the movies about once a week, sit through a three-hour show, and spend on the average a trifle more than thirty cents for each admission. At ten or eleven cents an hour, movies provide very inexpensive entertainment. However, the cost to the movie industry of providing this entertainment runs into boxcar figures. The average cost for producing feature pictures is about $370,000 per hour. The movies have been severely criticized for extravagance, but it is an established fact that a sure way to make a picture flop is to trim its production costs. With few exceptions over the years, the most profitable and popular pictures have been those that cost the most to produce.

Since television will be competing with the movies as a means of mass visual entertainment, there is no reason to believe that its production costs can be lower than the movies.

And there is one more illuminating comparison between radio and the movies. The motion picture entertainment on which the public spends one and one-half billion dollars a year is ridiculously small in quantity when measured against radio's insatiable appetite. The entire production of new motion pictures averages only about two hours of new film per day—enough to fill the hours from 7:00 to 9:00 p.m. on one television network. Radio's four major networks alone produce sixty-four hours of new entertainment each day. The public pays five times as much for two hours of new movie entertainment as the advertiser pays for more than 64 hours of new radio entertainment.

Television enthusiasts talk in terms of five or more stations per city. If there were five stations in one city, the cost of providing each with four hours of daily entertainment produced to motion picture standards, would be two billion, seven hundred million dollars per year. This is more than American business spends on every form of advertising combined, from direct mail and billboards to radio, newspapers and magazines.

There is nothing wrong with television that money won't cure. And the sooner we can convince televisionaries that the advertisers haven't sufficient money to pay for the type of continuous programs that will be necessary to make the public buy television receivers by the millions, the sooner the industry will start applying its brains to a technical solution to obtain a box office.

Again I wish to say I am no iconoclast. I believe in the future of television—when television has won its way into the heart and pocketbook of our milkman.

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Why Not Industrial Peace?

(Continued from page 402)

and kept them informed about the company, but also kept the community informed.

A study of the records of these companies over the past ten years showed that those in the third group who kept their employees and the community well informed stood head and shoulders above the other two groups in freedom from labor troubles, in getting the first choice of help when needed, and in being considered as the best places in the community in which to work. This report also showed that good community relations begin in the plant, and the place to start improving community standing is to improve relations with the employees themselves. The standing of a company in a community is largely a reflection of what its own employees think about it.

Management Must Be Open-Minded

Furthermore, management cannot afford to close its mind to anything that labor is going to ask for. If management approaches the bargaining table with an open mind, a calm temper, and is always willing to hear the case, to explain, to discuss mutual points of view, and present facts where facts are needed, then out of such an approach can come real agreement.

To be able to do this management must be making studies constantly of important subjects which are apt to come before it at the bargaining table. For example, the question of a guaranteed annual wage will be presented at many bargaining conferences in the coming months. Management should be prepared through careful studies of their own situation as to what they could do in place of an annual wage if an annual wage is impossible.

Someone should be assigned the task of preparing a report so that the facts can be given to the union committee when the new contract is being considered. Managers of businesses plan their finances well ahead. They plan their plant expansions far in advance, but most of them have not been looking ahead in their labor relations, and constantly find themselves unprepared to discuss intelligently the demands of their workers.

In those few cases where guaranteed annual wage is actually in existence, the nature of the product made has permitted of steady employment. However, in those industries having the greatest ups and downs, the problem of giving a guaranteed annual wage is closely linked to the question of whether the business could survive.

I believe, however, that considerable progress can be made in a good many companies in leveling out the curve of employment and in numerous ways maintaining a higher average weekly take-home pay by more careful planning of production schedules. It is certainly in the interest of corporations to do more of this than they have done in the past, not only for the benefit of the worker, but for the more uniform flow of production, with the result in savings for the corporation itself.

Profit-Sharing

Another subject to which management should give careful consideration is the subject of profit-sharing. Here again the hazards involved and the potential losses which a business may sustain from causes for which the worker is not responsible are such that it would be quite difficult to carry out such a program successfully. However, in some plants like the Lincoln Electric Company of Cleveland, it has proven eminently successful. Nevertheless, any management of a company should be in a position to discuss this subject carefully with a union and have full facts and figures if the subject comes up during a collective bargaining session.

One of the weaknesses on the part of management which I have observed is that when they face certain demands of this type, instead of calmly discussing the subject with their union committee, they fly off the handle and become excited, thereby destroying the possibility of calm negotiation.

Businessmen are accustomed to thinking about costs and balance sheets, and they are apt to take for granted that their union representatives also know all about how a business is run, but unions think more in terms of strategy, of the demands of the workers, and of the politics in handling their membership. That is one of the reasons why union leaders can sometimes influence workers in a factory much more than managements can influence their own people. So it is important that managements learn the art of negotiation as well as the union representatives know it, or they will fail to work out as sound a proposition for their companies as is possible.

As many of you know, one of the finest programs in industry during the war was the so-called Training Within Industry program.

When the war ended, this program was dropped by the government. However, the original group of businessmen who set up this program for the government and who were loaned to the government without pay have set up a Training Within Industry program foundation in New Jersey, to which any industrial company can join by paying modest fees to cover actual cost. Here is another proven way of helping to make management more efficient, and especially in helping foremen who are at that important point of contact between workers and management, on how to handle the problems of human relations more effectively. I sincerely hope that this organization will succeed in getting the necessary support from industry for improving the industrial relations and industrial production program for peacetime as it did so effectively during the five years of war.

Many men in industry and labor have not even learned how to confer well with each other; they think the collective bargaining table is the place for strong language and table pounding. It shouldn't be anything of the kind. Collective bargaining must be learned—the more of it that is intelligently done, the better an instrument it becomes.

In the early days of the small industrial plants, before large corporations existed, there was a spirit of goodwill and an attitude of cooperation in the majority of companies. It is this spirit of goodwill and teamwork we must work to bring back in industry today.

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Prospects of Recession in 1947

(Continued from page 392)

at the time to believe that the boom could possibly come to an end soon. In boom periods, the future has always looked rosy, sales were increasing, demands seem unlimited, unfilled orders were large, business was profitable and elaborate plans for future business expansion were under way.

One episode, namely, the boom of 1919-20, provides an especially pertinent warning. The parallels between events then and now are striking even though not perfect in all details. We well know that the boom of 1919 ended not in a mild corrective recession but in a major depression lasting two years. At the low point, production was off one-third and at least six million persons were out of work. And all this happened in spite of the fact, as was demonstrated by later events, that there was a large backlog of demand for houses, cars, radios, plants, office buildings, and other durable goods.

So it seems to me that past experience should put us on guard against the comfortable view, all too easy to acquire in a boom period, that a new era of balanced prosperity and only mild and brief "corrective recessions" lie ahead.

Specific Factors

Now I should like to discuss briefly the specific factors that are likely to determine the course of business in 1947.

As every businessman knows, production can be carried on only if the product can be sold. This means that for every dollar of production there must be a dollar of expenditure to buy the product. Therefore, the amount of the total product in any year depends on the amount of expenditures which are made to buy that product. It depends, in other words, on **demand.**

The national product consists of three classes of goods and services: (1) government services (Federal, State and local), (2) consumer goods and services, and (3) capital goods.

Each of these three classes of goods and services is purchased by expenditures of a particular type. (1) Government services are purchased ordinarily by expenditures called tax payments. (2) Consumer goods and services are purchased by the every-day living expenditures of individuals. (3) Capital goods are purchased chiefly by business firms as expenditures for new plant, equipment, etc.. These three kinds of expenditures together constitute the **demand** for the national product. The amount of the national product depends upon the amount of these expenditures. Thus, to estimate future product we must estimate how much will be spent for each of these three classes of goods and services.

Capacity National Product

In a table I have prepared, there is a row of figures labeled "Capacity National Product." These indicate the estimated amount of product which the country could produce at full employment and without strikes. In the fourth quarter of 1946, the actual product was about 206 billions. We were then running very near to capacity which is estimated for that quarter at $210 billions. During the year 1947, capacity is estimated to increase by about 5%, on the assumption that the productivity of industry will rise moderately above present levels.

These estimates of capacity national product may be regarded as the goals toward which we are aiming. They are the bases from which the actual performance of the economy can be measured. They are like par in golf.

Estimates of Expenditures

In arriving at our tentative or first-approximation estimates of expenditures, I have assumed that the national product will be at capacity levels throughout 1947. We are near the capacity level now, and I wanted to test whether the economy might carry through the year on this basis.

I shall now indicate in summary fashion how the estimates of each expenditure item was derived:

1. Federal expenditures for goods and services were based on a total budget of $35 billions for fiscal year 1948. The figures shown are smaller than the total budget which contains large items of mere transfer payments from taxpayers to veterans, farmers, etc., not paid for goods or services.
2. State and local expenditures are based on a projection of the recent rising trend.
3. Consumer expenditures for non-durables are continued at the present level of $83 billions until midyear, when they are reduced to $70 billions. At the present $83 billion level, the flow of non-durables to consumers exceeds the amount which would be normal even in relation to presently high consumer incomes. It is expected that consumer purchases of non-durables will fall within the next six months to somewhere near the normal level, when deferred demands are more fully satisfied, when more durable goods become available, when rent controls are relaxed, and when food prices fall. Normal expenditures for non-durables would be about $70 billions at currently high levels of income.
4. Consumers expenditures for durable goods are limited only by their availability. The indicated increase reflects an estimate of the trend in production of durables during 1947.
5. Consumer expenditures for services are now somewhat lower than normal in relation to incomes. This is due chiefly to the fact that expenditures for rent are held down by controls. With relaxation of rent controls, this item will probably rise toward its normal level of about $42 billions.

6, 7, 8. Expenditures for residential construction, other construction, and durable equipment are estimated on the basis of special studies we have made of the factors likely to influence these items.

9. Expenditures for increases in inventories are estimated on the assumption that the recent trend in inventory accumulation will continue until total inventories reach somewhat more than their normal level in relation to sales. This might occur toward midyear at which time further inventory accumulation would presumably cease.
10. Net exports (excess of exports over imports) are estimated on the basis of data released by the Department of Commerce.

Now comparing total expenditures as estimated and capacity national product, you will see that during the first and second quarters of 1947, expenditures are sufficient to provide a demand for practically all the product that can be produced. In the first quarter, expenditures are set at 208.7 which compares with capacity of 212.0. In the second quarter expenditures are 212.6 against capacity of 214.0. But in the third quarter, after the decline in government spending, the end of the boom in non-durable consumer goods and the end of inventory accumulation, demand adds up to $190.7 billions—whereas capacity is $217 billions.

A Decline in National Product Indicated

Superficially, this would seem to indicate a decline in national product of about $26 billions—or about 12%. But this does not complete the story.

The expenditure estimates, as you will recall, were first approximations based upon the assumption that production would remain at the capacity level. But once production should drop from that level, incomes would fall and confidence would weaken with the result that both consumer and business spending would be less than estimated in the first approximations. This secondary decline in consumer and business spending would still further reduce incomes which in turn would reduce expenditures, and so on. In short, a downward spiral would be started which could be arrested only when a level of production was reached at which spending would be sufficient to buy the product.

I have made the revised estimates of spending taking into account the downward spiralling illustrated by the original failure of spending to add up. In these estimates, I have included an increase in government spending for public works over three billions on the theory that in the event of recession the gvoernment would go ahead on some of its many postponed projects. I have also assumed that the recession would have only moderate effects upon consumer expenditures for durables, upon residential construction and the other capital items. Nevertheless, the final estimates for the 3rd and 4th quarter are around $173 to $174 billions —which is about 20% below the capacity level.

Strategic Factors

I should not want you to infer from this arithmetic that I think a recession is certain to come by the middle of the year. My conclusion, rather, is that there are several strategic factors in the business situation which, in combination, could produce a recession even in the face of great demands for durables. These factors are: (1) the coming reduction in government expenditures; (2) the probable decline in consumer expenditures for non-durable goods, and (3) the probable termination of inventory accumulation.

I have not included among these strategic factors the labor situation because I think that it will improve. Neither have I included the unbalanced structure of wages and prices, because now that the

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boom seems to be subsiding, I think that these maladjustments are being corrected.

Now for certain qualifications:

1. The three strategic factors I have mentioned may not become effective at the same time and as suddenly as I have indicated. In this case the decline would be less precipitous than has been shown in Table 2.
2. I am much less definite about the timing of the recession than is suggested by my figures. The decline might come this spring or it might be delayed until 1948.
3. There is a possibility that the production of durable consumer goods and capital goods will rise rapidly enough to offset the effects of the decline in spending for government, for consumer non-durables, and for inventories.
4. We now have a number of important factors that would tend to cushion any decline in business—factors not present in previous comparable situations. These may not have been given sufficient weight in table 2. Among such possible cushioning factors are:
   a. The liquid savings of individuals which might be used on a large scale during a period of unemployment.
   b. Unemployment compensation.
   c. Resistance of organized labor to wage cuts which may help to maintain mass purchasing power.
   d. Government support of agricultural prices.
   e. Deliberate use of fiscal policy by the Federal Government including tax reduction and increased spending.
   f. Stimulation of both foreign and domestic buying following a decline in prices.
5. In comparing the present outlook with that in 1919-20, certain important differences should be considered.
   a. The rise in the price level has been substantially less this time than in 1919-20.
   b. Inventory speculation, duplicate buying, etc., are less rampant this time.
   c. Interest rates are low today and there is no foreseeable credit stringency ahead; whereas in 1919-20, interest rates were high and credit was scarce.
   d. Individuals and businesses are in a stronger liquid position and less vulnerable financially than in 1919-20.
   e. We are profiting from the experience of 1919-20. We are more conscious of the dangers. Government, business, and consumers are all acting more prudently than they were in 1919-20.

Conclusion

To conclude, it seems to me that the indications of an approaching turning point in business, though by no means absolutely conclusive, are sufficient to justify considerable caution and a sharp lookout for additional evidence.

You have no doubt heard this same warning from many other sources. For some months economists have agreed with only a few dissenting voices, on the strong possibility of a recession in 1947. This unanimity tends to make one suspicious. Things seldom work out as everyone expects them to. Indeed, should this predicted recession occur, it would be the best-advertised one in history. Its occurrence on schedule would lend to the dubious art of business forecasting a new aura of respectability.

Nevertheless, I still think that there are dangers in the present situation. If the predictions of the economists will have helped businessmen to prepare for these dangers, and perhaps to ward them off, I should say that the predictions have been worthwhile even though they may not come true.

J. B. Hanauer & Co. To Be Exch. Member

NEWARK, N. J.—J. B. Hanauer & Co., a partnership, will be formed as of Feb. 1, with offices at 50 Commerce Street. Partners will be Jack B. Hanauer, Leonard Hanauer, Adrian R. Kristeller, member of the New York Stock Exchange, Herbert A. Glucksman, William Hanauer, and Meyer C. Ellenstein. Mr. Kristeller has been doing business as an individual floor broker. Other partners are principals in J. B. Hanauer & Co., Inc.

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Fallacies of the "Nathan Report"

(Continued from page 390)

for the next. Believing that only more normal years and the heavier industries—where the potential labor strife exists—should be taken into consideration, the figures below show two generally excellent years, 1941 and 1945, and apply them to some of the largest companies in some of the main categories of business. These indicate, even in these above-normal years, that the effects of a 21% increase in their labor costs would reduce earnings to a very dangerous point, or eliminate them entirely, if they were not to raise the prices of their products.

* * *

Even a cursory glance at these figures will prove that companies manufacturing the basic materials in industry **must** raise prices if their labor costs rise to any appreciable extent, unless these companies are willing to file petitions in bankruptcy when poorer years come along. Basic economic prudence has not changed since the time of the Pharoahs in Egypt, and companies and individuals must lay aside in good years enough to take care of the lean years. Yet the fact remains that, in our economy as presently constituted, companies must operate on small margins to meet inevitable competition. The public may be assured that if prices can be reduced, companies would be only too willing, in order to get more than their present share in their respective fields.

On the other hand, there is no doubt that prices and the cost of living are too high, especially the factors in soft goods, luxuries, and foods. But these are definitely receding now, and have been for some few months. If industry would be allowed to continue to work at capacity for a comparatively short time longer these prices will recede much further. The wage-price-profit equation always does come into balance quickly. But strikes always upset this balance for a longer period of time than necessary, as it takes a long while for companies to get back into high production. Take, for instance, the situation as it existed last Spring. No sooner was one strike settled, other strikes began in attending concerns. The situation of the automobile companies was only one of the fields where production was stagnated because of suppliers strikes, long after their own particular strikes were settled. This condition has not yet righted itself completely. Labor could have accomplished much more had it not struck, as it was proved to labor's cost. **Nobody wins a strike.** Both management and labor lose time and money.

Situation in "Soft Goods" Industries

Profits might be termed excessive right now in the soft goods and luxury industries. The "Nathan Report," however, takes all business as a criterion, and includes these soft goods lines where prices and profits are admittedly too high. But the impending talks between labor and management will center on the hard goods fields, as stated before, and therefore the report's argument has a weakness which is obvious. Then, too, we must remember that the greatest part of the price of any manufactured article is labor of one category or another. The inanimate matter from which things are made would be practically useless if it were not for the labor involved in changing its form or consistency by manual operation. The cooking pan, the razor, the suit or dress, the pencil or pen with which we write are intrinsically almost worthless in themselves as basic raw materials. A machine is useless without its operator. If costs, and hence prices, in the basic fields of the hard goods components rise, this would start another spiral which would be even more difficult to control than the last one.

But the problem which confronts us now, and within the next few months, in union demands for greatly increased wages, include attendant fears which must be pointed out beforehand. By recognizing them now we may be able to avoid the pitfalls and losses which strikes incur. Constant and annual interruptions in production create losses only—both for business and labor. A better means of approach must be found with which to answer the recurring problems of management and labor.

Pattern of Wage Adjustments

Until now, the general pattern has been that union leaders have annually presented to management certain enlarged demands they never hope to gain in entirety. Management sits down with them and tries to come to some kind of amicable compromise which will still leave their companies with a semblance of profits to satisfy the owners of the business. Sometimes they do not see eye to eye, are a little headstrong in one direction or another, and strikes are the result. This approach is economically unsound. There is and must be a better approach in a combination of arbitration and in tying wages to an enlarged index of commodities, properly weighted, and properly specified in the contract. Rates of wages should be established in connection with this index as a base. Then a formula should be devised to pay above these rates, or below, depending on the fluctuation of the index. The index itself should comprise all those things a workman buys, much the same as the index used in determining farm parity prices, and weighted logically in accordance with the degree of necessity of each item in the components in the cost of living of the worker, and differing in individual industries and locales. Incentives can be worked out from this basis to encourage production. This is definitely feasible, and answers in very broad outlines the problem of recurring wage disagreements. Any dispute outside of this, as to working conditions, etc., should be resolved by arbitration. It is suggested in this regard that management and labor each appoint one member of a committee, and both of these agree on a third. Any decision of this board should be final. It might be suggested, also, that both management and labor be responsible to one another on a basis of equality before the law.

It is well known that workers, with few exceptions, have a very limited knowledge of the conduct of business. Companies must realize that they are obligated to keep their employees informed and to enlighten them toward a better comprehension of this problem. They should understand the division of the sales dollar in simple and direct terms, with an explanation of each component. In this way they will better be able to understand the problems that daily confront management. They are entitled to a better understanding of "depreciation and amortization," and will thereby not be able to accuse management of "hiding profits" in reserves for these purposes.

Recognizing that there is no panacea in any formula which might ever be devised, both labor and management must recognize that there must be a definite willingness on both hands to live together in one house peaceably and amicably. They must recognize that they are irrevocably interdependent.

Earnings and Wages—(in millions)

	General Motors		American Can	
	1945	1941	1945	1941
Total Revenues	$3,128	$2,437	$ 242	$ 263
Operating Income	212.5	489.7	20.7	37.7
Total Wages	1,007	670.0	61.1	47.4
Net Income Reported	179.0	192.6	10.4	15.9
	General Electric		**Phelps Dodge**	
	1945	1941	1945	1941
Total Revenues	$1,298	$ 679.3	$ 137.8	$ 104.7
Operating Income	132.0	161.1	13.5	19.1
Total Wages	397.4	255.1	(1)	(2)
Net Income Reported	56.5	57.2	6.29	8.62
	Standard Oil N. J.		**Pennsylvania RR.**	
	1945	1941	1945	1941
Total Revenues	$1,618	$ 978	$ 937	$ 614
Operating Income	209.6	189.9	62.8	77.3
Total Wages	314.0	200.0	422	289
Net Income Reported	154	141	49.0	52.4
	Goodyear Tire		**U. S. Steel**	
	1945	1941	1945	1941
Total Revenues	$ 716	$ 331	$1,747	$1,617
Operating Income	80.9	41.7	85.4	231.8
Total Wages	214.2	82.4	786.7	601.1
Net Income Reported	12.1	9.6	32.8	90.9
	Eastern Gas & Fuel		**Pittsburgh Consol. Coal**	
	1945	1941	1945	1941
Total Revenues	$ 107.1	$ 90.3	$ 115.8	$ 83.4
Operating Income	5.96	6.04	7.59	2.48
Total Wages	36.8	30.2	(3)	(4)
Net Income Reported	1.68	1.20	5.17	3.13

(1)—Not available, but estimated about $45 to $48 million.
(2)—Not available, but estimated about $35 to $37 million.
(3)—Not available, but estimated about $43 to $47 million.
(4)—Not available, but estimated about $29 to $31 million.

NOTES—

Operating Income represents that derived from the conduct of the business, before income taxes thereon, and after charges necessary for the prudent and proper management of the concerns involved (such as depreciation and amortization), but does not include any non-recurring items.

Total Wages are exclusive of executive and officers' salaries.

Net Income is that which is available for the owners (or common stockholders) of the companies.

All amounts above include foreign business, on which there is usually a much wider margin of profit.

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NOTICE OF REDEMPTION

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Notice is hereby given that pursuant to the terms of the Trust Indenture dated August 1, 1938 between Pennsylvania Turnpike Commission and Fidelity-Philadelphia Trust Company as Trustee, Pennsylvania Turnpike Commission hereby gives notice of its intention to redeem and does hereby call for redemption on August 1, 1947 all of the outstanding $42,300,000 principal amount of Commonwealth of Pennsylvania Turnpike Revenue 3¾% Bonds, dated August 1, 1938, due August 1, 1968, and numbered 1 to 42,300, inclusive, at the principal amount thereof and accrued interest to August 1, 1947, together with a premium of 4% of the principal amount thereof.

On August 1, 1947 there will become and be due and payable at the Fidelity-Philadelphia Trust Company, 135 South Broad Street, in the City of Philadelphia, Pennsylvania, or at the option of the holder, or registered owner, at the principal office of Bankers Trust Company, 16 Wall Street in the Borough of Manhattan, the City of New York, the principal amount of said bonds and accrued interest thereon together with the premium above set forth, and after said date interest on said bonds shall cease to accrue and interest coupons maturing after said date shall become void.

All bonds are required to be presented at either of said offices for redemption and payment.

Coupon bonds should be accompanied by all coupons appertaining thereto and maturing subsequent to August 1, 1947. Coupons maturing August 1, 1947 or prior thereto should be detached and presented for payment in the usual manner. Fully registered bonds or bonds registered as to principal only should be accompanied by assignments or transfer powers duly executed in blank.

PENNSYLVANIA TURNPIKE COMMISSION
By JAMES F. TORRANCE, *Secretary and Treasurer*

Dated: January 14, 1947.

PRIVILEGE OF IMMEDIATE PAYMENT

Holders and registered owners of said bonds may at their option surrender the same as aforesaid at any time prior to August 1, 1947 and obtain immediate payment of the principal thereof and the premium of 4%. Coupons maturing on February 1, 1947 and August 1, 1947, will also be paid immediately at their face amount if surrendered with said bonds, or they may be detached and presented for payment in the usual manner.

Permissive Incorp. Issue Seen Factor In NYSE Elections

(Continued from page 393)

to the views which candidates for the offices may hold on the subject of permissive incorporation.

Amyas Ames of Kidder, Peabody & Co., Chairman of the Committee in favor of permissive incorporation, said his group did not propose to try to influence the May elections of Governors in order to push the question of permissive incorporation through the Board. He predicted, moreover, that the question of permissive incorporation would be up before the present members of the Board again, that is, that it would come up for consideration by the Board again before the May elections. The rumor around is that the Ames Committee proposes really to turn the heat—in an "educational" way—on the active floor members of the Exchange.

Nine vacancies are to occur on the Board of Governors this spring and the Nominating Committee, which was chosen by ballot at the annual elections last May, will have to draw up in March a slate of officers to fill these positions. A member of the Board may be renamed for a second consecutive term of three years but cannot run again after serving these two consecutive terms until after a year has elapsed. An opposition slate may be entered, too, within two weeks after the Nominating Committee has announced its selections. A prominent member of the Maynard Committee said the Ames group may discover after the May elections that, unlike what they may expect or be hoping for, the new Board of Governors may be more strongly opposed to permissive incorporation than even the present one.

It is of course a simple matter for the Ames Committee to continue its existence since it is made up of individuals whose participation on the Committee does not need to be sanctioned by the firms with which they are affiliated. Everyone on the Maynard Committee served with the expressed approval of his particular firm. In a very real sense, the Maynard Committee was a committee of firms rather than of individuals.

The dissolution of the Maynard Committee, it is understood, does not mean that those members of the Exchange who are opposed to permissive incorporation will now be entirely without leadership. Key individuals of the present Committee propose to keep close watch of any developments that might affect the situation materially. It is probably true that some members of the Maynard group have not relished their jobs as much as some of the members of the Ames Committee have theirs, but the opponents of permissive incorporation have already demonstrated their ability to rally together for a concerted fight if the situation, in their opinion, should demand it.

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Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y.
June 26 filed 132,740 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $200. Of the net proceeds ($292,940) $50,000 will be used to pay current bank loans; about $20,000 will be used for machinery and equipment, and the remainder for working capital.

Aerovox Corp., Bedford, Mass.
Aug. 22 filed $1,500,000 of 5% sinking fund debentures, due 1961, and 50,000 shares ($1 par) common stock. **Underwriter**—Ames, Emerich & Co., Inc., and Dempsey & Co., Chicago. **Offering**—The debentures will be offered publicly. The common shares will be issuable upon the exercise of stock purchase warrants for purchase of common stock at $2 a share above the bid price of such common on the effective date of the registration. Company will sell warrants for 25,000 common shares to the underwriters at 10 cents a warrant. The remaining warrants will be sold to officers and employees of the company. **Price**—Debentures at 98. **Proceeds**—Company will use $1,025,000 of proceeds of debs. for payment of an indebtedness to Bankers Trust Co., New York. Balance, will be added to working capital. Offering postponed.

Air Lanes, Inc., Portland, Me.
Oct. 9 (letter of notification) 15,000 shares each of preferred and common. Offering price, $10 a preferred share and 1 cent a common share. If offerings are made in the State of Maine, they will be made by Frederick C. Adams & Co., Boston. To complete plant and equipment and to provide working capital.

● **All-American Drinks Corp., New York**
Jan. 15 (letter of notification) 2,050 shares ($1 par) stock. **Price**—$1 a share. No underwriting. For operation of business.

American Broadcasting Co., Inc., N. Y.
June 27 filed 950,000 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. **Proceeds**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

American Building Corp., Dover, Del.
Nov. 5 (letter of notification) 20,000 shares each ($10 par) 5% cumulative preferred and no par common. Price, $10 a unit consisting of one share of preferred and one share of common. **Underwriter**—E. M. Fitch & Co., Philadelphia. **Proceeds**—For additional machinery, working capital and other corporate purposes.

American Colortype Co., Clifton, N. J.
Aug. 12 filed 30,000 shares ($100 par) cumulative preferred stock. **Underwriter**—White, Weld & Co. Price by amendment. **Proceeds**—Net proceeds initially will be added to general funds, however, the company anticipates it will use the funds for its building and expansion program. Offering date indefinite

American Gas & Electric Co., New York
Jan. 13 filed 840,057 shares ($10 par) common, owned by Electric Bond & Share Co., parent. **Underwriter**—None. **Offering**—The shares will be offered for subscription to Bond & Shares common stockholders in the ratio of .16 of a share of American Gas common for each share of Bond & Share common held. Price by amendment. **Proceeds**—Proceeds go to the selling stockholder.

American Locomotive Co., New York
July 18 filed 100,000 shares each of $100 par prior preferred stock and $100 par convertible second preferred stock. **Underwriting**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Net proceeds, with other funds, will be used to redeem $20,000,000 of 7% cumulative preferred stock at $115 a share plus accrued dividends. Indefinitely postponed.

American Water Works Co., Inc., N. Y.
March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment. Dec. 23 the recapitalization plan was rejected by the SEC and the company was allowed 30 days in which to file amendments providing for additional payments to the various classes of security holders involved.

American Zinc, Lead & Smelting Co., St. Louis
Sept. 6 filed 336,550 shares common stock (par $1). **Underwriting**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders in the ratio of one additional share for each two shares held. Unsubscribed shares will be offered for subscription to officers and directors of the company **Price**—By amendment. **Proceeds**—Working capital. Offering indefinitely postponed.

Arkansas Western Gas Co.
June 5 filed 16,197 shares of common stock (par $5). **Underwriters**—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. **Offering**—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

Armour and Co., Chicago
July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriter**—Kuhn, Loeb & Co., New York. **Offering**—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of $6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of $6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. **Price**—Public offering prices by amendment. **Proceeds**—Net proceeds will be used to retire all unexchanged shares of $6 prior stock and to redeem its outstanding 7% preferred stock.

George Eastwood, President, in letter to stockholders, Dec. 22 said "we have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan.

Artcraft Hosiery Co., Philadelphia
Sept. 27 filed 53,648 shares ($25 par) 4½% cumulative convertible preferred and 150,000 shares ($1 par) common. It also covers shares of common reserved for issuance upon conversion of preferred. **Underwriter**—Newburger & Hano, Philadelphia. **Price**—$25.50 a preferred share and $12 a common share. **Proceeds**—Company will receive proceeds from the sale of all of the preferred and 100,00 shares of common. The remaining 50,000 shares of common are being sold by three stockholders. Estimated net proceeds of $2,300,000 will be used by the company to pay off bank notes of about $1,100,000 and to purchase additional machinery and equipment in the amount of $1,200,000. Offering date indefinite.

Atlantic Refining Co., Philadelphia
Oct. 29 filed 296,000 shares ($100 par) cumulative preference stock. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Stock will be offered for subscription to common stockholders on the basis of one share of preference stock for each nine shares held. Unsubscribed shares will be sold to the underwriters who will reoffer it to the public. Price by amendment. **Proceeds**—A maximum of $15,540,000 of the net proceeds will be applied to redemption of the company's cumulative preferred stock, convertible 4% Series A, at $105 a share. The balance will be added to general funds for corporate purposes including repayment of obligations, acquisition of additional production, and expansion of refining, transportation and marketing facilities. Offering temporarily postponed.

● **Austin Brothers, Dallas, Tex.**
Jan. 15 (letter of notification) 500 shares of $100 par capital stock. **Price**—$110 a share. No underwriting. The offering is made to employees of the company and proceeds will be added to capital.

Bachmann Uxbridge Worsted Corp.
Nov. 27 filed 45,000 shares of 4% preferred stock (par $100) and 200,000 shares of common stock (par $1). **Underwriters**—Kidder, Peabody & Co. and Bear, Stearns & Co. **Proceeds**—Will go to selling stockholders. Price by amendment. Offering of preferred at end of January; common may be withdrawn

Basic Food Materials, Inc., Cleveland, Ohio
Nov. 26 (letter of notification) 5,000 shares (no par) common, to be offered to stockholders; 295 shares of ($100 par) preferred, 4,750 shares (no par) common and $50,000 10-year 5% debenture notes, all to be offered to the public. **Prices**—$5 per common share to stockholders; $10 per common share to public, $100 per preferred share and debentures at face. No underwriting. To increase working capital.

Beaunit Mills, Inc., New York
Sept. 27 filed 180,000 shares ($2.50 par) common. **Underwriter** — White, Weld & Co., New York. **Price** — By amendment. **Proceeds**—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc.

Berbiglia, Inc., Kansas City, Mo.
Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price, $6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

Berg Plastics & Die Casting Co., Inc. (1/31)
Oct. 31 (letter of notification) 75,000 shares (10c par) common. **Price**—$4 a share. **Underwriter**—E. F. Gillespie & Co., Inc. **Proceeds**—For acquisition of machinery, tools and raw materials, and for working capital.

Blumenthal (Sidney) & Co. Inc., New York
Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting** — None. **Proceeds**—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withhold action at this time.

Book-of-the-month Club, Inc., New York
Oct. 28 filed 300,000 shares ($1.25 par) capital stock. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Of the total, the company is selling 100,000 shares and six stockholders, including Harry Scherman, President, and Meredith Wood, Vice-President, are selling the remaining 200,000 shares. Price by amendment. **Proceeds**—Company will use its net proceeds for working capital to be used for expansion of inventories of paper and other raw materials and book inventories. Offering date indefinite.

Boston Store of Chicago, Inc.
Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price**—By amendment. **Proceeds**—Net proceeds, together with other funds, will

(Continued on page 486)

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NEW ISSUE CALENDAR

(Showing probable date of offering)

January 23, 1947

Alabama Great Southern RR.
3 p.m. (EST) ---------- Equip. Trust Ctfs.
Cheasapeake & Ohio Ry.
Noon (EST) ---------- Equip. Trust Ctfs.
Cincinnati, New Orleans & Texas Pacific
3 p.m. (EST) ---------- Equip. Trust Ctfs.
Pennsylvania RR. ---------- Equip. Trust Ctfs.

January 24, 1947

Colonial Packing Co. ---------- Preferred
Heyden Chemical Corp. ---------- Common
Missouri-Kansas-Texas RR. ---------- Collateral Loan

January 25, 1947

Progressive Air Service, Inc. ---- Pref. and Common

January 27, 1947

Central & South West Corp. ---------- Common
Colonial Sand & Stone Co. ---------- Common
Flamingo Int'l. Corp. ---------- Common
Neville Island Glass Co. Inc. ---------- Common
Vogelbach Associates, Inc. ---------- Pref. and Common

January 28, 1947

Cristina Mines, Inc. ---------- Common
Helene Curtis Industries, Inc. ---- Pref. and Common
Firestone Tire & Rubber Co. ---------- Debentures

January 29, 1947

General Phoenix Corp. ---------- Debentures
Seaboard Air Line Ry.
Noon (EST) ---------- Equip. Trust Ctfs.

January 30, 1947

Empire Millwork Corp. ---------- Pref. and Common

January 31, 1947

Berg Plastics & Die Casting Co. ---------- Common

February 1, 1947

Helicopter Aircraft Service Inc. ---- Pref and Common

February 4, 1947

N. Y. State Electric & Gas Corp.
Noon (EST) ---------- Preferred
N. Y., Chicago and St. Louis
RR. ---------- Equip. Trust Ctfs.

February 5, 1947

Norwich and Worcester RR. Noon (EST) ---- Bonds

(Continued from page 485)

be used to pay the company's 2% subordinated note in the principal amount of $5,268,750 and accrued interest. Offering date indefinite.

Bowman Gum, Inc., Philadelphia

Sept. 27 filed 268,875 shares ($1 par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—Stock is being sold by shareholders who will receive proceeds.

Braunstein (Harry), Inc., Wilmington, Del.

Sept. 25 filed 12,500 shares ($25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. **Underwriter** — C. K. Pistell & Co., Inc., New York. **Price** — $25 a share for preferred and $11 a share for common. **Proceeds**—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by present stockholders. Net proceeds to the company, estimated at $147,500, will be used to prepay to the extent possible outstanding $149,300 mortgage liabilities. Offering date indefinite.

Brooklyn (N. Y.) Union Gas Co.

May 3 filed 70,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be filed by amendment.

Bids Rejected—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

California Oregon Power Co.

May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California.

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Bids Rejected—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of $28.33 a share, and Harriman Ripley & Co. bid of $24.031 a share. Stock will again be put up for sale when market conditions improve.

• Carney Fasteners, Inc., Columbia, S. C.

Jan. 13 (letter of notification) 32,950 shares ($5 par) capital stock. **Price**—$6.50 a share. **Underwriter**—Mitchell Securities Corp., New York For equipment and working capital.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario

June 24 filed 400,000 shares of common stock. **Underwriter**—No underwriters. **Offering**—To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central & South West Corp. (1/27)

Aug. 30 Central & Southwest Utilities Co. (name changed by post effective amendment to Central & South West Corp.) filed for a maximum of 2,000,000 common shares (par $5). Sealed bids will be received for the purchase of a sufficient number of such shares to provide funds for retiring the preference shares of Central & South West Utilities Co. and American Public Service Co., not exchanged for shares of the merged corporation. Underwriters by amendment. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co. (jointly); Blyth & Co., Inc., Stone & Webster Securities Corp. and First Boston Corp. (jointly). **Price**—By amendment. **Bids to be Invited**—Bids for the purchase of the stock will be received at office of Bankers Trust Co., Room 3, 16 Wall Street, New York, up to 11 a.m. (EST) Jan. 27.

Central Soya Co., Inc., Fort Wayne, Ind.

Aug. 21 filed 90,000 shares (no par) common. **Underwriter**—None. **Offering**—Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7½ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Working capital, etc. Offering indefinitely postponed.

Colonial Airlines, Inc., New York

Oct. 25 filed 150,000 shares ($1 par) capital stock. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. and Hornblower and Weeks, New York. Price by amendment. **Proceeds**—Net proceeds will be used to pay off a $550,000 loan to the Continental Bank & Trust Co. of New York; purchase equipment and development expenses of Bermuda route. The balance will be used to increase working capital.

Colonial Sand & Stone Co., Inc., N. Y. (2/3-7)

August 15 filed 300,000 shares ($1 par) common stock. **Underwriters**—Emanuel, Deetjen & Co., New York. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of 150,000 shares and Generoso Pope, President of company, who is selling the remaining 150,000 shares will receive proceeds from these shares. The company will use its proceeds for payment of mortgage notes, open account indebtedness and for purchase of additional equipment. Any balance will be added to working capital.

• Colonial Packing Co., Merchantville, N. J. (1/24)

Jan. 20 (letter of notification) 2,000 shares of 7% cumulative preferred stock (par $100). Underwriting none. **Price**—$100 per share. Working capital, acquisition of land, buildings, machinery, etc.

Colorado Milling & Elevator Co., Denver, Colo.

Aug. 20 filed 70,000 shares ($50 par) cumulative convertible preferred stock. **Underwriter**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Prior to the proposed issue of preferred stock, the company plans to call its $3 cumulative convertible preferred stock for redemption at $55 a share plus accrued dividends. Funds for the redemption will be supplied by a short term bank loan. Proceeds from the sale of preferred, together with other funds, will be used to repay the bank loan. Indefinitely postponed.

Columbia Aircraft Products Inc.

June 26 filed 150,000 shares ($4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Company offered 59,585⅓ shares for subscription to present common stockholders of record Aug. 6 at $4.50 a share in the ratio of one share of preferred for each share of common held. Rights expired Aug. 20. Stockholders subscribed for 735 shares. The offering to common stockholders excluded the two principal stockholders who waived their rights to subscribe. The remaining 90,414⅔ shares and 58,850⅓ shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—$5 a share. **Proceeds**—Approximately $50,000 for payment of Federal taxes; $250,000 for payment of Lincoln-RFC loan; $50,000 as a loan to Palmer Brothers Engines, Inc., a subsidiary; balance for purchase of machinery and equipment and working capital.

Commonwealth Telephone Co., Madison, Wis.

Sept. 23 filed 16,071 shares ($100 par) $4 cumulative preferred. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Offering**—Shares will be offered for exchange for $5 cumulative preferred, on a share for share basis, plus cash adjustment. Shares not exchanged will be sold to underwriters. Price by amendment. **Proceeds**—To redeem at $110 a share, plus divs., all unexchanged old shares.

Continental Car-na-var Corp.

Nov. 4 (letter of notification) 132,500 shares ($1 par) common and 35,000 warrants for purchase of common one year after present public offering. **Price**—$2 a common share, one cent a warrant. **Underwriter**—L. D. Sherman & Co., New York. For working capital.

Continental-United Industries Co., Inc.

Aug. 2 filed 150,000 shares ($1 par) common. **Underwriters**—Aronson, Hall & Co. Price $8.25 per share. **Proceeds**—To repay demand loans and for general funds. (Originally company filed for 80,000 preferred shares par $25 and 350,000 common shares.)

Crawford Clothes, Inc., L. I. City, N. Y.

Aug. 9 filed 300,000 shares ($5 par) common stock. **Underwriters**—First Boston Corp., New York. Price by amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

Cristina Mines, Inc., New York (1/28-29)

Dec. 9 (letter of notification) 270,000 shares of common stock (par $1). **Underwriter**—Newkirk & Banks, Inc. **Price**—$1 per share. **Proceeds**—Property improvements, exploration, purchase of machinery, working capital, etc.

• Crown Capital Corp., Wilmington, Del.

Jan. 22 filed 250,000 shares ($1 par) class A common. **Underwriter**—Hodson & Co. Inc., New York, will act as selling agent. **Price**—By amendment. **Proceeds**—Net proceeds will be used as capital for company's subsidiaries engaged in the small loan or personal finance business.

Cyprus Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations.

Dallas (Texas) Railway & Terminal Co.

Nov. 27 filed 40,000 shares ($25 par) 5% participating preferred stock. **Underwriters**—Names to be supplied by amendment. **Probable Underwriters**—Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane; Rauscher, Pierce & Co. Price by amendment. **Proceeds**—Proceeds will be applied to the redemption of 3,843 shares of 7% preferred stock and for purchase of new equipment and for construction as part of its modernization and expansion program.

• DeLuxe Check Printers, Inc., St. Paul, Minn.

Jan. 14 (letter of notification) 1,900 shares ($10 par) common. **Price**—$50 a share. No underwriting. Offering will be limited to shareholders and employees. Proceeds will be used for replacement of present machinery, purchase of additional machinery and for expansion of plants.

Detroit Typesetting Co., Detroit, Mich.

Sept. 25 filed 70,920 shares ($1 par) common. **Underwriter** — C. G. McDonald & Co., Detroit. **Price** — $5.50 a share. **Proceeds** — Stock is being sold by six shareholders who will receive proceeds.
Boston. For working capital.

Durasite Corp., Clearwater, Fla.

Oct. 11 (letter of notification) 99,000 shares of common and purchase warrants covering 50,000 shares of common. **Offering**—Price $3 a common share and five cents a warrant. **Underwriter**—Amos Treat & Co., New York. For machinery, plant renovation and working capital. Offering date indefinite.

Edelbrew Brewery, Inc., Brooklyn, N. Y.

Dec. 31 filed 5,000 shares ($100 par) 5% non-cumulative preferred. **Underwriters**—None. **Offering**—To be offered at par to customers, officers and employees of the company. **Proceeds** — For corporated purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

Empire Millwork Corp., New York (1/30-31)

Aug. 28 filed 50,000 shares of $1.25 cumulative convertible preferred stock, (par $25) and 150,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders. Offering temporarily postponed.

• Eversharp, Inc., Chicago

Jan. 13 (letter of notification) such number of shares of ($1 par) common stock as will approximate but not exceed $100,000. The offering is on behalf of Martin L. Straus, II, President of the company. The price will be based on the market price. No underwriters. Proceeds go to the selling stockholder.

Falk Mercantile Co., Ltd., Boise, Ida.

Oct. 21 (letter of notification) 3,000 shares of 4½% preferred ($100 par). **Price**—$100 a share. **Underwriter**—Richard Meade Dunlevy Childs, Boise, Idaho. Proceeds to retire debentures and for expansion purposes.

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Farquhar (A. B.) Co., York, Pa.
Sept. 26 filed 30,000 shares ($25 par) cumulative convertible preferred; 45,000 shares ($5 par) common; and an unspecified number of common shares to permit conversion of the preferred. **Underwriter**—Stroud & Co., Inc., Philadelphia. **Price**—By amendment. **Proceeds**—Proceeds will be used to redeem $355,350 4½% sinking fund mortgage bonds, due Aug. 1, 1957, to pay off certain contracts and chattel mortgages of $72,000 and $800,000 to reduce principal on outstanding bank loans.

● **Federal Bake Shops, Inc., Davenport, Ia.**
Jan. 15 (letter of notification) 3,500 shares of stock. **Price**—At market. **Underwriter**—Cohu & Torrey, New York. The shares are being sold by five stockholders who will receive the proceeds.

Films Inc., New York
June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

Firestone Tire & Rubber Co. (1/28)
Jan. 7 filed $25,000,000 25-year 2⅝% debentures due 1972. **Underwriters**—Harriman Ripley & Co. Inc.; New York, and Otis and Co. Inc., Cleveland. **Price**—By amendment. **Proceeds**—For redemption of 250,000 shares out of 414,000 outstanding shares of 4½% preferred (cumulative) at $105 a share plus accrued dividends.

● **First Acceptance Corp., Minneapolis, Minn.**
Jan. 17 (letter of notification) 3,000 shares 5% preferred. **Price**—$100 a share. No underwriting. For additional working capital.

● **Flamingo International Corp., New York (1/27)**
Jan. 20 (letter of notification) 50,000 shares of common stock (par $1). Underwriter, none. **Price**—$1. Working capital and corporate purposes.

Food Fair Stores, Inc., Philadelphia
Aug. 5 filed 60,000 shares ($15 par) cumulative preferred stock. **Underwriters**—Eastman, Dillon & Co. Price by amendment. **Proceeds**—To be used to redeem 15-year 3½% sinking fund debentures, due 1959; and $2.50 cumulative preferred at $53 a share. Balance will be added to working capital. Temporarily postponed.

Foreman Fabrics Corp., New York
July 29 filed 110,000 shares ($1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment.

● **Fox Brothers Manufacturing Co., St. Louis, Mo.**
Jan. 13 (letter of notification) $290,000 of 4½% serial debentures, due serially 1948-1957. **Price**—$1,000 a unit. **Underwriter**—Dempsey-Tegeler & Co., St. Louis. **Proceeds**—To redeem mortgage indebtedness, preferred stock, pay bank loan and to provide additional working capital.

Fresh Dry Foods, Inc., Columbia, S. C.
Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital. Offering date indefinite.

● **(Theodore) Gary & Co., Kansas City, Mo.**
Jan. 20 (letter of notification) $300,000 of series C corporate income notes $5 a unit. No underwriting. For additional working capital.

General Phoenix Corp., New York (1/29)
Dec. 27 filed $2,000,000 15-year 4% convertible subordinated debentures, due 1962. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston. Price by amendment. **Proceeds**—Company will use part of the proceeds to purchase 25,000 additional shares ($5 par) capital stock, at $10 each, of the Stuyvesant Insurance Co., a subsidiary. The balance will be added to general funds.

Glencair Mining Co. Ltd., Toronto, Can.
Oct. 2 filed 300,000 shares ($1 par) stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—40 cents a share (Canadian Funds). **Proceeds**—For mine development.

Glensder Textile Corp., New York
Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.

Glen Industries Inc., Milwaukee, Wis.
July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders. Offering temporarily postponed.

Gordon Foods, Inc., Atlanta, Ga.
Jan. 14 filed 150,000 shares ($1 par) common. **Underwriters**—Johnston, Lemon & Co., Washington, D. C., and Allen & Co., New York, are principal underwriters. **Offering**—Company will offer 125,000 shares to the public at $6 a share and the remaining 25,000 shares will be sold to the principal underwriters for investment at $5 a share. **Proceeds**—Company will apply $350,000 of the net proceeds to purchase the Driscoll Food Products, Cincinnati, O., from its co-partners, John J. Driscoll and Clarence H. Wolfe, and approximately $400,000 to finance an expansion program of its new Louisville, Ky., plant.

Griggs, Cooper & Co., St. Paul, Minn.
Sept. 3 (letter of notification) 12,000 shares ($1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—$25 a share. **Proceeds** — For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York
July 29 filed 18,500 shares at $4.25 cumulative preferred stock ($100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the $4.25 preferred to purchase at any time 64,750 shares of common stock at $16 a share at the ratio of 3½ common shares for each preferred share held; and 120,000 shares of $1 par common stock. **Underwriters**—H. M. Byllesby and Co., Inc. **Offering**—Underwriters to purchase from the company 18,500 shares of preferred and 20,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. Prices, preferred $100 a share; common $14 a share. **Proceeds**—To retire $6 cumulative preferred, pay notes, discharge a loan. Indefinitely postponed.

Gulf Atlantic Transport'n Co., Jacksonville, Fla.
Jan. 17 filed 270,000 shares of common stock (par $1). **Underwriters**—Blair & Co. **Offering**—Stock is being offered to present shareholders at $3 per share. Holders of approximately 200,000 shares have agreed to waive their preemptive rights. Offering date indefinite.

● **Gulf States Utilities Co., Baton Rouge, La.**
Jan. 20 filed 1,909,968 shares (no par) common. **Underwriter**—None. **Offering**—The shares will be offered for subscription to common stockholders of Gulf States' parent, Engineers Public Service Co., New York. The subscription basis will be one share of Gulf States stock for each share of Engineers common held. **Price**—$11.50 a share. **Proceeds**—Purpose of offering is to carry out a provision of dissolution plan of Engineers approved by the Commission.

Hammond Instrument Co., Chicago
Aug. 8 filed 80,000 shares ($1 par) common. **Underwriter:** Paul H. Davies & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of $213,258, exclusive of accrued dividends. It also will use approximately $402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering date indefinite.

Hartfield Stores, Inc., Los Angeles
June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at $8 a share. **Proceeds**—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

● **Hathaway Bakeries, Inc., Cambridge, Mass.**
Jan. 15 filed 120,020 shares ($1 par) common. **Underwriters**—James S. Borck, Bridgeport, Conn.; George E. Drake, Pittsburgh, Pa.; William E. Stanwood, Boston; and Seaboard Allied Milling Corp., also of Boston. **Offering**—Of the total, the company will offer 45,020 shares to officers and employees of the company for subscription at $8.50 a share. The balance of 75,000 shares will be offered for subscription at $8.50 a share to common stockholders on the basis of one-fourth of a new common share for each share held and to holders of certificates for preferred, Class A and Class B stocks on the basis of one-fourth of a new common share for each common share into which their shares has been changed. The subscription offer will expire Feb. 28. Unsubscribed shares will be sold to underwriters at $8 a share. The company said the underwriters do not presently intend to make a public offering of the shares at this time but that when they are so offered they will be sold at the market price. The underwriting discount is 50 cents a share. **Proceeds**—Proceeds will be used to pay a portion of the costs of constructing new bakeries in Boston, Worcester, Mass.; Cohoes, N. Y.; and Providence, R. I. **Business**—Baking business.

● **Hayward Lumber & Investment Co., Los Angeles**
Jan. 17 (letter of notification) $297,000 of 6% unsecured installment notes. **Price**—$100 a unit. No underwriting. For general corporate purposes.

Health Institute, Inc., Hot Springs, N. Mex.
Dec. 16 filed 50,000 shares ($10 par) 5½% cumulative prior preferred and 40,000 shares ($10 par) common. **Underwriting**—None. **Offering**—All preferred and common will be offered publicly. **Price**—$10.15 a preferred share and $10 a common share. **Proceeds**—Proceeds will be used to build and equip hotel and health facilities and to acquire a mineral water supply.

Helene Curtis Industries, Inc. (1/28)
Dec. 5 filed 60,000 shares ($5 par) 50-cent cumulative convertible preferred, Series A, and 120,000 shares ($1 par) common, reserved for conversion of preferred. **Underwriter**—Simons, Linburn & Co. **Offering**—Company will offer 40,000 shares of preferred to employees at $9.50 a share and 20,000 shares to the public at $10 a share. **Proceeds**—To be added to general corporate funds.

● **Hercules Steel Products Corp., New York**
Jan. 16 filed 180,000 shares (10c par) common. **Underwriter**—Dempsey & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds together with a $650,000 bank loan will be used to repay indebtedness to the Marine Midland Trust Co., New York. **Business**—Hercules was organized in Delaware May 10, 1946. Principal asset consists of all the outstanding common stock of Hercules Steel Products Corp. (Ohio).

● **Heyden Chemical Corp. (1/24)**
Jan. 17 (letter of notification) 12,000 shares of common stock (par $1), or such lesser number of shares as shall not have a market value in excess of $300,000 on date of offering. The shares are to be issued to Sterling Drug, Inc., together with $354,000 cash in exchange for 104,959 shares of common stock of Nyal Co. (Mich.). The stock is to be resold immediately to A. G. Becker & Co., Inc. for public distribution. Price at market (about $25).

Hollywood Colorfilm Corp., Burbank, Calif.
Oct. 16 (letter of notification) 119,500 shares of ($1 par) capital. Price, $3 a share. No underwriting contract, however, 55,000 shares to be issued to or through H. R. O'Neil of Buckley Bros., Los Angeles, will be sold by one or more of the following firms: Buckley Bros.; Durand & Co., Tucson, Ariz.; J. Earle May & Co., Palo Alto, Calif.

Hy-Grade Supply Co., Oklahoma City
Dec. 3 (leter of notification) 54,350 shares of cum. conv. preferred and 50,000 common stock purchase warrants. **Price**—$5.50 a preferred share and 2 cents a warrant. **Underwriter**—Amos Treat & Co., New York. To exercise options for purchase of five variety stores, to retire notes and for working capital.

● **Idle Hour Country Club, Lexington, Ky.**
Jan. 13 (letter of notification) $300,000 first mortgage 3% income bonds, due 1996. **Price**—$1,000 a unit. No underwriting. For purchase of property and improvements.

Illinois Power Co., Decatur, Ill.
June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

● **Inland Airways, Inc., Walla Walla, Wash.**
Jan. 13 (letter of notification) 12,500 shares ($10 par) common. **Price**—$10 a share. No underwriting. For operation of business as passenger and freight air carrier.

International Dress Co., Inc., New York
Aug. 28 filed 140,000 shares of common stock (par $1). **Underwriter**—Otis & Co. **Offering**—Price $10 per share. **Proceeds**—Selling stockholders will receive proceeds. Offering date indefinite.

Inter-Mountain Telephone Co., Bristol, Tenn.
Dec. 19 filed 47,500 shares ($10 par) common. **Underwriters**—Headed by Alex. Brown & Sons, Baltimore, Md. **Offering**—The shares will be offered for subscription to common stockholders at $10 a share in the ratio of one new share for each share held. It is expected that warrants will be mailed to stockholders Jan. 28. Unsubscribed shares will be sold to underwriters. **Proceeds**—Proceeds will be used to pay off $250,000 bank loan and for property additions and improvements.

● **Kaiser-Frazer Corp., Willow Run, Mich.**
Jan. 20 filed voting trust certificates for 4,750,000 shares ($1 par) common. **Offering**—Exchange of voting trust certificates for outstanding common. The trustees under an agreement to be dated Feb. 10 and to expire Aug. 10, 1949, will be Joseph W. Frazer and Henry J. Kaiser.

Kingfisher Water Co., Chicago
Jan. 7 (letter of notification) $85,000 first mortgage 4% bonds. **Price**—$1,000 and $500 per unit. **Underwriter**—Metropolitan St. Louis Co., St. Louis, Mo. For payment of $35,000 note and for property additions and improvements.

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Kiwago Gold Mines Ltd., Toronto, Canada
Dec. 3 filed 1,000,000 shares (no par) common. **Underwriter**—Jack Kahn, New York. **Price**—70 cents a share, the underwriting discount will amount to 21 cents a share. **Proceeds**—For exploration and development of mining property and for administrative expenses.

• **Knapp-Monarch Co., St. Louis, Mo.**
Jan. 17 (letter of notification) 2,000 shares ($1 par) common on behalf of Andrew S. Knapp, President. Hill Bros., St. Louis, acting as agent, will sell stock to Vilas & Hickey, New York, who will offer it at $11 a share. Proceeds go to the selling stockholder.

Mada Yellowknife Gold Mines, Ltd., Toronto
June 7 filed 250,000 shares of capital stock (par 40c). **Undewriters**—Mark Daniels & Co. **Offering**—Stock will be offered publicly in the U. S. at 40c a share (Canadian money). **Proceeds**—Proceeds, estimated at $75,000, will be used in operation of the company.

• **Mad River Corp., Burlington, Vt.**
Jan. 15 (letter of notification) 1,560 shares ($1 par) $4.50 preferred and 2,240 shares ($1 par) common. **Price**—$100 a preferred share and $1 a common share. No underwriting. Construction of ski lift, clearing of trails and construction of shelters.

Maine Public Service Co., Preque Isle, Me.
June 25 filed 150,000 shares ($10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—The shares are being sold by Consolidated Electric and Gas Co., parent of Maine Public Service, in compliance with geographic integration provisions of the Public Utility Holding Company Act.

• **Metropolitan Broadcasting Corp., Washington, D. C.**
Jan. 9 (letter of notification) 500 shares ($100 par) common. **Price**—$100 a share. No underwriting. For additional working capital and to complete construction of frequency modulation station.

Meyer-Blanke Co., St. Louis, Mo.
Nov. 29 (letter of notification) 1,200 shares (no par) common, 50% on behalf of George A. Meyer Finance Co., St. Louis; and 50% on behalf of Robert L. Blanke, Jr. and Marian Blanke, both of University City, Mo. **Price**—$31 a share. **Underwriter**—Smith-Moore & Co., St. Louis.

Michigan Gas & Elec. Co., Ashland, Wis.
June 24 filed $3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares ($100 par) cumulative preferred stock and 120,000 shares ($10 par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

• **Mitchell (John E.) Co., Dallas, Tex.**
Jan. 16 (letter of notification) 1,000 shares of common. **Price**—$200 a share. No underwriting. To increase working capital.

• **Monmouth Park Jockey Club, Oceanport, N. J.**
Jan. 14 filed 16,000 shares ($50 par) 5% cumulative convertible preferred and 483,500 shares (1c par) common (voting trust certificates). **Offering**—Of the total, company is offering 387,500 shares of the new common to holders of voting trust certificates of record Jan. 22 for subscription at $4 a share in ratio of 1¼ shares for each share held. Rights expire Feb. 11. Remaining 96,000 shares reserved for conversion of new preferred. Company will issue 14,636 shares of preferred together with an undetermined number of additional shares in payment of its obligations to F. H. McGraw & Co. and its subcontractors for work performed in constructing the race track. The company said it has entered into an agreement with Monmouth Corp. for purchase up to 315,000 shares of common (voting trust certificates) if not subscribed for by voting trust certificate holders. **Proceeds**—It will use proceeds from the sale of common to redeem its outstanding shares of $50 par 4% cumulative convertible preferred. **Business**—Operation of race track.

• **Montague (Louis A.), Washington, D. C.**
Jan. 13 (letter of notification) $50,000 and $150,000 of promissory notes, both at 5%. **Price**—At face amounts of $500 and $1,000 respectively. No underwriting. To finance construction of hotel building.

• **Morton Oil Co., Casper, Wyo.**
Jan. 17 (letter of notification) 750,000 shares (10c par) common. **Price**—25 cents a share. **Underwriter**—John G. Perry & Co., Denver, Colo. For development of oil wells and for working capital.

Mountain States Power Co.
June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares, are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Sale Postponed**—Standard Gas & Electric Co. asked for bids for the purchase of the stock on Sept. 4, but the sale has been temporarily postponed.

Murphy (G. C.) Co., McKeesport, Pa.
June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

National Aluminate Corp., Chicago
Sept. 27 filed an unspecified number ($2.50 par) common shares. **Underwriters**—First Boston Corp., New York, and Lee Higginson Corp., Chicago. **Price**—By amendment. **Proceeds**—The stock is issued and outstanding and is being sold by shareholders. Names of the selling stockholders and the number of shares to be sold by each will be supplied by amendment.

• **National Plumbing Stores Corp., New York**
Jan. 15 (letter of notification) $250,000 15-year 3½% income notes. **Price**—Par. No underwriting. For general corporate purposes.

• **Neville Island (Pa.) Glass Co., Inc. (1/27)**
Jan. 20 (letter of notification) 4,000 shares of common stock. **Underwriter**—Amott Baker & Co., Inc. Price at market. Proceeds to selling stockholder.

New England Gas and Electric Association
July 11 filed $22,500,000 20-year collateral trust sinking fund Series A bonds, and a maximum of 1,568,980 common shares ($5 par). **Underwriters**—By amendment. Bidders may include Halsey, Stuart & Co. Inc. (bonds only), Bear, Stearns & Co. (stock only), First Boston Corp., White, Weld & Co.-Kidder, Peabody & Co. (jointly). **Offering**—Bonds and common stock are being offered in connection with a compromise recapitalization plan approved by the SEC, on June 24, 1946, which among other things provides for the elimination of all outstanding debentures and preferred and common stocks, and for the issuance of $22,500,000 of bonds and 2,300,000 of new common shares. Bids for the purchase of the bonds and the common stock which were to be received by the company Aug. 13 were withdrawn Aug. 12. An altemate plan filed Nov. 25 with the SEC provides for the issue of 77,625 convertible preferred shares (par $100) and 1,246,011 common shares (par $8). Under the proposed plan consolidated funded debt would be practically unchanged from that provided in original plan, the Association to issue $22,425,000 coll. trust bonds. These bonds and preferred stock may be sold, subject to an exchange offer, to the holders of present debentures on a par for par basis. Present preferred would receive for each share held 8 shares of new common with rights to subscribe to 5 new common shares at $9 per share. The present plan does not affect the status of original plan, but determination as to which will be used will be left to the SEC and the court. Hearings on the alternate plan are scheduled by the SEC for Dec. 19.

New York State Electric & Gas Corp. (2/4)
Oct. 30 filed 150,000 shares of ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co. and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman, Ripley & Co. **Bids Invited**—Bids for the purchase of the preferred stock will be received up to noon (EST) Feb. 4 at Room 2601, 61 Broadway, New York City.

Northern Engraving & Mfg. Co., La Crosse, Wis.
Aug. 29 filed 70,000 shares ($2 par) common stock. **Underwriter**—Cruttenden & Co. **Offering**—All shares are issued and outstanding and being sold for the account of present holders. **Price**—$16 a share. **Proceeds**—To selling stockholders. Offering temporarily delayed.

Northern Indiana Public Service Co.
Aug. 28 filed maximum of 384,016 shares of common stock. Underwriters by amendment as shares will be offered under competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Stone & Webster Securities Corp., and Harriman Ripley & Co., Inc. (jointly). Of the shares registered, 182,667 are being sold by Midland Realization Co.; 54,426 by Midland Utilities Co., and 146,923 by Middle West Corp.

Northwestern Public Service Co.
Dec. 20 filed 26,000 shares ($100 par) 4½% cumulative preferred and 410,000 shares ($3 par) common. **Underwriters**—The First Boston Corp. **Offering**—New preferred will be offered in exchange for 39,852 shares (par $100) 7% cumulative preferred and 6% cumulative preferred, on a share for share basis. Only first 26,000 shares offered in exchange will be accepted. Unexchanged new shares and all of the common shares will be sold to underwriters. Of the total common, the company is selling 110,000 shares and the remaining 300,000 shares are being sold by Bear, Stearns & Co. **Price**—By amendment. **Proceeds**—The company will use its proceeds to redeem old preferred stock.

Nugent's National Stores, Inc., New York
June 21 filed 85,000 shares ($1 par) common stock. **Underwriters**—Newburger & Hano, and Kobbe, Gearhart & Co., Inc. Price, $6.75 a share. **Proceeds**—Net proceeds to the company from 62,000 shares, estimated at $350,200, will be applied as follows: About $111,300 for retirement of outstanding preferred stock; $41,649 to purchase 100% of the stock of two affiliates, and balance $197,000 for other corporate purposes. The proceeds from the other 3,000 shares will go to selling stockholders. Offering temporarily postponed.

Oklahoma Gas and Electric Co.
Dec. 23 filed 890,000 shares ($20 par) common. **Underwriters**—To be determined by competitive bidding. Probable bidders will include The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly); Harriman, Ripley & Co.; Kuhn, Loeb & Co., and Smith, Barney & Co., (jointly). **Offering**—Of the total 750,000 shares will be sold by Standard Gas & Electric Co., parent and 140,000 shares will be sold by the company. Standard's shares comprise its entire holdings in Oklahoma Gas common. **Price**—By competitive bidding. **Proceeds**—Oklahoma will use its net proceeds to prepay part of its outstanding serial notes. The balance will be used for property additions.

Oro Yellowknife Gold Mines Ltd., Toronto, Can.
Jan. 7 filed 2,000,000 shares ($1 par) capital stock. **Underwriter**—Tellier & Co., New York. **Price**—60 cents a share. **Proceeds**—For expenses and exploration and development.

Pacific Power & Light Co., Portland, Ore.
July 10 filed 100,000 shares ($100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,009 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

Pal Blade Co., Inc., New York
June 28, 1946 filed 227,500 shares ($1 par) capital stock. **Underwriters** — F. Eberstadt & Co., Inc. **Offering** — 225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees. Issue may be withdrawn.

Palmetto Fibre Corp., Washington, D. C.
August 16 filed 4,000,000 shares (10¢ par) preference stock. **Underwriting**—Tellier & Co., New York. **Price** 50 cents a share. **Proceeds**—The company will use estimated net proceeds of $1,473,000 for purchase of a new factory near Punta Gorda, Florida, at a cost of about $951,928. It will set aside $150,000 for research and development purposes and the balance will be used as operating capital.

• **Peekskill (N. Y.) Baseball Club, Inc.**
Jan. 14 (letter of notification) 2,400 shares ($10 par) class A common. **Price**—$10 a share. No underwriting. For payment of debt and for working capital of ball club.

Peninsular Oil Corp., Ltd., Montreal, Canada
Sept. 3 filed 600,000 shares of common (par $1). **Underwriter**—Sabiston Hughes, Ltd., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—Net proceeds will be used to purchase drilling machinery and other equipment.

Pennsylvania Power & Light Co., Allentown, Pa.
Jan. 13 filed 1,050,072 shares (no par) common stock owned by Electric Bond & Share Co., parent. **Underwriter**—None. **Offering**—The shares will be offered for subscription to Bond and Share common stockholders in the ratio of .20 of a share of Power & Light common for each share of Bond & Share common held. **Price**—The price will be $3.50 below the market price on a day to be selected by Bond & Share. **Proceeds**—Proceeds go to the selling stockholder.

Petroleum Heat & Power Co., Stamford, Conn.
Dec. 30 filed 912,464 shares ($2 par) common. **Underwriters**—None. **Offering**—Shares will be offered in exchange for entire outstanding capital stock of Taylor Re-

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fining Co., consisting of 8,946 shares (no par) common with an underlying book value of $2,458,224 as of last Sept. 30. At a meeting of stockholders, Dec. 23 company authorized an increase in common stock from 1,000,000 to 2,000,000 shares and also authorized the issuance of the present offering in exchange for the Taylor stock. Approximately 70.9% of the common stock is held under a voting trust agreement of Aug. 15, 1945, which it is expected will be terminated upon the acquisition of the Taylor stock.

Pharis Tire & Rubber Co., Newark, O.

Sept. 27 filed 100,000 shares ($20 par) cumulative convertible preferred. **Underwriter**—Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co., New York. **Price**—$20 a share. **Proceeds**—For payment of loans and to replace working capital expended in purchase of building from RFC and to complete construction of a building.

Philadelphia Dairy Products Co., Inc.

Dec. 26 (letter of notification) 2,907 shares of first preferred stock. **Underwriters**—Stock will be sold outright to Stroud & Co., Inc., Butcher & Sherrerd, and Glover & MacGregor, Inc. who will sell same to their customers at market but at not exceeding $102 per share **Proceeds**—Will be used for working capital.

Pig'n Whistle Corp., San Francisco

Dec. 26 filed 50,000 shares (par $7.50) cumulative convertible prior preferred $2 dividend stock. **Underwriter**—G. Brashears & Co., Los Angeles. Price by amendment. **Proceeds**—23,481 shares are being issued by company and proceeds will be used in connection with recent purchase of four Chi Chi restaurants and cocktail lounges in Long Beach, Riverside, Palm Springs and San Diego and for working capital.

Plastic Molded Arts, Inc., New York

Aug. 27 filed 60,000 shares of preferred stock ($10 par) and 75,000 shares of common (par 50c). **Underwriter**—Herrick, Waddell & Co., Inc. **Offering**—Company is offering the preferred stock to the public, while the common is being sold by certain stockholders. **Prices**—Preferred, $10 a share; common, $4 a share. **Proceeds**—Proceeds from sale of preferred will be used to purchase equipment, pay bank loans, and other corporate purposes.

● **Potomac Broadcasting Cooperative, Inc., Washington, D. C.**

Jan. 17 (letter of notification) 492 shares ($100 par) common and 13,460 shares ($10 par) preferred. Details of the common stock offering not disclosed but preferred will be offered at $10 a share. No underwriting. To finance erection of radio station and for operating capital.

● **Progressive Air Service, Inc., Smithtown, N. Y. (1/25)**

Jan. 20 (letter of notification) 500 shares common and 200 shares of preferred. **Price**—$100 per share for each class of stock. Underwriting none. For development and construction at Smithtown, N. Y.

Quebec Gold Rocks Exploration Ltd., Montreal

Nov. 13 filed 100,000 shares (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. **Price**—50¢ a share. **Proceeds**—For exploration and development of mining property.

Realmont Red Lake Gold Mines, Ltd., Toronto, Canada

Nov. 20 filed 800,000 shares of common stock ($1 par). **Offering Price**—$0.60 a share to public. Company has not entered into any underwriting contract. **Proceeds**—Development of mining properties and exploration work.

Regal Shoe Co., Whitman, Mass.

Jan. 8 (letter of notification)9,000 shares ($1 par) common on behalf of John J. Daly, President. Price at market. **Underwriters**—Van Alstyne, Noel & Co., and Cohu & Torrey, New York.

Reiter-Foster Oil Corp., New York

Jan. 8 (letter of notification) 105,800 shares (50c par) common. **Price**—85 cents a share. **Underwriter**—The Federal Corp., New York. For working capital.

Republic Indemnity Co. of America, Tucson, Ariz.

Dec. 12 filed 20,000 shares ($10 par) common and 50,000 shares ($2 par) 50c cumulative preferred. **Underwriter**—If company finds it necessary to enter an underwriting agreement, the name of the underwriter will be filed by amendment. **Offering**—The shares will be offered for subscription to common stockholders of record on Jan. 10, 1947, in the ratio of ⅔ of a share of new common for each share owned and 1⅔ shares of new preferred for each share of common held. Unsubscribed shares will be offered by the company to the public. **Price**—$30 a common share and $10 a preferred share. **Proceeds**—The proceeds will be used to augment capital by an additional $300,000 and surplus by an additional $800,000 for business expansion purposes.

Republic Pictures Corp., New York

Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

Santa Cruz (Calif.) Sky Park Airport, Inc.

Dec. 6 (letter of notification) 53,000 shares ($1 par) common. Of the total 31,000 shares will be offered publicly at $1 a share, 16,000 shares will be transferred to Alex. Wilson and Wayne Voigts for their interest in Santa Cruz Flying Service, which is a flying field and airport, and 6,000 shares would be issued in cancellation of partnership indebtedness. No underwriting. For operation of airport business.

● **Santa Rosa Mining Co., Keeler, Calif.**

Jan. 17 (letter of notification) 94,489 shares of common. **Price**—$2 a share. No underwriting. For working capital.

● **Scruggs-Vandervoort-Barney, Inc., St. Louis, Mo.**

Jan. 16 filed an unspecified number of shares of $4.50 cumulative preferred stock, Series A, stated $100 a share. **Underwriters** — Union Securities Corp., New York; Boettcher and Co., Denver; and G. H. Walker & Co., St. Louis. Price by amendment. **Proceeds**—To satisfy the appraisal rights of shareholders who objected to company's plan of consolidation; to redeem at $105 a share, plus accrued dividends, 10,000 outstanding shares of 4½% cumulative preferred of Denver Dry Goods Co., which will then be a wholly-owned subsidiary. Any balance will be used for corporate purposes. **Business**—Operation of department store. The company will be organized next month by the consolidation of a predecessor corporation of the same name and Neybar, Inc., a subsidiary of that corporation.

Seymour Water Co., Louisville, Ky.

Jan. 8 (letter of notification) 7,200 shares ($25 par) 5% cumulative preferred. **Price**—$26.50 a share. **Underwriter**—Smart & Wagner and The Bankers Bond Co., both of Louisville. **Proceeds**—To provide part of funds to purchase 2,587 shares of capital stock of Seymour Water Co., Seymour, Ind.

Slick Airways, Inc., San Antonio, Texas

Dec. 9 filed 500,000 shares ($10 par) common and options to purchase 175,813 shares of common. **Underwriting**—None. **Offering**—The common shares are to be offered publicly. The options for purchase of the 175,813 shares of common are to be offered to original subscribers of the company's stock. It also will issue options to employees for purchase of 69,875 shares of common. **Price**—$10 a share. **Proceeds**—For purchase of equipment and for working capital.

Solar Manufacturing Corp.

June 14 filed 80,000 shares of $1.12½ cumulative convertible preferred stock, series A (par $20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of $600,000; for additional inventory amounting to $400,000, and for additional working capital. Offering temporarily postponed.

Soss Manufacturing Co., Detroit, Mich.

Sept 3 filed 40,000 shares ($25 par) 5% cumulative convertible preferred. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Offering**—To be offered to common stockholders for subscription at $25 a share in the ratio of one preferred share for each five shares of common held unsubscribed shares will be sold to underwriters at same price. **Price** — Public offering price of unsubscribed shares by amendment. **Proceeds**—For expansion of plant facilities and for additional working capital. Offering postponed.

Southwestern Associated Telephone Co., Dallas, Tex.

Jan. 13, 32,000 shares (no par) cumulative preferred. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. Price by amendment. **Proceeds**—To pay $1,569,050 demand note held by Southwestern's parent, General Telephone Corp., and to reimburse company's treasury.

● **Stillwater Worsted Mills, Inc., Harrisville, R. I.**

Jan. 17 (letter of notification) 12,500 shares ($10 par) common. **Price**—$10 a share. No underwriting. For additional working capital.

Stone Container Corp., Chicago

Oct. 24 filed 300,000 shares of ($1 par) common. **Underwriter** — Hornblower & Weeks, Chicago. **Offering** — Of the total, company is selling 200,000 shares and stockholders are selling the remaining 100,000 shares. Price by amendment. **Proceeds**—Of net proceeds, company will use $1,225,000, plus a premium of $12,250, together with accrued interest, for payment of a bank loan, and $493,500, together with accrued interest, for discharge of its 10-year 6% debentures Any balance will be added to working capital

Street & Smith Publications, Inc.

July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

Swern & Co., Trenton, N. J.

Aug. 28 filed 195,000 shares common stock (par $1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. Offering date indefinite.

Taylor-Graves, Inc., Saybrook, Conn.

July 12 (letter of notification) 44,300 shares of ($5 par) cumulative convertible preferred stock and 44,300 shares common stock (par 50c). **Offering**—Price $6 a share for preferred and 75 cents a share for common. **Underwriter**—Amos Treat & Co. **Proceeds**—For payment of notes, mortgages and for general corporate purposes. Offering temporarily postponed.

Tele-Tone Radio Corp., New York

Aug. 1 filed 210,000 shares of common stock (par 50 cents). **Underwriters**—Hirsch & Co. **Offering**—Company is offering 75,000 of the shares registered. Eleven stockholders are selling 135,000 issued and outstanding shares, for their own account. **Offering**—Price $6.75 a share. **Options**—Selling stockholders are also selling to the underwriters at 7 cents per option warrant options to purchase 18,000 shares of the issued and outstanding common owned by them. They are also selling to Hallgarten & Co., for $1,500, plus $360 as a contribution toward the expenses of issuance, options to purchase an additional 18,000 shares of the issued and outstanding common. **Proceeds**—Net proceeds for the sale of company's 75,000 shares will be used for increasing working capital, with a view to entering the Frequency Modulation and Television fields at an advantageous time. Indefinitely postponed.

● **Tested Papers of America, Inc., Chicago**

Jan. 13 (letter of notification) $25,000 of non-negotiable debentures. In units of $100, $500 and $1,000. No underwriting. For company operations.

Toledo (O.) Edison Co.

Oct. 25 filed $32,000,000 first mortgage bonds, due 1976, and 160,000 shares of ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. Price to be determined by competitive bidding. **Proceeds**—Net proceeds together with $4,500,000 bank loan and if necessary, the $5,000,000 to be contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of $53,906,590, exclusive of interest and dividends.

Transgulf Corp., Houston, Texas

Jan. 13 (letter of notification) 30,000 shares (no par) common. **Price**—$10 a share. **Underwriter**—South & Co., Houston. For development of oil and gas properties.

● **United Air Lines, Inc., Chicago**

Jan. 20 filed 94,773 shares ($100 par) cumulative preferred. **Underwriting**—Harriman Ripley & Co., New York. **Offering**—For subscription to common stockholders in the ratio of one share for each 19.5 shares of common held. Unsubscribed shares will be purchased by underwriters. Price by amendment. **Proceeds**—For general corporate purposes. The company plans to spend about $70,000,000 for new flight equipment, new ground facilities and communications equipment. **Business**—Operation of airline.

● **United Products Co., Westminster, Md.**

Jan. 13 (letter of notification) 5,000 shares ($1 par) capital stock. **Price**—$1 a share. No underwriting. For working capital.

U. S. Television Manufacturing Corp., New York

Nov. 4 filed 200,000 shares (par $1) 25c cumulative convertible preferred and 230,000 shares of common (par 50c). Price of preferred $5 per share. Of the common 30,000 shares are reserved for the exercise of warrants up to Jan. 15, 1950 at $3.50 per share and 200,000 are reserved for the converison of the preferred. **Underwriters**—Names by amendment. Price $5 per share for preferred. **Proceeds**—For working capital and expansion of business.

Universal Corp., Dallas, Texas

Dec. 3 (letter of notification) 30,000 shares (no par) common to be offered to stockholders at $5 a share in the ratio of one share for each three shares held. **Underwriter**—Federal Underwriters, Inc., Dallas; and Trinity Bond Investment Corp., Fort Worth. For additional capital.

Utah Chemical & Carbon Co., Salt Lake City

Dec. 20 filed $700,000 15-year convertible debentures and 225,000 shares ($1 par) common. The statement also covers 105,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc.,

(Continued from page 489)

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(Continued on page 490)

Boston. Price—By amendment. Proceeds—For plant construction, purchase of equipment and for working capital.

● **Verde Exploration, Ltd., New York**

Jan. 20 filed 405,000 shares ($1 par) capital stock. Underwriter—None. Offering—To be offered privately to a small group of subscribers to the original syndicate and to stockholders of the Clemenceau Mining Corp. Price—At par. Proceeds—To effectuate the purchase agreement with the Clemenceau Mining Corp. for acquiring mining properties in Arizona.

Victory Gold Mines Ltd., Montreal, Canada

Nov. 13 filed 400,000 shares ($1 par) capital stock. Underwriter—None as yet. Price—25 cents a share. Proceeds—For developing mining property. Business—Acquiring and developing mining properties.

● **Vogelbach Associates, Inc., New York (1/27)**

Jan. 21 (letter of notification) 200 shares of preferred and 50 shares of common to be offered in units of 4 preferred shares and 1 common share at $500 per unit. Underwriting none. Proceeds will be used to enter the import and export business in Latin America, etc.

● **Warren-Teed Products Co., Columbus, Ohio**

Jan. 15 (letter of notification) $300,000 12-year 4¾% sinking fund unsecured debentures, due 1958. Price—Par. Underwriter—The Ohio Co., Columbus, Ohio. Proceeds—For payment of debt, repurchase of discounted accounts receivable and for working capital.

● **Watson (H. S.) Co., San Francisco**

Jan. 17 (letter of notification) a maximum of 2,000 shares ($50 par) capital stock. Price—$50 a share. No underwriting. To increase working capital.

West Coast Airlines, Inc., Seattle, Wash.

Sept. 2 filed 245,000 shares ($1 par) common. Underwriter — Auchincloss, Parker & Redpath, Washington, D. C. Price—$7 a share. Proceeds—Will be used for payment of various expenses, repayment of bank loans, purchase of equipment and for working capital.

Western Air Lines, Inc.

Nov. 27 filed 1,200,000 shares ($1 par) capital stock. Underwriter—Dillon, Read & Co. Inc. Price by amendment. Proceeds—Offering consists of an unspecified number of shares being sold by the company and by William A. Coulter, President and Director. The amounts being offered by each will be stated definitely by amendment and the total number of shares presently stated will be reduced if the offering consists of a smaller number of shares. Company will use its proceeds estimated at a minimum of $6,500,000 together with a $7,500,000 bank loan, toward payment of its promissory notes and to finance company's equipment and facilities expansion program now under way.

● **The Western Union Telegraph Co., New York**

Jan. 17 (letter of notification) 133 shares of class A stock on behalf of holders of the company's scrip certificates. Price—At market. Underwriters—J. R. Williston & Co., New York. Scrip certificates holders will receive their pro-rata amount of the proceeds as represented by their scrip certificates.

White's Auto Stores, Inc.

Aug. 29 filed 75,000 shares $1 cumulative convertible preferred stock ($20 par) and 50,000 shares common stock (par $1). Underwriters—First Colony Corp. and Childs, Jeffries & Thorndike, Inc. Offering—Company is offering 75,000 shares of preferred; the 50,000 shares of common are outstanding and being sold by four individuals for their own account. Price by amendment. Proceeds—Proceeds from the sale of the preferred stock will be used to provide funds for a wholly-owned subsidiary, retire loans from banks and from White's Employees Profit Sharing Trust, and for additional working capital. Expected to file new financing plan at early date.

● **Whiting Milk Co., Charlestown, Mass.**

Jan. 13 (letter of notification) 12,000 shares ($25 par) $1.50 participating preferred. Price—$25 a share. Underwriter—F. L. Putnam & Co., Inc., Boston. Proceeds—To pay portion of cost of outstanding common shares of Whiting Milk (Del.) which will be merged with registrant.

● **Williamson Heater Co., Cincinnati, Ohio**

Jan. 13 (letter of notification) 3,000 shares (no par) common, stated value $2.50 a share. Price—$25 a share. No underwriting. For additional working capital.

Wisconsin Power & Light Co., Madison, Wis.

May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. Underwriters—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. Proceeds—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

Wyatt Fruit Stores, Dallas, Texas

Nov. 12 filed 5,000 shares (par $100) preferred stock. Underwriter—Rauscher, Pierce & Co. Proceeds—Will be used in part to equip three new cafeterias, to remodel its super markets and to increase working capital.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Only "prospectives" reported during the past week are given herewith. Items previously noted are not repeated)

● **Aerovox Corp., Bedford, Mass.**

Jan. 21 company reported planning the withdrawal of $1,500,000 5% debentures now in registration, having obtained a loan of $1,000,000 from an insurance company. Reported planning the filing of $500,000 new preferred with Granbery, Marache & Lord as underwriters.

Alabama Great Southern RR. (1/23)

Bids will be received at company's office Room 2018, 70 Pine St., New York, up to 3 p.m. EST Jan 23 for the sale of $1,520,000 equipment trust certificates series J. Dated Feb. 15, 1947 certificates will mature in 10 equal annual installments 1948-1957. Dividend rate to be specified in the bids. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chesapeake & Ohio Ry. (1/23)

The company is inviting bids for the sale of $2,300,000 equipment trust certificates. Bids will be received at company's office, 3400 Terminal Tower, Cleveland, Ohio on or before noon (EST) Jan. 23. The certificates are to mature Feb. 15, 1948 to 1957. Probable bidders include Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.) and Cleveland and New York banks.

Cincinnati, New Orleans & Texas Pacific Ry. (1/23)

Bids will be received at company's office room 2018, 70 Pine St., New York up to 3 p.m. EST Jan. 23 for the sale of $1,700,000 equipment trust certificates Series K. Dated Feb. 15, 1947 certificates will mature in 10 equal annual installments 1948-1957. Dividend rate is to be specified in the bids. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Connecticut Power Co.**

Jan. 22 company announced it has in view an expansion program which will cost about $6,000,000 and take three years to complete. The cost, it is said, will be financed by an issue of debentures, which may be placed privately.

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● **Detroit Edison Co.**

Jan. 22 directors announced that they are studying a program for additional financing which will be required to take care of company's construction budget in next few years. Exact form of financing not yet determined. Probable bidders for new securities: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Coffin & Burr; Spencer Trask & Co.

● **Dresser Industries, Inc.**

March 17 stockholders will vote on increasing long-term indebtedness to $7,500,000. Company proposes to replace present $7,500,000 short-term notes with new serial notes maturing $375,000 each Dec. 1, 1947-55, and $4,125,000 Dec. 1, 1956, with interest ranging from 1½% to 2½%.

● **Federal Electric Products Co.**

Jan. 22 reported company contemplating some new financing with E. F. Gillespie & Co. as underwriters.

● **Froedtert Grain & Malting Co., Inc.**

Jan. 22 in connection with proposed merger of Froedtert Grain & Malting Co., Inc. and Rockwood & Co., reported new company will issue about $5,500,000 20-year 3⅛% sinking fund debentures to retire existing debentures and preferred stocks. Probable underwriters, Schroder, Rockefeller & Co., Inc. and Loewi & Co.

● **Interstate Power Co.**

Jan. 21 the SEC (subject to minor particulars) approved amended recapitalization plan, which among others privides for issuance and sale at competitive bidding of $19,400,000 bonds and $2,700,000 shares of common stock (par $3.50) the latter to net $18,610,500. Probable bidders The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only), and Dillon, Read & Co. Inc. (stock only).

● **Missouri-Kansas-Texas RR.**

Jan. 24 company will open bids on a $5,000,000 loan to be secured by pledge of the road's prior lien mortgage 4% bonds of 1986. Proceeds will be used to acquire Missouri, Kansas & Texas Ry. first 4s of 1990, and Missouri-Kansas-Texas RR. prior lien 4s of 1962, 4½s of 1978, and 5s of 1962.

● **New York Chicago & St. Louis RR. (2/4)**

Company has issued invitations for bids to be considered Feb. 4 for $1,000,000 of equipment trust certificates. The certificates will be dated Feb. 15, 1947, and will mature in 10 equal annual instalments Feb. 15, 1948-57. Probable bidders include, Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris Hall & Co. (Inc.) and Midwestern banks and trust companies.

● **Norwich & Worcester RR. (2/5)**

The company, a leased line unit in the New York, New Haven & Hartford RR. system, will receive bids up to noon (EST) Feb. 5 at its Boston office for the sale of $1,800,000 first mortgage bonds, series B, dated March 1, 1947, and maturing March 1, 1967. The interest rate will be that named by the successful bidder.

Pennsylvania RR. (1/23)

Jan. 23 company will receive bids for the sale of $14,970,000 equipment trust certificates Series R, maturing in 1-to-15 years. Proceeds will be used to cover 80% of the cost of 15 Diesel electric locomotives, 57 passenger cars and 1,100 freight cars the latter to be built in the Pennsylvania's shops. Probable bidders include Salomon Bros. & Hutzler and Halsey, Stuart & Co. Inc.

● **Public Service Co. of New Mexico**

Jan. 22 expected that Cities Service Co. will sell at later date 339,639 shares of this company received through liquidation of Federal Light & Traction Co. Probable bidders include Blyth & Co., Inc.; The First Boston Corp. and White Weld & Co. (Jointly).

● **Richmond Radiator Co.**

Jan. 17 it was announced that stockholders approved issuance of $1,025,000 4% five-year serial maturity convertible debentures, which will be convertible into common stock. Company intends to file the debenture bonds with SEC.

● **Rosenblum (Davis) Corp.**

Jan. 22 reported that E. F. Gillespie & Co. contemplates underwriting securities of this company, which operates some 23 women apparel stores in the south.

Seaboard Air Line RR. (1/29)

Company will receive bids up to 12 noon (EST) Jan. 29 at office of Willkie Owen Otis Farr & Gallagher, 15 Broad St., New York for the sale of $3,000,000 equipment trust certificates. The dividend rate which must be a multiple of ⅛ of 1%, is to be specified in the bid. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Upper Peninsula Power Co.**

Jan. 21 Consolidated Electric & Gas Co. and the Middle West Corp. have asked the SEC for authority to form a new company to be called Upper Peninsula Power Co. This company would operate in the upper peninsula of Michigan. It would have initial authorized capital of 5,000 shares (par $10) and subsequently would sell its first mortgage bonds, preferred and common stock at competitive bidding and use proceeds to acquire three electric utility companies. The new company would acquire from Consolidated Electric, Middle West and Copper Range Co. their interests in Houghton County Electric Light Co., Iron Range Light & Power Co. and Copper District Power Co.

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Halsey, Stuart Offers $13,000,000 Bonds

Halsey, Stuart & Co. Inc. and associates are offering publicly $13,000,000 New York State Electric & Gas Corp. first mortgage bonds, 2¾% series due 1977, at 102⅞% and accrued interest. The group won the bonds Jan. 21 on a bid of 102.269.

Proceeds from the sale of the bonds will be used to call for redemption all of the issued and outstanding first mortgage bonds 3¾% series due 1964. General Public Utilities Corp. parent of the company, has made a capital contribution to the company of $7,500,000 in cash. Redemption premium and interest on the called bonds will be paid from the cash contribution referred to above.

Subsequent to the issuance and sale of the new bonds the company intends to issue and sell 150,000 shares of cumulative preferred stock and call for redemption all of the issued and outstanding 5.10% cumulative preferred stock. The redemption premium and dividends on the preferred stock which the company intends to call will likewise be made from the cash contribution of $7,500,000 referred to above.

After funds have been deposited for the payment of the bonds and preferred stock to be called and for the payment of the redemption premiums, dividends, interest and certain costs and expenses of the financing, the balance remaining, estimated to be approximately $8,800,875, will be deposited in escrow for new construction.

First Boston Corp Offers Birmingham Elec. Pfd.

Public offering of 45,478 shares of Birmingham Electric Co. 4.20% preferred stock, $100 par value, was made Jan. 16 by a group of investment bankers headed by The First Boston Corp. The new stock was priced at $100 per share. Of the shares being offered, 21,478 represent the unsubscribed portion of 40,000 shares of the new stock offered in exchange to holders of the company's $7 and $6 preferred stocks, and the balance of 24,000 shares is being issued for cash to finance capital additions to the company's system.

Proceeds from the sale of the stock will be used in part to redeem at $100 per share the unexchanged $7 and $6 preferred stocks.

The prospectus states that certificates for the 25,000 shares issued for cash will be identified as such so that corporate purchasers may receive the benefit of provisions of the United States Internal Revenue Code under which such holders are required to include in net taxable income for assessment of the normal tax on corporations ONLY 15% of the dividends received on these 24,000 shares. In future transfers certificates for these shares will continue to carry the same identification.

Giving effect to the financing, the company's outstanding capitalization will consist of $12,300,000 of funded debt, 64,000 shares of new 4.20% preferred stock and 545,610 shares of common stock.

Frontier Power Stock Offd. at $10 Per Share

Public offering of 119,431 shares of $5 par value common stock of the Frontier Power Co., a public utility operating in Colorado and New Mexico, was made Jan. 22 by a group of underwriters headed by Sills, Minton & Co. Price to the public was $10 a share.

Net proceeds from the sale of the shares, representing 85.3% of the common stock of the company, will be retained by certain selling stockholders.

Outstanding capitalization, following a 7-for-1 split-up of 20,000 shares of $100 par value common stock in July, 1946, consists of 140,000 shares of $5 par value common stock authorized and outstanding, $1,772,000 first mortgage 3½% bonds due 1966, and $207,000 promissory note (2½%) due 1951.

Frontier Power Co. generates and sells electricity in Huerfano and Las Animas Counties, Colo., and Colfax and Mora Counties, N. M. It also produces and sells gas in Trinidad, Colo., home city of the company since its founding in 1911 as the Trinidad Electric Transmission, Railway and Gas Co. Present name of the company was adopted last July.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

A period of dullness in a three point range would be ideal for market. But market seldom does the ideal. Advice to stay long however holds.

The recovery from about the 170 level came almost on schedule. In fact it came as this column was being written, or rather, as it went to press. The fact that it went up is gratifying, but no more than that. For before us is still the picture of the future, and that isn't particularly cheerful.

* * *

During the past week you got the news of lower margins. To some extent the 25% rule will take the load off many accounts and perhaps permit present holders to do some more buying. Yet buying is not dependent on margins or outright purchases. Basically the reason for buying is profits. Let a man feel that the stock he buys today, he can sell tomorrow, or the next day, for more than he originally bought it for, and he will be eager.

* * *

The trouble is that today the uncertainties present in our political and economic status are so widespread that it takes either a special kind of vision, foresight or luck, or maybe a combination of all three, for the potential buyer to get in a frame of mind to actually participate.

* * *

The market which is a mirror and a barometer at the same time reflects and foretells, or tries to. Sometimes in doing this it speaks volumes, other times it doesn't show anything.

* * *

When the market showed a zone of resistance around the 170 level, it wasn't surprising. In fact the area was rather widely advertised by every market seer in the business. In the old days such a generally anticipated resistance zone was always open to suspicion. Mainly because such a level would almost be certain to be filled with stop-loss orders, and the professional trader would go gunning for them. Today what stop-loss orders there are, are few and scattered. The professional has all he can do to make ends meet without worrying about the so-called overbought or oversold technical positions. The margin trader of yesterday is the well intrenched speculator of today.

* * *

There is one point in favor of the trader of yesteryears. He was able to move with some kind of rapidity. Today's trader is perforce an investor. Involuntary investors, however, are not known for their intestinal fortitude. He will hold on to a stock for weeks or maybe months if there's a loss present. He'll argue that he doesn't have to take the loss because he owns the stock. Maybe such an attitude is commendable, I don't know. What I do know is that nothing reduces an account so rapidly as so-called outright holdings.

* * *

Right now the market is honeycombed with uncertainties. It has a well entrenched public sitting it out waiting to see what will happen. Occasionally this public will buy more than is good for it, then wonder why the market has stopped going up. A wave of buying today doesn't set off subsequent waves of buying. The first wave advances and recedes and is seldom followed by other waves.

* * *

When the market rallied to about 175, a five point advance from the lows, it did considerable. I'll venture an opinion that more stock was bought at the 176 level than at the 170 figure. This means that the majority of new buyers are now sitting with losses. A loss, no matter how small puts a dent in one's confidence.

* * *

Last week in writing here that the base would probably be around 170, I also added that what would be needed would be a period of dullness. I still think so. How long such a period of dullness will be, what shape it will take, only time will tell. Meanwhile I advise that the stocks you hold which are still above their critical points, should be continued to be held.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

DIVIDEND NOTICES

Burroughs

182nd CONSECUTIVE CASH DIVIDEND

A dividend of fifteen cents ($0.15) a share has been declared upon the stock of BURROUGHS ADDING MACHINE COMPANY, payable March 10, 1947, to shareholders of record at the close of business January 31, 1947.

Detroit, Michigan, January 17, 1947 — Geo. W. Evans, *Secretary*

INTERNATIONAL HARVESTER COMPANY

Quarterly dividend No. 114 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable March 1, 1947, has been declared to stockholders of record at the close of business February 5, 1947.

SANFORD B. WHITE, Secretary.

At a meeting of the Directors held January 14, 1947 it was decided to recommend to stockholders at the annual meeting fixed to be held February 7, 1947 payment on March 31, 1947 of Final Dividend of One Shilling for each One Pound of Ordinary Stock free of British Income Tax upon the issued Ordinary Stock.

Net Profits for the year after deducting all charges and expenses for management, etc., and providing for taxation are £4,975,470 as against £3,578,361 for the previous year. After paying Final Dividend amounting to £1,187,888 and allocating £150,000 to the Employees Benevolent Fund and £400,000 to General Reserve the carry forward will be £3,046,377.

Directors have decided to pay on March 31, 1947 Interim Dividend of One Shilling for each One Pound of Ordinary Stock for the current year on the issued Ordinary Stock of the Company free of British Income Tax.

Transfers received up to February 26, 1947 will be in time to enable transferees to receive dividends.

As regards Bearer Warrants the two above dividends will be paid together against the deposit of one coupon only namely No. 199.

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Labor Relations Crucial in 1947

By MARCUS NADLER*
Professor of Finance, New York University

Dr. Nadler, after recounting errors and lost opportunities of past year, holds business activity during 1947 will be determined largely by labor relations. Says it is fairly certain there will be no serious depression during year and a high level of production will be maintained for several years thereafter. Warns, however, there must be satisfactory wage-price relationship and ability of veterans and others awaiting jobs to obtain them.

The past year was one of lost opportunities and the mistakes made by the government, labor, and management have cost billions of dollars in lost production and in decline of the purchasing power of the dollar. Liquid assets in the hands of individuals and business at the end of 1945 amounted to $221 billions. Since that time the purchasing power of the dollar has decreased by about 17.8%, causing a shrinkage in the purchasing power of the above assets by about $39 millions. Little did those who advocated higher wages and those who strove for higher prices realize what the cost of this policy would be.

Dr. Marcus Nadler

The year 1946 was marked by bitter labor strife, by strikes, by rising prices, by international political complications—in short, by many disappointments with which we are only too familiar. As the year came to an end, however, the skies began to brighten although some new dark clouds of labor troubles began to appear on the horizon. The external political situation is much better than earlier in 1946. Production is increasing rapidly. In many lines the sellers' market is being converted into a buyers' market and a decline in commodity prices has set in.

What about the future? Business activity during 1947 will be determined to a large extent by labor relations. If they are satisfactory, 1947, on the whole, ought to be a good year. Production will be at a high level. Employment and national income will be satisfactory. Competition will be keen and prices of many commodities ought to recede. A moderate recession is quite likely. This always takes place when a sellers' market changes to a buyers' market. When the pipe lines are filled and inventories are large, the buying habits of the consumers undergo changes, and they become more value- and quality-conscious. Failures will be more numerous than during the last four years and many who hopefully started new businesses will be disillusioned but wiser. Business will become more risky.

Attitude of Labor

The principal factor is the attitude of labor. There are reasons to believe, however, that the year 1947 will not witness the wave of strikes from which the economy of the country suffered so much during the first half of 1946. If, on the other hand, labor is unreasonable and we should experience another round of strikes, another round of wage and price increases, then the recession, when it comes, will be more pronounced, will last longer, and losses will be substantial.

Notwithstanding these uncertainties, however, it is fairly certain that there will be no serious depression in 1947, accompanied by large-scale unemployment. This cannot take place so long as the demand for so many goods has not yet been met. The demand for housing, for durable goods and for machinery and equipment from domestic and foreign sources is very great. The supply of liquid assets in the hands of the people, although not evenly distributed, is very substantial. Under these circumstances, therefore, no serious depression can be expected.

If Government officials had taken these facts into account about a year ago, they would not have predicted six to eight million unemployed during 1946. If they had taken into account the huge accumulated demand for all kinds of goods and the supply of liquid assets at the disposal of the people, the Administration would not have exerted such great pressure to raise wages in order to maintain buying power. If Government planning had been sounder, instead of being one of disappointment, the year 1946 could have been one of fulfillment.

Not only does 1947 promise to be a good year but also the next few years in general are bound to be marked by a high level of production, large national income and satisfactory employment. However, it is of the utmost importance that Government, business, and labor take advantage of the period of prosperity in order to prevent a serious depression when the accumulated demands have been met, when the country has to live on its current income and when competition from abroad is bound to be keener.

Problems Ahead

A number of problems press for solution. First, it is absolutely necessary to establish a satisfactory price-wage relationship. This cannot be achieved through a further increase in wages for it would only aggravate the problem. Higher wages would lead to higher prices. Real income, therefore, would not increase. On the contrary, the real income of those whose wages and salaries have not increased would actually decrease. Such a development would lay the foundation for large-scale unemployment and stagnant business activity. Prices are too high and will have to come down if prosperity is to prevail for a long period of time. This can take place primarily through an increase in productivity and of efficiency, thus leading to greater output per man-hour. This is the responsibility of management and labor. The former must be on the constant lookout for new techniques; the latter must learn that high wages are sound only when accompanied by high productivity. The country, as a whole, must learn that the high standard of living enjoyed by the people of the United States is based on high productivity, high wages, and relatively low prices.

A problem that will press for solution in the not distant future is to provide suitable employment for the hundreds of thousands of veterans who have flocked to institutions of higher learning. A grateful nation has made available to many thousands of young men the possibility of a higher education. It is up to us not to disappoint them when they leave the schools. A college or university education opens up to them new vistas of a better life, higher standard of living and better positions. Will there be so many good positions open? If not, what will be the reaction of these young men, many of whom have never held a job or who for five years or more had all their responsibilities met by the Government? Will they be content to take anything that comes along or will they use their political power and become a burden on society? Above all, what will be their social reaction?

The greatest of all problems that must be solved during the prosperous years which lie ahead is to prevent large-scale unemployment. Such a development would not only mean losses to business and suffering to many but also might endanger the economic and political foundation of the country. It is doubtful whether the swings of the business cycle can be eliminated entirely in a system of private enterprise and of free men. However, it is quite possible to remove the peaks and valleys of the business cycle. A great deal has already been accomplished and more and more is being done almost daily. The problem has not yet been solved, however, and until it is, it cannot be said that the danger to our economic and political system has completely disappeared.

A great deal has been learned about the causes of the wide swings of the business cycle. If government, management, and labor approach this problem in a spirit of good will it could be solved, thus assuring for ourselves and the future the benefits of the American heritage.

*Remarks by Dr. Nadler before the Detroit Stock Exchange, Detroit, Mich., Jan. 23, 1947.

Robert Garrett & Sons To Be NYSE Members

BALTIMORE, MD. — Harrison Garrett, partner in Robert Garrett & Sons, Garrett Building, will acquire the New York Stock Exchange membership of the late Elwood P. McEnany and the firm which holds membership on the Baltimore Stock Exchange will become members of the New York Exchange. Other partners in the firm are T. Stockton Matthews, Edward K. Dunn, George D. List, Ralph L. DeGroff, general partners, and Robert Garrett and Johnson Garrett, limited partners.

Drexel & Co. To Admit Steel and Bartow

Drexel & Co., members of the New York Stock Exchange, will admit Walter H. Steel and Clarence W. Bartow to partnership on Feb. 1. Mr. Steel has been in charge of the firm's New York office at 14 Wall Street.

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