Final Edition

ESTABLISHED 1839

In 2 Sections—Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 165 Number 4564 New York, N. Y., Thursday, January 30, 1947 Price 30 Cents a Copy

Orienting International Economic Collaboration

By WILBERT WARD*
Vice-President, National City Bank of New York

Asserting goal of American policy is to augment international trade, give it stability and extend its scope, Mr. Ward enumerates international institutions which U. S. has fostered to this end. Holds International Trade Organization, still to be created, is most important, and endorses its proposed charter and objectives, which are vital to durable peace. Favors abolition of state trading everywhere in favor of private enterprise, and points out whole world is dependent on U. S. economic stability. Holds we must keep tariffs down and permit entry of foreign goods and denounces foreign trade barriers.

Upon the United States, by far the richest country in the world, there rests, in peace as in war, a special responsibility and a special opportunity for economic collaboration with other nations of good will. In war, we recognized this responsibility by the device of Lend-Lease, through which the allied and associated nations were supplied with implements and materials of war valued in excess of $39 billion. In the devastation that followed the war, we recognized this responsibility by contributing $2.7 million to UNRRA, to provide relief from hunger and devastation, to restore tillage and start up the wheels of industry and transportation.

Wilbert Ward

And in the period ahead, we recognize this responsibility to establish the economic foundation of a durable peace. We entered the war with the high resolve that out of it such a peace should come. Even while we were planning and executing the miracle of production which was to win the war, we were drafting the design of a peaceful after-world. The design was grandiose—as it must be if

(Continued on page 664)

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

No Depression Now —But Perhaps Later

By THOMAS L. NORTON*
Dean, School of Business and Civic Administration, The City College, New York

Dean Norton points out readjustments from a war to a peace economy may extend over long period and that we cannot ignore possibility of a long-run readjustment even if we successfully meet present situation. Sees further price readjustments and possible improvement in industrial efficiency, but warns a "new era" psychology may blind us to danger signals ahead. Stresses importance of cooperation between labor and management.

I assume some of us are thinking of the word "depression" in connection with 1947 and 1948. But past history discloses that the readjustments from a wartime economy may not finally be made until a decade after the cessation of hostilities. The experience of the last world war, and of certain previous wars was characterized, by the continuation for a brief period of a war-time boom, followed by a short-lived setback with some deflation. Then a lengthy period of prosperity was enjoyed only to terminate in a prolonged decline. It would appear that the economy experienced an early jolt, from which the patient quickly re-

Dean T. L. Norton

(Continued on page 676)

*An address by Dean Norton at a panel discussion held by International Ladies Garment Workers Union, New York City, Jan. 18, 1947.

Consumer Credit—A Look Ahead

By WILLIAM F. KELLY*
Vice-President, The Pennsylvania Company, Philadelphia

Mr. Roberts criticizes "Nathan Report" as using abnormal years as which he holds, will follow pattern of prewar period. Says individual loans will be bigger and total volume will be enough for both banks and finance companies. Holds gross return on this business will be lower than prior to war, since interest rates are lower and operating expenses higher. Urges banks build up loss reserves and refrain from cut-throat competition. Warns recent heavy increase in personal instalment loans indicates large segment of public is overspending and advises close inspection of credits granted.

I think we can take a pretty good look into the immediate future of consumer credit without using the usual crystal ball. Consumer credit is far from being a new business—except for banks—and like most businesses, its future can be plotted out pretty accurately by an intelligent and thorough study of past experience. I think, however, that we will have to look a good way back in order to find the kind of experience that is meaningful. The period since 1940 developed experience very different from that of the pre-1940 period. In the 10 years preceding 1940 we had a few years of generally good economic conditions and several bad years. As a consequence, the period was normal in the sense that the business was subjected to enough fluctuation to enable us to judge about what we could expect under varying conditions. The 1940-1946 period will probably be known as the "honeymoon" period for banks who were entering the field in numbers at that time. Experience of every one in the consumer credit business during this period was uniformly perfect, and banks particularly benefited. In my opinion, and I think most people in the instalment finance business share it, experience since 1940 is of no value whatever as a guide to the future, it certainly will not be of value as far as

William F. Kelly

(Continued on page 656)

*An address by Mr. Kelly at the mid-winter meeting of the New York State Bankers Association, New York City, Jan. 20, 1947.

As We See It

EDITORIAL

The Price Could Be Too High

It begins to appear that labor leaders, learning perhaps from the Lewis tactics last year, are more than ordinarily reluctant to call strikes—or at least that they are more than ordinarily intent upon giving the impression that they will call strikes, if call them they do, only as a last resort. As contrasted with a year ago, a good deal of their wonted arrogance seems to be missing at this time. If actions taken last week in the steel and motor industries suggest that the epidemic of strikes which had been feared will not develop during the first half of this year or will be of a far milder and less explosive nature, that much is to be put down on the profit side of the ledger. There can be no doubt that American industry needs, and badly needs, at least a year of uninterrupted, smooth production. Such a period would have potentialities not very many fully appreciate, we suspect.

Yet it would be quite possible to pay too high a price for even this blessing. The doctrine that higher and ever higher wages are necessary to provide purchasing power to sustain prosperity is, of course, dangerous nonsense. Pushed to its logical conclusion, as most labor leaders and some others in positions of apparent influence would push it, such a program could hardly fail to do precisely the opposite of what is claimed for it. By channeling more and more of the benefit of technological and other production progress to limited groups in the population—which usually have no part in achieving it—such an idea if put into practice would inevitably limit progress, shorten the life of prosperity, and inaugurate conditions of stagnation akin to those now apparently existing in Britain.

Too High A Price

By and large, profits appear to be rather good in indus-

(Continued on page 648)

From Washington Ahead of the News

By CARLISLE BARGERON

One of the most serious problems which the Senate fashioners of labor legislation are encountering is the *fait accompli* of the Wagner Act in turning the country's workers over to the union bosses. They no longer, generally speaking, consider themselves the employees of the company. That's where the money comes from but the man whom they must get along with its the union boss. It is this fellow who tells them when and if they can work. The worker is far more concerned about living up to union rules than those of the shop.

In the Horatio Alger days, the thing to do was to marry the employer's daughter or to lie in wait until the opportunity arose to save her from a runaway horse. These are services which the bright and ambitious young man nowadays will more profitably render the union boss' daughter.

Carlisle Bargeron

A young waitress in a cocktail room was telling us recently that while her fellow workers were always remarking about her behind her back they nevertheless stepped gingerly in her presence because she was the favorite of the union lear. We asked her if she wouldn't consider it more important if she were the favorite of the headwaiter or the manager, perhaps. She considered that ridiculous. They had nothing to do with her employment or promotion, she said.

This was the situation in an establishment employing no more than 20 people. It is true to an amazing degree in large plants, in mass industry, throughout the country. The employer has come to be something far apart. In the worker's mind he doesn't exist, and in turn, many a manager has given up the struggle to maintain a personal relationship with the employee. He has come to look upon the workers as so many commodities. He needs a hundred workers. He calls upon the union

(Continued on page 669)

GENERAL CONTENTS

Editorial

	Page
As We See It	645

Regular Features

From Washington Ahead of the News	645
Moody's Bond Prices and Yields	672
Trading on New York Exchanges	673
NYSE Odd-Lot Trading	673
Items About Banks and Trust Cos.	652

State of Trade

General Review	647
Commodity Prices, Domestic Index	a
Weekly Carloadings	675
Weekly Engineering Construction	a
Paperboard Industry Statistics	675
Weekly Lumber Movement	672
Fertilizer Association Price Index	673
Weekly Coal and Coke Output	673
Weekly Steel Review	669
Moody's Daily Commodity Index	672
Weekly Crude Oil Production	674
Non-Ferrous Metals Market	674
Weekly Electric Output	672
U. S. Savings Bonds Issued and Redeemed to Dec. 31, 1946	672
Condition of National Banks as of Sept. 30, 1946	*582
Agricultural Crop Report as of Dec. 1	*583
Cotton Crop Report as of Nov. 1	*584

a Not available this week.
*These items appeared in our issue of Jan. 27, on pages indicated.

A Republican Program For Europe

By JOHN FOSTER DULLES*

U. S. Delegate to recent Session, UN General Assembly

Republican adviser, citing Soviet national expansion which has continued since its start "under the cover of deals with Hitler," urges United States take lead in economically unifying Western Europe. Warning we must now "put up or shut up," he declares the bases of Germany's industrial economy, "the natural economic heart of Western Europe," must be placed under joint control in a kind of Federal-State structure.

Mr. Dulles has stated that Senator Vandenberg and Governor Dewey "have expressed concurrence in the thesis the speech presents" and that it was also shown to Senator Taft and former Secretary Byrnes.

Subsequently it was condemned in "Pravda," Communist party newspaper, which—according to an Associated Press Dispatch quoted in the New York "Times" Jan. 20—termed it "cheap, slanderous phrases hostile to the Soviet Union," and continued: "the chief cause of Dulles' wrath is that the General Assembly unanimously advocated a general arms reduction regulation. Apparently such a course doesn't correspond with the plans of Dulles and those monopolistic circles whose interests he represents." In "Pravda" of Jan. 26 Mr. Dulles' proposals were termed a copy of Mr. Churchill's "notorious" ones; and that Russia is not interested in a renaissance of German imperialism."—EDITOR.

In accordance with what now is New Year's custom, we welcome a new Secretary of State. In January, 1944, Secretary Hull held that office; in January, 1945, it was Secretary Stettinius; in January, 1946, it was Secretary Byrnes; now in January, 1947, we have Secretary Marshall. I first pay tribute to our retiring Secretary of State. Mr. Byrnes, at personal risk, gallantly carried a heavy burden. His patient determination during a critical period served this nation well. It is unfortunate that he could not carry on. Since he could not, it is fortunate that his successor is one whose ability and character have won for him the respect not only of the American people, but of the peoples of all the United Nations. We can hope that his great talents which helped to fashion victory will now equally help to fashion a just and durable peace.

John F. Dulles

Republicans do not yet have title to Federal appointive office. That gives them at least the advantage of continuity. It may, therefore, be appropriate for a Republican, who had the privilege of close cooperation with the three

(Continued on page 654)

*An address by Mr. Dulles at the National Publishers Association dinner, New York City, Jan. 17, 1947.

Meaning of Economic Liberalism

By FELIX MORLEY*

Editor, "Human Events"

Mr. Morley asserts doctrine of Economic Liberalism has two sides: (1) every extension of state authority should be viewed with suspicion and opposed on principle; and (2) it places on every individual a responsibility commensurate with his power. This implies government should not give disproportionate power to labor or any other interest. Calls Wagner Act "illiberal" because it makes unionism monopolistic, and urges closed shop should be permitted, but not be legally mandatory.

Unless I can give a wholly reasonable and generally acceptable definition of "Economic Liberalism" my remarks will only be a handicap to the distinguished analysts who follow. But if my definition is adequate the result will be helpful. There will be a "framework," as the program suggests, "for straight thinking about wage determination."

Felix Morley

A Politically Managed Vocabulary Must Be Avoided

Fortunately, we are becoming increasingly conscious of the importance of precision and accuracy in the use of words. At a time when old arrangements have been shattered and new ones are not yet formed, it is essential to realize that words are our only medium of exchange for ideas. To debase our verbal currency is necessarily to substitute confusion for order in both political and economic activities. Of late years, governments everywhere have introduced what is called a "managed currency." At the moment nothing can be done about that. But we can and should resolutely oppose the introduction of a politically managed vocabulary.

A current example will help to make the point. The word "conscription" is a good, straightforward noun, meaning an act of compulsion exercised by the State on the individual, usually but not necessarily for military service. Precisely because conscription implies governmental compulsion it has a disagreeable ring to American ears. So when the Administration seeks to introduce permanent peacetime conscription somebody decides, a little too cleverly, to disguise the process under the mellifluous expression: "universal training." The adjective is spacious and the noun is agreeable. But it is stiff going to explain just

(Continued on page 659)

*An address by Mr. Morley before the Economic Institute of U. S. Chamber of Commerce, Washington, Jan. 11, 1947.

Portal Suits Entail Bankruptcy, Commerce Under-Secretary Warns

Foster tells Senate Judiciary Committee that even if full claims are not allowed, many firms will be bankrupted. Official recommends that Congress (1) protect industry to furnish employment; (2) not impair operation of Fair Labor Standards Act; and (3) make definitive agreements which were made in good faith.

Appearing before the Senate Judiciary Committee Jan. 22 to discuss portal pay suit effects Under-Secretary of Commerce William Chapman Foster warned that, even if the full amounts claimed were not allowed, "the financial loss man be more than many companies can bear." At the same time he expressed the opinion that in most cases the amounts claimed would be found entirely unreasonable by the courts. Furthermore he made definite recommendations for Congressional policy in disposing of the matter contained in his statement, which follows in full.

Statement of Under-Secretary Foster

"The Department of Commerce, pursuant to its responsibility to promote commerce and industry, has been deeply concerned over the large amount of litigation which has followed the decision of the Supreme Court in the Mount Clemens Pottery Co. case.

"Leaders in the business community have come to the Department to express their alarm over the impact of this litigation on the industry of the country. They have pointed out that whatever may be the final outcome of an extended review by the courts of all these suits, the business firms affected will be placed in a position of grave financial uncertainty, with the result that their plans for vigorous expansion will have to be held in abeyance. Although estimates of liability are admittedly difficult, many firms may even be forced out of business, so great is the liability threatened against them.

"An excellent expression of the view of business is that contained in a statement approved by a committee of the Business Advisory Council of the Department of Commerce. The Council, at the suggestion of Secretary Harriman appointed a committee to investigate this problem. The committee (on Jan. 14) provided a report on the subject which I am now filing with your committee. The Department has taken into account this statement and the proposals in it in preparing its own views for presentation to your committee.

Accurate Forecasts of Earnings Impossible

"When this matter first arose, the Department's staffs were requested to make an effort to determine the probable extent of the liability which might accrue from the Mount Clemens Case. It soon became apparent that it was not possible to make any reasonably accurate estimate. In the first place, certain important aspects of the Mount Clemens Case are still undecided. It is clear also that most of the suits are filed for a figure far beyond the highest anticipations of recovery by the employees. It seems inevitable that when such suits are subjected to the careful scrutiny of the courts the sum put forth in many of them will appear entirely unreasonable.

"Even if the doctrine of the Mount Clemens Case is carried to its conclusion in all pending suits the amount of the liability in the suits already filed would be substantially less than the face value of the suits, which now go to more than $5 billion. However, even if the amount of money actually required to be paid by the courts is very much smaller, the financial loss may be more than many companies can bear. Most of the suits at present are concentrated in the metal-producing and metal-fabricating industries and will particularly injure firms in this field. If the current trend continues suits will have been filed against American industry in a fantastic amount.

Inordinate Claims in Aircraft Industry

"The aircraft industry for which the Department has a special responsibility has already told the committee that the suits against it amount to more than its present total net worth. It is easy to understand, under these circumstances, the deep concern of the business community and of the Department of Commerce that great damage may be done to our economy.

Some Liability Recoverable From Government

"As already indicated in the testimony of other departments some of the liability under these suits may be recoverable from the Federal Government by adjustment on contract payments, taxes and otherwise. Such recovery, however, would be at best tedious and uncertain. Any remedy considered by Congress should have as a first principle the proposition that the ability of industry to proceed with production, expansion and increased employment should be protected to the maximum.

"The gravest part of the whole problem is the uncertainty of the extent of liability on the employer as well as the uncertainty of the amounts which the Government might consider recoverable from it. This uncertainty makes far-sighted, courageous business planning very difficult in the affected industries.

"It would not help business much if legislation were passed which, because of doubtful constitutionality, created another long period of litigation and accruing liability.

Fair Labor Act Should Be Preserved

"Generally speaking, American industry has accepted the provisions of the Fair Labor Standards Act as providing proper and equitable protection to employees against sweatshop pay and overlong hours of work. It would be certainly most undesirable to impair the operation of the Act as a result of the present suits. Most employers have found that the Act serves to protect their standards against the competition of a few who could otherwise try to compete by hiring labor at unfair labor standards.

"It is to the advantage of employers in given industries to be assured in the future that employers pursue the same general practice in defining the work which shall be paid for such a condition makes it possible to set work time and work rates on a sound and comparable basis between competitive establishments and make sure that the high standards of most American industries are protected.

"It is thus fairly simple to outline the problem presented by those cases. It is a good deal more difficult to suggest a working solution.

Employer-Employee Agreements Must Be Preserved

"It is the view of the Department of Commerce that the solution of the problem of the large amount of past liability which is claimed must be worked out by regarding as definitive those agreements which have been worked out in good faith between employer and employee. Businessmen have indicated to the department that when they worked out employment agreements the rates of pay which were set were regarded as compensating the employee for all work done for the employer's benefit. They feel that it is unfair that they now be asked to pay again for part of this work. It may well be that this contention is justified in many cases and where this is so, the businessmen should be protected.

Other Necessary Steps

"Certain other steps will be necessary to clear up the confused situation which presently exists. Steps should be taken to authorize the settlement of past liabilities under appropriate safeguards. A reasonable uniform statute of limitations is also highly desirable. In order to prevent a similar situation from arising in the future, the Administrator should be given power to issue authoritative definitions of the general terms used in the statute, so that employers complying with his definitions will be protected from liability during the period such rulings are in effect."

Addit'l Credits to Finland

William McChesney Martin, Jr., Chairman of the Board of Directors, announced on Jan. 22 that the Export-Import Bank has authorized a credit of $20,00,000 to the Republic of Finland for the purchase of United States machinery, equipment, and materials required for the recovery of export production in the lumber, pulp, and paper industry. Repayment of the loan will begin in 1954 and will be completed by the end of 1958.

Mr. Martin also announced the approval by the Bank of a short-term credit of $10,000,000 to Finland, which will be repaid before the end of 1947, to permit the continuation of purchases of essential foodstuffs from the United States during the winter decline in Finland's foreign exchange receipts, and of an additional short-term credit of $2,000,000 for financing shipments of cotton to Finland.

Mr. Martin stated that the Bank is also advising the Finnish Government of its readiness to participate with United States suppliers in financing the sale of selected industrial commodities to Finland. The Bank's share in credits of this type is set at $5,-000,000, subject to the approval of specific applications from American exporters.

In making these announcements the Export-Import Bank said:

"These new credits follow the extension by the Bank to Finland of a cotton credit of $5,000,000 in December, 1945 and a long-term general credit of $35,000,000 in January, 1946 for financing the purchase in the United States of urgently-needed materials, equipment, and services. It was indicated at the time that Finland would need to request additional cerdits to reestablish its foreign trade on a self-sustaining basis, and it is expected that the loans now authorized, together with some financial assistance from other sources, will enable Finland to achieve this objective."

Air Delegation Head

Announcement was made of the appointment of Glen A. Gilbert, consultant to the Administrator of the Civil Aeronautics Administration, as head of the United States delegation to the South Pacific Regional Air Navigation meeting of the Provisional International Aviation Organization, convening at Melbourne, Australia, Feb. 4. The dispatch from Washington to the New York "Times" added that Capt. A. S. Heyward would be alternate.

Freedom of Enterprise —Slogan or Reality?

By RAYMOND E. NORTH*

Executive Vice-President, M. Lowenstein & Sons, Inc.

Pointing out "there should be no monopoly of capital, of labor or of government in business," Mr. North recommends: (1) restoration of individual incentive by revamping tax structure; (2) reduction in government spending; (3) revision of Federal labor laws; and (4) halt in spiraling of costs and prices. Says first step toward balanced economy is increased worker productivity without pay increases. Holds freedom of enterprise, in sense of equal opportunity and justice, has not existed in U. S. for fifty years.

There exist in the world today two basic economic and political philosophies which are violently opposed to each other. One of these hold that the state should operate the economy under a dictatorship of the minority. The other provides for freedom of enterprise under a representative government. Russia is the champion of the one and America the champion of the other. While it is posible that each may exist at the same time in different countries only one may exist at one time in one country. In this land the people overwhelmingly demand free institutions and individual liberty. Our system has achieved the highest standard of living known to any people. The products of both farm and factory have been more widely and equitably distributed than in any other country. The American public regards as simple necessities many things which would be luxuries in other parts of the world.

Raymond E. North

It is not a mere coincidence that in this land the Four Freedoms are deeply rooted. Freedom for the normal functioning of economic forces is the foundation for and is essential to the existence of freedom of speech, of religion, freedom from want and from fear. Wherever free enterprise has been denied there also have been denied the other four freedoms. In each of the three most conspicuous cases of modern times the economic and social system which denied freedom of enterprise also enslaved the people to the state. The Italian Fascist Mussolini, the German Nazi Hitler and the Russian Communist Stalin all offered security and order under a state-operated industry but this they accomplished, if they did succeed, by the force of the machine gun and the concentration camp. We

(Continued on page 658)

*An address by Mr. North before Maryland Association of Certified Public Accountants, Baltimore, Md., Jan. 14, 1947.

America, Rediscovered

By ALF M. LANDON*

Former Governor of Kansas

One-time Republican Party Presidential nominee stresses the colossal war waged by U. S. as greater than that of any other nation and says we should know our strength and assume responsibilities that go with it. Urges wisdom, not possession or prejudice, be keystone of our conduct in foreign affairs. In domestic affairs, sees a restoration in balance of political power and says if sound course is taken, we can be spared burden of unsold inventories, unemployed labor, and inflation.

I want to talk to you about "America, Rediscovered." I hope to show you that not only the future of our country but the future peace of the world depends on Americans rediscovering America!

Alf M. Landon

The origins of my message date back to mid-way in the war when we were being assured by press, radio and magazine, by speech, song and ode, that mighty Russia was winning the war single-handedly. Unless you sang the praises of the Red Army, unless you memorialized the heros of Stalingrad, you were not in step. I kept thinking that this was Russia's portion of glory in the war and that ours would be next. I did not then, and I do not now, want to detract one iota from the part that the Soviet Union played. But I began listening then and I am still listening now for those same organ peans of praise for the gigantic part that our beloved nation played.

Let's take a look at the record. The fact is that the United States waged a war so colossal, so stupendously greater than that by any other nation that it is beyond our comprehension.

Where Russia fought on a two-thousand mile front and a mere pond called the Baltic Sea—where Britain guarded a coast of eight hundred miles and a life line through the Mediterranean and the Indian Ocean ten thousand miles long—the United States waged war on seven oceans, every sea, and on scores of fronts that totaled not two, but tens of thousands of miles. Our invasions of Jap-held islands alone were military feats heretofore never dreamed of. The invasion of Europe by British and American forces combined was a titanic operation which even the military mind still has difficulty grasping. The world has never seen the equal of the military achievements and military resources of our great and glorious Republic.

From a production standpoint the job done by American industry single-handedly, almost defies the imagination. Consider:

U. S. War Accomplishments

Between 1940 and 1945, this country produced 294,000 fighting

(Continued on page 668)

*An address by Mr. Landon at annual banquet of Junior Chamber of Commerce, Minneapolis, Minn., Jan. 14, 1947.

RFC Loan Plan Reverts To Old System

The "blanket participation agreement" program, under which the Reconstruction Finance Corporation has been guaranteeing up to 75% bank loans to industry without examining the loan applications is to be discontinued, the Agency announced, according to Washington Associated Press advices Jan. 19 which said that the RFC will, however, continue to guarantee up to 75% of bank loans of $100,000 or less through a "deferred participation agreement" program started in 1934. It is added: "Under this plan the RFC examines loans before guaranteeing them.

"The 'blanket participation' program was launched last March to 'assist in the reconversion of industry to a peacetime basis.' It expired by its own terms, but there had been uncertainty whether the RFC might renew it."

Netherlands Banks Form N. Y. Investment Concern

Three of the leading banking institutions of the Netherlands—Pierson & Co., The Nederlandsche Handel-Maatschappij N.V. (Netherlands Trading Society), and N.V. Commissie-En Handelsbank—announced on Jan. 27 the formation of Amsterdam Overseas Corp. under the stock corporation law of the State of New York, with offices at 52 Wall Street and with a subscribed paid-up capital of $3,000,000. The advices regarding its organization state:

"The company, which will not do a banking business, intends to engage, either alone or with others, in financing commercial transactions in this country and to make investments for its own account. There will be particular emphasis on such transactions and investments as will foster the development of industrial, financial and commercial relations between this country, the Netherlands and other countries. The company will act not only as a principal but also as agent to others in such dealings."

The present directors of the company are A. Andriesse, New York, formerly a partner of Pierson & Co.; A. D. Bestebreurtje, President of the Netherlands Chamber of Commerce in New York, and G. Peter Fleck, also of this city, who, as a director of N.V. Commissie-En Handelsbank, represents Netherlands and French financial interests in this country. Mr. Fleck also will serve as President of the company.

Redeem Oslo Bonds

The City of Oslo, Norway, has notified Kuhn, Loeb & Co., fiscal agents of the city's 19-year 4½% sinking fund external loan bonds municipal external loan of 1936 due April 1, 1955, that the sinking fund requirements for the semi-annual periods from April 1, 1941 to Oct. 1, 1946, inclusive, will be satisfied by the redemption on March 1, 1947 of $2,292,000 principal amount of bonds. The bonds will be drawn by lot and will be redeemed at their principal amount and accrued interest to March 1, 1947.

Norway Bonds

Holders of 20-year 4½% sinking fund external loan coupon bonds due March 1, 1956, of the Kingdom of Norway are being notified that $515,000 principal amount of these bonds have been called for redemption through the sinking fund on March 1, 1947, at par. The bonds will be redeemed at the head office of The National City Bank of New York.

The State of Trade

The results of discussions the past week on the management-labor front relative to wage negotiations in the steel industry augur well for business and industry in the first half of 1947. In the words of the United States Steel Corp. the agreement reached "constitutes a constructive step forward which should be helpful in improving future relations between the employers and employees." Walter Reuther, President of the United Auto Workers, CIO on Saturday said his union would review this week the steelworkers' decision to extend existing contracts.

The prospects for industrial peace are greatly improved by the steel union's action and should the United Auto Workers take the same step in extending their contract, production in the months ahead should have a comparatively free rein which will supply a fillip to our much abused economy. These decisions will undoubtedly set the pattern for most management-labor problems in the near future and have a salutary effect as well in the settlement of such disputes.

The conferences last week between Big steel and the steel union resulted in job reclassifications entailing $32,000,000 in back pay and wage increases of about $17,000,000 annually.

The new job list ended two years of work by a joint corporation-union committee and establishes a standard hourly wage scale to replace a hodge-podge of 45,000 to 50,000 job titles.

Wage increases will vary from one cent an hour to 29 cents with some workmen receiving as much as $1,800 in back pay, according to union estimates.

The new wage rates, which go into effect the first payday after Feb. 1, wipe out wage-rate inequities within plants, between plants and among subsidiaries of United States Steel.

The existing wage contract already has been extended to April 30, whereas the contract normally would have expired on February 15. With no exact figures available for the entire steel industry, Mr. Murray, Steel Workers, President estimated that back pay would approximate $100,000,000 and annual wage increases would amount close to $50,000,000 when all studies were completed.

On the production front total output in the week continued to show an upward trend, being very close to a peace-time peak level. A shop rise in continued unemployment compensation claims and initial claims was noted in the week ended January 11. Much of this rise represented a carry-over from the preceding holiday-shortened week. Total claims were up almost 17% and initial claims by more than 30%.

In the automotive industry production of passenger cars and trucks in the United States and Canada moved up to an estimated 94,345 units this week, compared with 75,166 in the previous week, according to Ward's Automotive Reports.

In the corresponding period of 1946, output was 29,410 units and 121,948 in 1941. A breakdown of the current week's figure is 64,889 automobiles and 24,481 commercial vehicles produced in this country and 1,600 and 3,395 in Canada.

Retail volume declined slightly in the week but remained moderately above that of the corresponding week a year ago. Many shoppers shunned high priced goods, centering their attention upon staple commodities and durable goods. Electrical appliances and home furnishings were frequently reported to be among the best sellers.

Wholesale volume on the other hand was perceptibly above that of the preceding week and it continued to be well above that of the corresponding week a year ago.

Caution and the insistence upon suitable quality at an acceptable price were characteristic of the attitude of many buyers.

Steel Industry — Through the medium of preliminary or "informal" contacts between management and labor representatives, major outlines for the steel wage negotiations were settled and a definite course of action was agreed upon the past week, according to "The Iron Age," national metalworking paper.

The most that remained for U. S. Steel representatives and USWA heads when they met later in the week was to get down to brass tacks, do a little shadow-boxing for public consumption and determine how much each could give on the wage demand without losing their respective positions in the eyes of the public, the stockholders and steel labor. It was the belief that the postponement of the negotiations originally scheduled for the previous week between the U. S. Steel Corp. and the union was in part due to the desire of both parties to study further their respective approaches on the question of portal-to-portal pay, the magazine pointed out.

The union's purpose in instituting these suits was for them to serve as a bargaining tool, while management, on the other hand, was anxious for a legal definition of what constitutes "walking time," as well as valid legislative action which it hopes will establish a clear-cut course for future action, the trade paper observed.

In lieu of a militant and stubborn insistance on a substantial wage increase, the steel union was expected to place considerable emphasis on such demands as portal-to-portal pay provisions, increased retirement benefits and an annual wage formula. It seemed likely last week that after the clearing away of smoke from contract negotiations, the steel union will have obtained some definite setup on a health and welfare program.

Indicating the speed with which the steel industry hopes to pare down some of its unwieldy order backlog, the ingot rate the past week advanced to a new postwar high of 92% of capacity, up a half a point from last week. If this level could be maintained throughout the year, ingot output on an annual basis would approximate 84 million tons. If such a rate is approached for no more than 4 to 6 months almost all of the unusual tightness in steel supplies will disappear and the supply and demand situation would take on a normal appearance, states "The Iron Age."

Possibly reflecting the optimism over the labor outlook and the subsequent chance for uninterrupted steel production, the scrap market has again exhibited a stronger tendency with higher quotations already appearing in the Cleveland area. At mid-week fresh buying in some of the other areas had dried up and brokers were finding difficulty in covering at the current quotations. Further clarification of market prices was expected sometimes later in the week, the magazine reported.

Steel firms last week reported no easing in the volume of inquires from their customers. Such was the demand that practically any mill could fill its books throughout the entire year and in

(Continued on page 671)

As We See It

(Continued from first page)

try generally at the present time. It may be that a moderate increase in wages could be absorbed by most enterprises without eliminating profit, or reducing it to a point of real danger, that is, of course, assuming that full volume sales can be maintained at about existing prices. It is conceivable even that, with full, smooth, efficient mass production, prices could be somewhat reduced at the same time that wages are increased. To those who wish or can be persuaded to look no farther ahead than this year, such statements as these may appear to concede the claims of the Nathans, the Bowles, the Murrays, the Reuthers, and the others who are of the same school. They do nothing of the sort, as a matter of fact.

It scarcely requires the gift of prophecy to perceive that the mass of consumers dependent upon agriculture cannot hope very much longer to keep their income at recent levels, to say nothing of increasing it. It is true, of course, that they, of all elements in the population, have most prospered during the war and in the first postwar year or somewhat longer. But that this is a highly abnormal and of necessity temporary situation is clear and admitted by all. It moreover is in part due to assistance from the Federal Government which the American people cannot afford to continue indefinitely. It is a safe guess—indeed, it is no guess at all—that the farmers of this country are presently going to need the lower prices of industrial products to which they, along with the rest of the public, are entitled as productive processes improve, and if they do not get them the volume of their purchases of the goods and services of non-agricultural industries will be accordingly reduced.

Other Sufferers

There are likewise other masses of consumers who have not benefited by the importunities of organized labor, and who will not benefit in the future. Indeed many of them lose about as much as organized labor gains. The so-called rentier class—that is those who must eke out an existence from the interest on small savings accumulated in past years—have no way to cause their income to rise in periods of inflation. Under such conditions as the more aggressive unions would impose at present millions of men and women in business for themselves would find their income sharply reduced or rigidly limited. Professional elements in the population, salaried employees, particularly, perhaps in the service of government, and a host of others would find themselves under the necessity of curtailing their purchases. Neither subsidies nor special concessions to favored groups offer a solid foundation for abiding prosperity.

But in still another way success on the part of labor leaders in lulling the general public into forgetfulness could and probably would be excessively expensive. We have in this country a legislatively nurtured, if not a legislatively created, labor monopoly, which is very costly and very dangerous. It will remain costly and dangerous so long as it exists. The legislation which brought this situation into being is part and parcel of the New Deal labor pampering. It must be expunged from the statute books. If improved labor relations, or at least a change in the situation which for the time being seems to promise freedom from crippling strikes, causes us to forget or neglect this duty of going to work in the halls of Congress to correct a deep-seated evil, peace will be bought at a high price indeed.

Labor leaders doubtless are as well aware as any one else of the fact that the public had become pretty weary of the tactics of the unions, and was much in the mood for legislative action. What will happen to that mood should the months of this year be relatively free of the sort of strife which so marred the first half of last year, it would be difficult to say. Most of the programs which have come forward as a result of the disgust with the attitudes of the unions are, to be candid about it, of doubtful worth. They head in the wrong direction—toward more government interference, more government control, more government management. It would be just as well if these particular projects did not come to fruition, but the determination to remedy a situation which has been legislatively caused can be permitted to weaken only at the risk of heavy cost at some later date.

Constructive Action Needed

If a period relative calm on the labor front could be utilized for the development of some careful and realistic thought about the situation as it now exists, and about the natural and indeed the only effective remedies, so much the better. The real evil is that employers, usually forbidden by law to come to any collusive agreement with their workmen, must sit at the bargaining table with individuals who hold absolute control not only of all present employees but, for practical purposes, of all workmen who might possibly otherwise be persuaded to compete with such employees. The American public has repeatedly and rightly insisted that it did not want and would not tolerate similar monopoly in industry. It must now be as insistent that such a condition not exist among the workmen of the country.

Such a course would, obviously, require drastic changes in the laws as they now stand on the books. It is, of course, certain that it would be denounced as roundly as some of the other proposals of the day. That, however, must not deter us. Nor must we permit ourselves to be lulled into a false sense of security.

Plans for Resumption Of Rubber Trading

Preliminary to resumption of rubber futures trading Commodity Exchange, Inc. put in process on Jan. 16 several revisions of its pre-war rubber contract. Trading in rubber futures was suspended Feb. 6, 1942, for the duration of the war. Exchange officials said restoration of a free market in the commodity would follow abandonment by the Government of the RFC mass rubber buying program, which is now scheduled for March 31. At a special meeting of the Exchange membership, proposed changes in the rubber contract were discussed and a revised contract approved for submission to membership for balloting Jan. 21. The advices of the Exchange on Jan. 16 said:

"No. 1 ribbed smoked sheets of natural rubber is made base grade in the revised contract in place of No. 1X grade. The latter grade is made tenderable against contracts at a premium of five points and two other grades are made tenderable at discounts of 50 points for No. 2 ribbed smoked sheets and 100 points for No. 3. Another amendment to the pre-war rubber contract adds the ports of Boston, Norfolk, Philadelphia and Baltimore to New York as delivery points and 'barebacks,' or unwrapped packages of smoked sheets, are made deliverable as well as the pre-war bales and cases.

"When rubber futures trading on the exchange is restored, it will be conducted in the current month and the 14 succeeding months, or 15 deliveries in all against 12 in the pre-war contract, according to the proposed revisions."

Results of NYSE Inquiry On Margin Accounts

In an announcement dated Jan. 23, the New York Stock Exchange stated that member firms of the Exchange have reported, in response to the Exchange's questionnaire distributed under date of Dec. 10 at the suggestion of the Federal Reserve Board, that, "as of Dec. 31, they were carrying 56,131 open margin accounts in securities for customers. A total of 297 firms carrying accounts reported." The advices of the Exchange on Jan. 23 added:

"At the end of June, 1946, 287 firms carrying customers' margin accounts in securities reported 74,265 such accounts. As of June, 1945, there were 137,752 accounts reported by 282 firms. The only preceding comparable figures are for Nov. 30, 1938, when member firms reported 256,504 accounts."

The notice sent to Member Firms of the Exchange on Dec. 10 by Edward C. Gray, Director of the Department of Member Firms of the Exchange, appeared in our issue of Dec. 19, page 3248.

Our Federal Finances

Secretary of Treasury, John W. Snyder, says transition to peacetime economy is still not complete and upward pressures on prices persist. In this economic environment, he recommends Federal Government should make every effort to balance budget and retain present high taxes. Envisages aim to reduce public debt, but denies it burdens the national economy. Upholds pattern of low interest rates and U. S. policy of foreign financial aid and cooperation.

Secretary of the Treasury, John W. Snyder, submitted to the Congress on Jan. 10, his annual report on the state of the finances for the fiscal year ended June 30, 1946. As during most of this period, Fred M. Vinson, now Chief Justice of the United States, was Secretary of the Treasury, Secretary Snyder limited his own discussion primarily to present and prospective conditions in the introductory portion of the report, the text of which is as follows:

John W. Snyder

Treasury Department,
Washington, D. C.
Jan. 10, 1947.

Sir: I have the honor to make the following report on the finances of the Federal Government for the fiscal year ended June 30, 1946.

Fiscal Policy

Employment and production are both at high levels at the present time, but the transition to a peacetime economy is not yet complete. While the output of most types of finished goods is now high, that of other types is still low relative to demand. The output of these types of goods, such as automobiles, electric refrigerators, and sewing machines, will continue to increase as the pipe lines of production and distribution are filled and shortages of component parts no longer interfere with the smooth flow of the productive process. As a consequence of the time required to attain volume production of some types of goods and of the short time which has elapsed since the end of the war, there is still a substantial backlog of unsatisfied consumer demand for many types of goods and services; and upward pressures on prices persist in many areas of the economy.

In the present economic environment, the Federal Government should make every effort, not only to attain a balanced budget, but also to achieve a substantial surplus of taxes over expenditures, and so to reduce the public debt. This requires both the maintenance of a high level of taxes and the utmost economy in Government expenditure consistent with national security and with an adequate level of Government services at home. The President's Budget Message reflects a determination to achieve both of these objectives.

I recognize, of course, that present tax rates are high. I am anxious that these rates be reduced as rapidly as possible. But, I believe that, under present circumstances, first priority must be

(Continued on page 658)

What's Coming in Labor Legislation?

By DONALD R. RICHBERG*

Strongly urging "compulsory," "punitive" and "drastic" labor legislation to curb labor unions, former Director of defunct National Recovery Administration contends unless action is taken we shall be driven into a political and even a civil war. Advocates as chief objectives of new legislation: (1) require both employers and employees to use peaceful procedure before taking aggressive action; (2) apply monopoly laws to unions; and (3) make labor unions and leaders responsible to public. Holds monopolies and physical violence of unions constitute menace to civil liberties. In Washington address Mr. Richberg urges compulsory arbitration of industry-wide controversies.

The 80th Congress is all set to enact some new labor laws which will be denounced by most labor leaders as "compulsory," "punitive" and "drastic."

Donald R. Richberg

Any legislation that was not violently opposed by labor politicians, in and out of the unions, would not meet the urgent needs of the day. Workers everywhere, not only farmers, independent businessmen, professionals, and other unorganized workers, but also the masses of organized workers need and are demanding the protection of the government against the labor monopolies and tyrannies that have been oppressing them.

It will take a "compulsory" law to compel labor bullies like John L. Lewis, to stop attempting, at regular intervals, to freeze or starve the people of the United States into submitting to their arbitrary demands.

It will take a "drastic" law to end the power of a few thousand transportation workers to shut down the industries and imperil the health of a great city, in the way in which tugboat men and teamsters have paralyzed New York City.

It will take a "punitive" law to make it impossible again for a conspiracy of public utility employees to wage a civil war for private gain in cities like Pittsburgh, Philadelphia and Washington by cutting off electric power and light, or local transportation or telephone service, which are essential to public welfare and safety.

It will take "compulsory," "punitive" and "drastic" laws to pre-

(Continued on page 660)

*An address by Mr. Richberg at the Luncheon of the Poor Richard Club, Philadelphia, Pa., Jan. 7, 1947. Mr. Richberg is now member of the law firm of Davies, Richberg, Beebe, Busick & Richardson of Washington, D.C.

Responsibilities of Retailing in Free Economy

By BENJAMIN H. NAMM*
President, National Retail Dry Goods Association
Chairman of Board, The Namm Store, Brooklyn

Leading department store executive urges retailers improve relations with public by telling story of a free economy and keeping goods moving. Says problem in 1947 is reconverting distribution to normal, peacetime basis, and effecting transition without sustaining heavy inventory losses. Says mad scramble for goods has ended and transition to a buyers' market will be difficult and must be left to individual judgment. Warns recent elections do not give assurance of a free economy and urges retailers not to relax fight against controls.

I can think of no better keynote for my remarks tonight than the words of Charles H. Strong, of Cleveland, the first President of the National Reatil Dry Goods Association. Addressing our opening convention here in New York 35 years ago, Mr. Strong spoke as follows:

Benjamin H. Namm

"An organization with retail representatives from nearly every State in the Union has irresistible power, if directed for the good of the people. That it will be so directed must follow, for all of the people are our customers and prosperous customers are our best asset. So we are meeting tonight, gentlemen, because we believe it will be good for us, good for our customers, good for our country."

How well those words have met the test of time! Throughout the years they have found expression in the activities of our association and in the enlightened, progressive stand it has taken on important issues of the day. And again, tonight, 35 years later, Mr. Strong's remarks completely reflect the spirit of this convention. We are meeting because we believe it will be good for us, good for our customers, good for our country.

It is difficult to imagine a more opportune time than this for the retailers of the nation to gather together to discuss their mutual problems. Behind us is a period of unprecedented business; ahead is a period of transition and readjustment.

The theme of the convention has well been chosen. "Dynamic Distribution in a Free Economy" points up succinctly the two major problems which demand our attention at this time. First, we

(Continued on page 653)

*An address by Mr. Namm before National Retail Dry Goods Association, New York City, Jan. 13, 1947.

U. S. Conciliation and Collective Bargaining

By EDGAR L. WARREN*
Director, U. S. Conciliation Service

Commending NAM policy of free collective bargaining without compulsory arbitration or government super-machinery, Mr. Warren warns drastic labor controls will lead to government regulation of prices and production, which, in turn, means death of free enterprise. Decries illusions that special labor courts or other devices are a cure-all for industrial strife, and asserts role of government in collective bargaining should be limited to conciliation only. Explains expansion of U. S. Conciliation Service.

You gentlemen represent the leaders of the free enterprise system. I am not telling you anything new when I say that free collective bargaining is an essential part of the free enterprise system. Employers have just as great a stake as the unions in free collective bargaining. Ira Mosher has said that on several occasions. The Industrial Relations report to the 51st Congress of American Industry last month at the Waldorf Astoria, put it in these words:

Edgar L. Warren

"The preservation of free collective bargaining demands that government intervention in labor disputes be reduced to an absolute minimum. The full extent of government participation in labor disputes should be to make available competent and impartial conciliators. Compulsory arbitration, in particular, is inconsistent with American ideals of individual freedom and is bound to destroy genuine collective bargaining."

That sound policy was reflected in the unanimous statement issued subsequently by the Labor-Management Advisory Committee of the Conciliation Service. That eight man committee—which includes four labor members and four management members, the latter appointed on the recommendation of the NAM and the United States Chamber of Commerce—went one step further. Our Advisory Committee also took an unequivocal position opposing compulsory arbitration or super-machinery for the disposition of industrial disputes. They went on to say:

"With collective bargaining freed from all wartime controls, we believe that American industry and American labor can and will assume their individual and joint responsibilities for the production of the goods and services so necessary to a prosperous peacetime America."

Today, under President Truman, your government's labor

(Continued on page 663)

*An address by Mr. Warren before the Institute of Industrial Relations, National Manufacturers' Association, Boca Raton, Fla., Jan. 7, 1947.

Subscriptions to Treasury Certificates

Secretary of the Treasury Snyder recently announced the final subscription and allotment figures with respect to the offering of ⅞% Treasury Certificates of Indebtedness of Series A-1948. These certificates were offered by the Treasury Department on Dec. 18 on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series A-1947, in the amount of $3,330,431,000, maturing on Jan. 1, 1947. Cash subscriptions were not received.

The Series A-1948 certificates are dated Jan. 1, 1947, and bear interest from that date at the rate of ⅞ of 1% per annum, payable with the principal at maturity on Jan. 1, 1948. They are issued in bearer form only, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

The subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Fed. Reserve District	Total Subscriptions Received	and Allotted
Boston	$114,588,000	$114,588,000
New York	1,752,413,000	1,752,413,000
Philadelphia	71,140,000	71,140,000
Cleveland	84,036,000	84,036,000
Richmond	43,905,000	43,905,000
Atlanta	86,636,000	86,636,000
Chicago	330,131,000	330,131,000
St. Louis	78,927,000	78,927,000
Minneapolis	56,828,000	56,828,000
Kansas City	116,357,000	116,357,000
Dallas	69,678,000	69,678,000
San Francisco	327,084,000	327,084,000
Treasury	525,000	525,000
Total	$3,132,248,000	$3,132,248,000

Elections by Savings Banks Retirement Syst.

Charles Diehl, President of the Empire City Savings Bank of New York City, and John S. Roberts, President of the Flatbush Savings Bank of Brooklyn, N. Y., were reelected Chairman and Vice-Chairman, respectively, of The Savings Banks Retirement System at the annual meeting of the board of trustees on Jan. 15. Robert Matherson, Jr. and Walter R. Williams, Jr., were reappointed Executive Manager and Treasurer and Secretary, respectively, of the System. The trustees reported the System's assets were $4,230,000 as of Dec. 31, 1946, and participation in the plan by 65 banks and 2,890 employees. This participation represents increases during 1946 of over $1,790,000 in assets, 11 in the number of participating banks and 535 in the number of participating employees. A continuing interest in the System is also reported by the trustees in the addition of one participating bank as of Jan. 1 and the 67th and 68th institutions scheduled to commence participation on Feb. 1.

Other trustees of the System, in addition to Messrs. Diehl and Roberts are:

William H. Colestock, Vice-President of the Western Savings Bank, Buffalo, N. Y.; George C. Johnson, President of The Dime Savings Bank, of Brooklyn; Thomas J. McCouliff, President of The Oneida Savings Bank, Oneida; Ralph J. Mills, Executive Vice-President of the Yonkers Savings Bank, Yonkers; Daniel T. Rowe, President of the Kings Highway Savings Bank, Brooklyn; Harold D. Rutan, Executive Vice-President of the Bank for Savings, New York City, and William A. Scott, Treasurer of the Cohoes Savings Bank, Cohoes.

G. C. Cowan Chairman of Ass'd Australasian Banks

G. C. Cowan, Manager of the Bank of Australasia, has been elected Chairman for the ensuing year of the Associated Australasian Banks in London.

The Question of Purchasing Power

By KEEN JOHNSON*
Under Secretary of Labor

Holding a "bust" can be avoided, Labor Department official asserts most important problem is maintaining proper relationship between wages, prices and profits. Contends in recent past rising prices have outrun purchasing power and therefore prices must be reduced or incomes raised. Says we can look forward to both lower prices and higher wages because of increased productivity. Points out influence of State laws and activities in maintaining purchasing power, and concludes no depression can come from giving wage earners too large share in national income.

I am not sure that the subject of this panel, "Boom or Bust," accurately suggests the alternatives that confront us. I believe that the choice we face is between "boom *and* bust," on the one hand, and sustained prosperity on the other.

Keen Johnson

There are pessimists who say we no longer have the choice; that we are already caught up in the boom and that the bust is, therefore, inevitable. I disagree. It is true that the prosperity we are enjoying, in part, is based on the wants pent-up during the war years, and in part is sustained by abnormal purchasing power. It is true, also, that the present situation contains elements of instability and danger that can lead us to a bust. But it is equally true that it need not, if we have the wisdom and will to prevent it.

In his economic report to Congress, the President pointed out the dangers in the economic situation as he said:

"Chief among the unfavorable factors is the marked decline in real purchasing power . . . resulting from the large price increases in the second half of last year . . . If price and wage adjustments are not made—and made soon enough—there is danger that consumer buying will falter . . . production will drop, and unemployment will grow. . . ."

Importance of Purchasing Power

This question of purchasing power is perhaps the most important in the economy. It is also one of the most controversial, since it hinges on the relationship between wages, prices and profits. Yet it is precisely on this relationship that full employment depends: the balance between wages and salaries that will support mass buying power; profits that will provide incentive to enterprise and investment; and a price

(Continued on page 655)

*An address by Under Secretary Johnson before Council of State Governments, Chicago, Ill., Jan. 18, 1947.

Outlook for Inter-American Trade

By GEORGE WYTHE*
Chief, American Republics Division, Department of Commerce

Commenting on the war's effect of promoting industrialization and agricultural improvement and diversification in leading Latin-American countries, Commerce Department expert forecasts postwar expansion in Inter-American trade, with more diversified exports and imports. Points out U. S. exports to Latin America are now nearly four times prewar, and imports from Latin America three times as great. U. S. imports from Latin America now constitute about 39% of total imports, compared with 23% in 1945, and with exchange reserves created by this trade, our exports to these countries are in favorable situation.

The war has profoundly stimulated the productive capacity of the other American republics, and has had far-reaching effects on the currents of international trade. It has enabled most of the republics to break new ground in agriculture, in mining, in fisheries, and in manufacturing activities. The shortage of materials and equipment during the war has held back many projects, but I believe that most of the Latin American countries are on the threshold of what promises to be one of the most important periods of economic development in their history.

George Wythe

The improvement of transportation is rightly receiving considerable emphasis, not only highways, but also railways, aviation, internal waterways, and ocean shipping. Fuel and power resources are also being developed. The desire to build up heavy industries has directed greater attention to the available coal resources. New petroleum fields are being opened, and several countries have inaugurated large-scale developments of hydro-electric power.

Transportation Developments

During recent years highway construction and motor transportation have been decelerated somewhat, owing to shortages of construction equipment, cement, reinforcing bars, motor vehicles, tractors, and gasoline. The war time demand for metals and heavy raw materials shifted the emphasis somewhat to railways. But notable progress on highways was made during the war years in a number of countries. Peru completed its Central Highway over the Andes, and connecting Callao and Lima with the Ucayali River (a tributary of the Amazon) at Pucallpa. Peru has also completed its section of the Pan American Highway with a fine paved highway. Colombia opened the Cali-Buenaventura highway, connecting the rich Cauca Valley with the Pacific. Colombia's present program calls for the expenditure of $10,000,000 a year for 10 years on highways.

As equipment and motor vehicles become more readily avail-

(Continued on page 665)

*An address by Mr. Wythe before the Overseas Automotive Club, New York City, Jan. 9, 1947.

Give Workers and Employers Equal Privileges!

By C. M. WHITE*
President, Republic Steel Corporation

Steel executive upholds our economic system and contends it has a tradition of success and has benefited all alike. Says our economic progress and employment opportunities arise from genius for mechanization and organization and cites steel and coal industries. Shows workers get lion's share of industrial earnings, and denies wages in steel industry can be raised without increasing prices. Attacks special and illegal privlieges given to labor unions, which he claims have become absolute monopolies, and calls for open shop and prohibition of nationwide industrial strikes.

It has always seemed rather odd to me that the system and methods which have brought so much well being to the people of this country should, at the same time be subjected to so much criticism.

C. M. White

Whether you call it the opportunity system, the competitive system, or the capitalistic system, makes no difference. The system has produced results which have made United States the envied nation of the world.

I am not implying that it is a perfect system—nothing human is perfect.

We have seen change and evolution year by year which have been advantageous to the nation as a whole. We will see more changes and evolution as the years go on which will make of our system a better one for all of the people.

As I have said, you may designate our system whatever you wish, but I like to think of it as a system of individual opportunity—a system under which the individual has the oportunity, in accordance with his talents and capabilities, of rising to any heights. We see examples daily of men who started at the bottom and, because ability, skill, willingness to work and integrity counted, they rose to positions of prominence and importance.

Let me quote from an advertisement which Republic Steel Corporation ran recently and in which I believe profoundly. Here is the ad:

THE MAN THE WHOLE WORLD ENVIES

He lives better, eats better . . . yes and sleeps better . . . than most of the blue-blooded aristocrats of other lands. He owns a comfortable home, with inside

(Continued on page 670)

*An address by Mr. White before the Cleveland and Ministerial Association, Cleveland, O., Jan. 13, 1947.

The New American Market

By J. R. DAVIS*
Vice-President and Sales Director, Ford Motor Company

Asserting new American market is a different and increasingly a higher quality market, Ford Company executive stresses need for better quality products at lower prices. Says quality market is influenced by higher individual and family incomes and that, because of this larger purchasing power, outlet for new motor cars will be at least 12 million a year. Says opportunities exist to increase workers' and salesmen's productivity by better training and education and urges lower distribution costs as aid in keeping down prices. Urges a new spirit in advertising.

Before the war two out of three people purchased a used car rather than a new one. For example, out of 27,000,000 motor vehicles on the American highways, 18,000,000 of them were purchased by their owners as used cars. Recent extensive surveys now convince us that this ratio of used to new car purchasers will be substantially changed. Instead of only one out of every three buying new cars the ratio for several years at least may be more nearly one for one. This is just further evidence that when people have the means they prefer better merchandise.

J. R. Davis

One more evidence of choosey buying habits on the part of the American people is the fact that more and more products which have no established reputations behind them—no well-known and extensively advertised names—no proof of quality which resides in the prestige of the maker—are today finding it hard going. During the war and later, when the consumer's problem was not to choose among many things, but to find something in the market, new and unknown products sold readily. But today consumers are turning so positively toward the established and widely advertised products that much of the unknown manufacturer's output is being forced into the export trade. In the radio field, for example, the predominant domestic demand is for the well-known sets, and radios without nationally advertised names have more and more been going abroad.

It is a perfectly normal and proper question to ask whether this tendency is temporary. How long will it last? We all remember the silk shirt era, of World War I. We know also that the manufacturer and the retailer in many fields, trying with difficulty to live under a wartime system of price controls, has frequently been driven out of the low-priced fields and forced by hard economic circumstances to manufacture and sell high-priced specialties to keep his business in the black. But when we get all through making every necessary

(Continued on page 662)

*Address by Mr. Davis before New England Sales Management Conference, Boston, Mass., Jan. 10, 1947.

Harold D. Smith Dead

Former Director of the Budget, Harold D. Smith, who resigned that post last June to become Vice-President of the World Bank died suddenly on Jan. 23 as the result of a heart attack, according to Associated Press advices from Culpeper, Va., where he made his home. Mr. Smith had tendered his resignation from the Bank last December, when Eugene Meyer resigned as President, but consented to remain until Mr. Meyer's successor had been selected, and had since been serving as acting head of the Bank.

Born in Kansas, Mr. Smith studied at the Universities of Kansas and Michigan said United Press accounts from Washington, Jan. 23, which added:

"He received honorary degrees from American University and Grinnell College. After serving on several municipal and State research organizations, he was appointed Budget Director for the State of Michigan in 1937. He held that post until 1939, when he was named Federal Budget Director."

Mr. Smith's death left the World Bank directorate — 12 members from as many nations — without a presiding officer. It was assumed that Emilio G. Collado, United States member of the board, representing the country with the greatest voting power, would fill the role temporarily, but this was for the directors to decide.

Lift Restrictions on Foreign Securities

Secretary of the Treasury Snyder announced on Jan. 16 the removal of Treasury Department restrictions on the acquisition and importation of securities physically located outside the United States which are issued by foreign governments or foreign corporations and not payable in United States dollars. The announcement said:

"As a result of today's action, the Treasury Department regulations with respect to the acquisition of securities not within the United States and with regard to the importation of securities henceforth will apply, in general, only to the acquisition and importation of transferable securities issued prior to Dec. 7, 1941 (i) by persons in the United States and (ii) by any person if payable in United States dollars.

"These changes were in the form of an amendment to General License No. 87. At the same time General License No. 84, which authorized the importation of certain types of securities and currency, was revoked, since its provisions have all been incorporated in the new amendment of General License No. 87."

Expenses of U. S. Military in Italy

Secretary Snyder delivered on Jan. 8 to Alcide de Gasperi, Prime Minister of the Italian Republic, a check in the amount of $50 million. The Treasury advices, indicating this, said:

"This sum represents a second payment of the dollars already set aside in the Treasury to cover expenditures made by our military forces in lira currency for procurement of supplies, services and facilities in Italy. The first payment of $51,450,000 was effected on Dec. 20, 1946.

"These payments have been made pursuant to a direction from the President which was communicated to the Italian Government in Paris on Oct. 11, 1946, by Secretary Byrnes."

Items bearing on de Gasperi's mission to the United States appeared in our issues of Jan. 9, page 129; and Jan. 16, page 272.

Limitations of Government Spending

By HON. CHAPMAN REVERCOMB*
U. S. Senator from West Virginia

Though government is greatest business enterprise in nation, Sen. Revercomb maintains it should not expand or extend its activities without constant regard of what it can wisely afford. Warns of destructive force of excessive taxation and danger of huge national debt. Urges end of spending mania and a lowering of current government costs and taxes, as well as progressive retirement of national debt. Says taxation should not be a means of social reform.

It is academic, but quite basic, to say that the government of this country is today the greatest business enterprise in the nation.

Sen. C. Revercomb

Its proper main objectives are the protection of the people — first, from assault against our existence as a nation; and secondly, in the protection of the liberties that we have come to know as the rights of American citizens, and aid in the social betterment of all our people.

In the performance of duties towards these ends, a great structure upon which activities must be performed is required to be maintained. The maintenance of this structure, as in that of any business, requires funds. Those funds are obtained for the government through taxation. Wise management requires that a limit be placed upon activities that go beyond the needs of necessary government and a limit be placed against any expenditures that exceed those actually needed for sound administration.

Of course, a government can expand and extend its activities and may in doing so bring about certain benefits; but it cannot soundly extend its activities without constant regard to the limitation that it engage only in that work which it can wisely afford. Any other course is bound to eventually bring a bankrupt nation, an impoverished people who cannot make headway in progress, chaos instead of order, loss of strength as a political state and resulting loss of independence.

That is severe language—but I challenge anyone to draw any other example from history.

Influence of Taxation

The subject of taxation has played a major part in the rise and fall of nations. And that fact we may well observe.

It was definitely one of the factors involved in the American Revolution, which resulted in the

(Continued on page 657)

*An address by Senator Revercomb before the New Jersey Taxpayers Association, Inc., Newark, N. J., Jan. 10, 1947.

Wartime Banking Developments

Treasury Department analyzes changes in bank assets and liabilities from Dec. 31, 1939, to June 30, 1946, and notes reversion in trend from rapidly increasing to lower assets due to decrease in U. S. bond holdings. Reports a more rapid increase in assets of commercial banks than in savings banks during war period, and points out heavy increase in deposits has lowered the ratio of bank capital from 1 to 8.27 on Dec. 31, 1939, to 14.35 on June 30, 1946.

The December issue of the "Treasury Bulletin" of the United States Treasury Department contains an analysis and review of changes in the assets and liabilities of all active banks in the United States from Dec. 31, 1939, through June 30, 1946. The term "all active banks" comprises the national and state commercial banks, the mutual savings banks, and the private banks, but does not include Federal Reserve Banks. The data is compiled from the reports of the Comptroller of the Currency and all figures are shown at book value while the figures of bank ownership of the national debt are shown at par value.

The text of the Treasury Department report follows:

The current report on bank assets and liabilities as of June 30, 1946, shows the first conclusive effects of the termination of the war on the banking structure. The most important development during the first six months of 1946 was the introduction of the debt pay-off program of the Treasury Department in contrast with the borrowing program which had been carried on previously. This program of cash pay-offs has had a direct bearing on United States Government deposits in commercial banks as well as on bank holdings of Federal securities. In addition, the change in the Government's financing program was reflected in some of the other asset and liability items. The most significant developments in the last six months and during the war years may be summarized in the following statements:

1. Total assets of all active banks showed their first decline since the beginning of the war during January through June 1946. They dropped $5.6 billion from the December 1945 all-time peak to a new total of $172.7 billion as of June 30, 1946.
2. The decline in total assets was reflected almost entirely in decreases in bank holdings of United States Government securities. On the liability side of the balance sheet, the decline occurred in United States Government deposits. The Treasury's debt reduction program involved the use of Federal Government deposits in commercial banks in order to make the cash payoffs on maturing securities.
3. The Federal Government's debt pay-off program was also reflected in changes in loans and discounts. During the first six months of 1946 loans to carry securities, which had been increasing during the war in connection with the various war loans, began to decline. Consumer, real estate, and business

(Continued on page 666)

General Marshall Sworn In as Secretary Of State Succeeding Secretary Byrnes

Prior to taking the office of Secretary of State on Jan. 21, Gen. George C. Marshall declared that he considers his new post non-political, and according to Associated Press advices from Washington as given in the New York "Sun," volunteered the following:

1. "I cannot be considered a candidate for political office.
2. "I never could be drafted.
3. "I am being explicit and emphatic in order to terminate once and for all any discussion of my name with regard to political matters."

Gen. Marshall as Secretary of State, succeeds James F. Byrnes, resigned, the resignation of Mr. Byrnes and the appointment of Gen. Marshall having been noted in our issue of Jan. 9, page 183. The oath of office was administered to the new Secretary by Chief Justice Fred M. Vinson of the Supreme Court and his assumption of the office, it was noted by the Associated Press, places him in line for the Presidency in the event a vacancy should occur before the end of Mr. Truman's term. From the same press accounts from Washington we quote in part as follows:

Notables gathered in Mr. Truman's office to witness the ceremony and to them Gen. Marshall said: "I appreciate sincerely the honor and the compliment of your confidence. I'll do my best."

The wartime chief of America's victorious armies was assured by Mr. Truman that he felt the duties of Secretary of State were in "safe hands."

The President told Gen. Marshall that although he regretted very sincerely the decision of James F. Byrnes to resign as Secretary, he appreciated "very much your willingness to accept that burden."

Since his appointment as Secretary of State, Gen Marshall's name has been mentioned in speculation about presidential candidates in 1948. Some have speculated that he might run on a ticket with President Truman or obtain the Democratic nomination if Mr. Truman were not a candidate.

In talking with reporters Marshall made plain that in ruling himself out of political consideration he included the presidency as well as any other political office.

The swearing-in ceremony was brief. Members of the Cabinet, top-ranking congressional foreign policy leaders and news men representing publication and radio organizations all over the globe crowded into the office.

Gen. Marshall wearing civilian clothes, arrived scarcely five minutes before 11 o'clock, the hour set. A throng in the White House lobby stepped aside to let him enter the office where the President, Mr. Byrnes and the other officials awaited him.

He stood opposite Vinson to take the oath. His double breasted blue suit was unbuttoned as he raised his right hand to solemnly swear again to support and defend the Constitution of the United States.

"I do," he said firmly as Judge Vinson completed the oath.

He shook hands with Judge Vinson. Then President Truman expressed his pleasure in having Marshall as top-ranking member of the Cabinet.

Gen. Marshall's arrival here ended a long journey which started in Nanking, where a few weeks ago he concluded a thirteen-months' assignment as President Truman's special envoy to China. In that post he had futilely sought peace between the Chinese Nationalists and Communist factions.

He was accompanied here in a private car by Mrs. Marshall and an aid, Col. J. H. Caughey.

The nomination of Gen. Marshall as Secretary of State was sent to the Senate by President Truman on Jan. 8 and confirmed by that body on the same day. With respect to the unanimous approval by the Senate the Washington correspondent of the New York "Herald Tribune" Carl Levin, had the following to say in part on Jan. 8 regarding the Senate action:

Its speedy action—to show the world that there will be no interruption in the nation's bi-partisan foreign policy—was promoted by Senator Arthur H. Vandenberg, Republican, of Michigan, who worked closely with Mr. Byrnes in the trying work of writing the satellite peace treaties and who is the chairman of the Senate Foreign Relations Committee in the new Congress.

The nomination was received just a few moments after the Senate convened at noon. By 12:50 Senators Vandenberg and Tom Connally, Democrat, of Texas, both of whom were advisers to Secretary Byrnes at recent international conferences, had paid glowing tribute to the retiring and incoming secretaries.

To demonstrate that unanimity, Mr. Vandenberg, who stepped down from his chair as President pro tempore of the Senate to function as Foreign Relations Chairman, asked and obtained unanimous consent for the committee to consider the nomination at once. Twelve minutes later, at 1:02 p.m., the committee reported its approval. At 1:03 the Senate confirmed by unanimous consent, without even a voice vote.

Would Extend Sea Authority

Stating that the national economy and interest would be seriously prejudiced unless some shipping operations continue and unless the Maritime Commission is given additional time to dispose of merchant ships left under its jurisdiction, President Truman on Jan. 21 requested Congress to extend the deadline for ending of the Commission's wartime shipping operations from March 1 until June 30. The extension would require no appropriation because government shipping operations have made money consistently, the President stated, according to Associated Press Washington advices. These advices also said:

"The Maritime Commission, taking over activities of the War Shipping Administration, has trimmed the government fleet from a wartime high of 5,200 vessels to about 1,000, the President reported. Half of these will go into the reserve fleet, and at least 100 more will be removed from the active fleet and sold by March 1."

But the remainder will still have to remain under the Commission's wartime operating program.

Notice by Guaranty Trust On Capital Stock

Guaranty Trust Company of New York on Jan. 24 advised that banks or brokers holding its Capital Stock of record, Jan. 24, 1947, for account of customers, should notify the Company prior to Feb. 7 of the particular denominations in which they wish to receive the certificates in connection with the payment of the stock dividend on Feb. 15, 1947, to stockholders of record Jan. 24, 1947. After the distribution of this dividend, no full shares of Capital Stock of Guaranty Trust Company of New York may be split up into scrip certificates.

Truman Wants Laws To Protect Minorities

President Truman met for the first time on Jan. 15 with his new civil rights committee to the 15 members of which he made an informal address deploring racial and religious bigotry, and requesting them to "start at the grass roots" and "get tangible results" in recommending means to strengthen the legislative position of minorities in this country.

Charles E. Wilson, President of the General Electric Company, who is Chairman of the special committee, assured the President of the group's cooperation. "We all realize the complexities of the job that you are giving us," he said, according to advices from Washington to the New York "Herald Tribune," "but we will do our best to work something out and hope it will be helpful." As reported in the "Herald Tribune" President Truman said in part:

"I have been very much alarmed at certain happenings around the country that go to show there is a latent spirit in some of us that isn't what it ought to be. It has been difficult in some places to enforce even local laws. I want the Attorney General to know just exactly how far he can go legally from the Federal Government's standpoint. I am a believer in the sovereignty of the individual and of the local governments. I don't think the Federal Government ought to be in a position to exercise dictatorial powers locally; but there are certain rights under the Constitution of the United States which I think the Federal Government has a right to protect."

The Committee will hold another meeting in February.

Truman Congratulates French President

Vincent Auriol, newly elected President of the French Republic, received a congratulatory message from President Truman, according to a White House announcement on Jan. 22 reported from Washington to the New York "Times". Dated several days earlier, the note had expressed the hope that M. Auriol's term of office would "bring the fruits of peace and prosperity to the French people and strengthen the traditional bonds of friendship in democracy which unite them with the people of my country."

Replying to Mr. Truman's message through the French Embassy in the United States, M. Auriol wrote: "Be assured that I will spare no effort to strengthen the bonds already so close and so abiding that unite our two countries in a common faith for the future of democracy."

Cotton Spinning for Dec.

The Bureau of the Census announced on Jan. 21, that, according to preliminary figures 23,927,706 cotton spinning spindles were in place in the United States on Dec. 31, 1946, of which 21,688,028 were consuming cotton the last working day of the month, compared with 21,524,396 in November, 1946, and 20,649,411 in December, 1945. The aggregate number of active cotton spindle hours reported for the month was 8,670,795,153, an average of 362 per spindle in place, compared with 9,499,110,593, an average of 397 per spindle in place for November, 1946, and 7,740,275,839, an average of 325 per spindle in place for December, 1945. Based on an activity of 80 hours per week, cotton consuming spindles in the United States were operated during December at 107.8% capacity. The percent on the same activity basis was 119.6 for November, 1946, and 101.7 for December, 1945.

Cleveland Chairman and Kleitz President of Guaranty Trust Co.—Capital Increase Proposed

The stockholders of Guaranty Trust Company of New York at the annual meeting on Jan. 15 voted an increase in the company's authorized capital stock from 900,000 to 1,000,000 shares, representing an increase from $90,000,000 to $100,000,000. A stock dividend on the basis of one share for each nine shares held will be paid about Feb. 15 to stockholders of record Jan. 24. The announcement from the Guaranty states that the company's general contingency reserve of $32,754,549 will be added to capital funds, which will then amount to more than $354,000,000, consisting of capital $100,000,000, surplus $200,000,000, and undivided profits of approximately $54,000,000. At the annual meeting of the board of directors of Guaranty Trust Company held Jan. 15 following the stockholders' annual meeting, J. Luther Cleveland, formerly President, was elected Chairman of the Board, and William L. Kleitz, formerly Vice-President, was elected President. Mr. Cleveland succeeds Eugene W. Stetson, who retires after 30 years of service but continues as a director and member of the Executive Committee. W. Palen Conway continues as Chairman of the Executive Committee. The stockholders' meeting was presided over by Mr. Stetson as Chairman of the Board.

Mr. Cleveland, the newly elected Chairman of the Board, has been associated with the Guaranty since 1923. He was appointed a Vice-President in 1928 and became associated with the general management of the bank as Vice-President in 1940, and in the same year was elected a director. He has served as President for the last three years. He is a director of the Atchison, Topeka & Santa Fe Railway Co.

Mr. Kleitz, who succeeds Mr. Cleveland as President, joined the Guaranty in 1919, became an officer of the company the following year, and was appointed a Vice-President in 1928. A year ago he was promoted to become associated with the general management of the bank, and on Nov. 6, 1946, he was elected to the board of directors. Mr. Kleitz is a director of Wilson & Co., Inc., and Inspiration Consolidated Copper Co.

Mr. Conway, who has been Chairman of the Executive Committee for the last year and continues in that capacity, has been associated with the bank for 35 years and has served as a director since 1924. He became Vice-President in 1916, President in 1934, Chairman of the Board in 1941, and Vice-Chairman of the Executive Committee in 1944. He is a director of the Prudential Insurance Company of America.

The board of directors also made the following official appointments: Vice-President and Comptroller, William Widmayer, formerly Comptroller; Vice-Presidents, Harry J. Carpenter, Heroy M. Dyckman, Francis P. Ford, Robert W. Morey, Samuel D. Post, Parker Wilson, all formerly Second Vice-Presidents.

Second Vice-Presidents, Gerard M. Ives, W. Howard Miller, H. Livingston Schwartz, Jr., Harry M. Wilson.

Assistant Treasurers, Charles F. Bound, John R. Dougherty, John S. Knott, J. Arthur McKaig, Corwin S. Scott, Stevenson E. Ward, Jr.; Assistant Trust Officer, Richard M. Wilcox; Manager, publicity department, Samuel Culviner, Jr.; Assistant Treasurers, Paris office, Raoul Gaubert, Pierre Leblanc.

At the stockholders' meeting the following directors, whose terms had expired, were re-elected for a term of three years: J. Luther Cleveland, W. Palen Conway, John W. Davis, Gano Dunn, Charles S. Munson, George E. Roosevelt, Eugene W. Stetson, Charles E. Wilson and Robert W. Woodruff.

In addressing the stockholders, Mr. Stetson, according to the New York "Sun" of Jan. 15 revealed the choice of the board and described his own retirement as marking the end of the "Potter-Conway-Stetson regime," except that Mr. Conway remains. He hailed the "Cleveland and Kleitz regime" as a worthy successor that would combine money-making ability with conservatism.

In part the "Sun" also stated:

"He [Mr. Stetson] said that during the last ten years the Guaranty had paid $108,000,000 in dividends, added $52,270,000 to undivided profits and had built up a $32,000,000 contingency reserve.

"Officers in that period had received through the profit-sharing plan only $287,870 in 1944, the first payment since 1930, when $486,000 was paid them under it. The new plan permits the distribution of up to $1,000,000 under certain conditions. Mr. Stetson said it was never contemplated that any distribution ever would be made out of capital, which seemed to be the principal point raised in opposition.

"In a discussion of the re-election of directors whose terms had expired Mr. Stetson revealed that Mr. Cleveland held 400 shares of the company's stock, that he Mr. Stetson, 18, plus about 4,500 owned by his family, and that other directors held shares in various amounts."

* * *

The report of the operating earnings of the Guaranty issued to the stockholders on Jan. 19, were referred to in our Jan. 16 issue, page 330.

Hoover to Survey German-Austrian Food Needs

Former President Herbert Hoover on Jan. 22 agreed to undertake a survey of food problems in United States and British zones of occupied Germany and Austria in accordance with a request by President Truman, and indicated that he would make an early flight to Europe on his tour of inspection, Associated Press Washington advices stated. Mr. Hoover will confer with British authorities during the early part of his trip. The mission will be directed to food and its collateral problems, the former President told newsmen. A two-or-three-year program will be developed, Mr. Hoover indicated, since there is little likelihood of the Germans being able to supply their own home needs for that length of time; the plan will envision relief for the American taxpayer of some of the German burden.

Mr. Hoover said that he had asked Dr. Dennis Fitzgerald, Secretary-General of the International Emergency Food Organization, to accompany him on the European tour.

According to what Mr. Hoover told reporters the American public is paying upwards of $300,000,000 yearly to feed the German people, and the problem now is to lay out a plan under which the Germans can eventually provide for themselves.

Diercks Becomes Vice-Pres. Of Chicago Reserve Bank

Promotion of Wilford R. Diercks from Assistant Vice-President to Vice-President of the Federal Reserve Bank of Chicago was announced on Jan. 20 by the Board of Directors of the bank. Mr. Diercks has been in charge of the Bank Examination Department for a number of years and will continue in that capacity. He has been associated with the Federal Reserve Bank of Chicago since 1923 as an examiner, chief of Bank Examinations, and Assistant Vice-President.

Items About Banks, Trust Companies

Frederick S. Mosely, Jr., partner of the New York Stock Exchange firm of Robert Winthrop & Co., was elected a director of Fulton Trust Co. of New York at its annual meeting of stockholders. Mr. Mosely, graduate of Harvard University in 1926, is a member of the New York Stock Exchange; Treasurer and director of Brady Security & Realty Corp.; and Secretary and director of Harway Improvement Co. All other directors of Fulton Trust Co. were re-elected at the meeting.

E. Chester Gersten, President of the Public National Bank & Trust Co. of New York reported at the annual shareholders' meeting on Jan. 21 that 1946 was the record year of the bank's 39 years of existence, the facilities of the bank having been used to a greater extent than ever before. Deposits, exclusive of U. S. Government deposits, were up $82,000,000, or 18% over previous year. Earnings after reserves and exclusive of security profits or recoveries were $2,667,000 or $4.85 per share on the 550,000 shares outstanding. The number of personnel and shareholders were the largest in the bank's history.

Completing 40 years of service, William F. Ferguson, Vice-President of The Bank for Savings of New York (4th Ave. at 22 St.) was the guest of honor at a luncheon given on Jan. 27 by DeCoursey Fales, President of The Bank. Now a Vice-President, Mr. Ferguson was Treasurer of the bank for many years. To commemorate his long service, Mr. Fales presented him with a silver bowl suitably engraved.

It was announced on Jan. 21 that Matthew C. Jones, Jr., formerly Secretary, has been elected a Vice-President of the Lawyers Trust Co., in charge of the Brooklyn office.

On Jan. 24 announcement was made that George J. Mayer, formerly Assistant Secretary, has been appointed Secretary of Lawyers Trust Co. Robert N. Carson, formerly Assistant Trust Officer, has been made a Trust Officer.

Lafayette National Bank of Brooklyn in New York announced on Jan. 24 the election of Jeremiah J. Dalton, Jr., as a Director. Mr. Dalton was graduated from Georgetown University and is now Vice-President of Ryan Ready Mixed Concrete Corporation. He is a life-long resident of Brooklyn, a director of the board of directors of the Red Hook Community Center and various other organizations.

In reporting on Jan. 15 to stockholders at the annual meeting of The County Trust Co. of White Plains, Andrew Wilson, Jr., President, stated that net current operating earnings for the year 1945, after providing for taxes, amounted to $339,059, or more than $3.64 per share. Additional profits amounting to $99,831, after providing for payment of taxes, were realized from the sale of securities and other holdings and from recoveries, making total earnings of $438,890. Of this amount, $36,024 was paid in interest on $1,200,800 privately held debentures; $139,654 was paid in dividends at the rate of $1.50 per share and $112,828 added to undivided profits. The balance was transferred to various reserves. Deposits on Dec. 31 amounted to $70,060,510, compared with $54,481,288 at the beginning of the year. Total assets on Dec. 31 were $74,704,906, compared with $57,771,830 in January, last year.

In making this comparison, it is pointed out that deposits of more than $13,000,000 were acquired through the mergers of the Ossining Trust Co. and the Fleetwood Bank in January, 1946, while on the other hand, the War Loan deposits of the Federal Government have been reduced from a peak of more than $12,000,000 in February to about $1,200,000 at the end of the year.

The following were re-elected directors: John Lynn; Frederick C. McLaughlin and Edward M. West, together with Thomas W. Bowers, a new director. Mr. Bowers is a member of the New York Bar; he was formerly one of the ranking Vice-Presidents and Loan Officers of the National Bank of Commerce, and subsequently, of the Bank of the Manhattan Company, which he left in August, 1942 to resume the general practice of the law with offices at 25 Broadway. Mr. Bowers is a director of the American Export Lines, the Ayershire Collieries, the Buda Co., the Universal Oil Products Co. and other corporations.

At the directors meeting, Horace Hogle, Jr., was appointed Assistant Vice-President and John Van Tassell and Frank Newman were appointed Assistant Secretaries.

At a meeting of the board of directors of the State Street Trust Co. of Boston, held on Jan. 20, the following promotions were made: Clement W. Deasy, Walter E. Dow, Jr. and Francis G. Shepard from Assistant Treasurers to Assistant Vice-Presidents, Franklin C. Hills, Ralph E. Sellars and Herbert L. Hanscom were elected Assistant Trust Officers. Mr. Hills has been with the trust company since 1920. Both Messrs. Sellars and Hanscom came to the trust company at the time of the merger with the National Union Bank in 1925. All three of these new officers have had long experience in the Agency Division of the Trust Department.

Thomas N. McCarter, oldest member of the board of directors of Fidelity Union Trust Co. of Newark, N. J. in point of service, has retired as Board Chairman it was stated in the Newark "News" of Jan. 19. Mr. McCarter is in his 80th year, according to the "News" which said that his retirement as Chairman was announced on Jan. 18 by Horace K. Corbin, President of the bank. Mr. McCarter, associated with affairs of the bank since 1900, tendered his resignation to the board on Jan. 16, the "News" reported, and it added:

"Mr. Corbin said Mr. McCarter, organizer and first President of Public Service Corp., would continue to serve as director. Mr. McCarter retired as President of Public Service in 1939 and withdrew as chairman of the P. S. board in 1945 on his 78th birthday.

"In the last five years he has relinquished most of his connections in New Jersey financial affairs—positions that made him a foremost influence in public life, banking and utilities almost half a century.

"He was a Second Vice-President and General Counsel of Fidelity Trust Co. in 1902, and in 1920 when Fidelity merged with Union National Bank, he became a director. McCarter was elected Chairman of the Board in 1933, succeeding William Scheerer."

Land Title Bank & Trust Co. of Philadelphia announces that Raymond L. Hayman and H. Stuart Valentine, Jr. have been named Assistant Vice-Presidents; Edward W. Stille, Trust Real Estate Officer, and Adam Schultheis, Assistant Comptroller. Mr. Hayman was formerly Corporate Trust Officer; Mr. Valentine, Investment Officer; and Mr. Stille, Assistant Real Estate Officer.

At the annual meeting of stockholders of The Pennsylvania Co. for the Insurances on Lives and Granting Annuities, of Philadelphia, held on Jan. 20, William Fulton Kurtz, President, reported gross operating income of $9,812,908 for the fiscal year ending last Nov. 30. This is an increase of $534,203, or 5.75% over the gross income of $9,278,705 reported the previous year. Gross expenses, including taxes, were $7,107,409, as compared with $6,024,576 for the previous 12 months' period, an increase of $1,082,833 or 18%. This rise in expenses is accounted for principally by a marked increase in salaries and wages, taxes, and payments into the employees' pension fund. The net operating income of the bank, after taxes, was $2,705,499, a decrease of $548,630, or 16.86%. From this net operating income, $1,600,000 was paid as dividends at $1.60 per share. The resulting balance of $1,105,499 was transferred to undivided profits, making that account $6,159,628. The loan portfolio increased sharply during the year. Total loans aggregated $122,611,308, as compared to $84,965,125 at the close of the previous fiscal year, an increase of $37,546,183, or 44.31%. This it is claimed is the largest loan total of any bank in Philadelphia.

Due to the Treasury policy of paying off a large part of its maturing obligations by the use of its balances with the commercial banks, the Treasury balances declined sharply during the year. With the withdrawal of the larger part of the War Loan Deposit and the steady expansion in the loan portfolio, holdings of government securities declined proportionately. The net profits realized from the sale of securities, together with miscellaneous recoveries, aggregated $1,596,381, which was added to the company's contingent reserves. From these reserves, the company last June paid to the employees' pension fund the sum of $1,960,695, representing the funding of all past service liability for the years prior to 1946. Despite the large single payment, the total reserves declined only $364,314 during the year. Gross earnings of the Trust Department again reached a new high point during the past fiscal year. The Discretionary Common Trust Fund, completing its sixth year last June 30, increased during the fiscal year from $27,945,483 to $30,892,604. The report states that the Common Trust Fund for Legal Investments, established in 1944, grew from $8,052,334 to $10,309,397 in the past year.

The following four directors, whose terms expired, were reelected: Charles G. Berwind, Ralph Kelly, Isaac W. Roberts and Charles R. Shipley.

Net operating earnings of the Provident Trust Co. of Philadelphia for the year 1946 totaled $707,751, as compared with $930,215 for 1945, W. Logan MacCoy, President of the Provident, reported to stockholders at the 82nd annual meeting on Jan. 21. Principal factors contributing to the decline in earnings, Mr. MacCoy said, were the reduction in the average daily balance of U. S. Treasury deposits from $37,900,000 in 1945 to $16,255,000 in 1946; a substantial increase in taxes, and an increase in operating expenses, particularly salaries and wages, and the first full year's cost of the company's retirement income plan. In addition to earnings from operations, a net book profit of $572,411 was realized from the sale and maturity of bonds, stocks and other items, bringing the total net earnings for the year to $1,280,161. This has been credited to undivided profits, from which have been paid dividends, reserves and chargeoffs. Dividends totaling $320,000 were paid at the rate of $2 a share.

Capital and surplus remain at $3,200,000 and $9,500,000 respectively, the same as 1945. Undivided profits as of Dec. 31, 1946, amounted to $1,838,590, as compared with $1,483,224 at the end of the previous year. These capital funds equal 15.35% of the deposit liability at the end of 1946. Reserve for contingencies at the end of 1946 amounted to $1,723,250, as compared with $1,339,449 on Dec. 31, 1945. An estimated $600,000, yet to be expended for building improvements now under way, will be charged against this reserve. As of Dec. 31, 1946, deposits totaled $94,704,661, including $3,228,279 U. S. Treasury deposits, compared with a total of $109,611,590, including $25,185,915 U. S. Treasury deposits a year earlier. Exclusive of U. S. Treasury deposit balances, other deposits increased in 1946 to $91,476,382, as compared with 1945's $84,425,675.

At the annual meeting of the shareholders of Second National Bank of Philadelphia at Philadelphia, Pa., held on Jan. 14, all directors of the bank were reelected. In reporting on the bank's operations during 1946, Robert L. Hilles, President of the bank, pointed to an increase of $312,243 in surplus and undivided profits after payment of dividends totaling $50,000, during the year. At the close of 1946, capitalization of the bank totaled $1,823,194, consisting of capital $1,000,000, surplus and undivided profits $724,249 and reserves (unallocated) $98,945. Reviewing the bank's business during 1946, Mr. Hilles reported an increase of $2,758,886 in deposits of individuals, firms and corporations, the greatest year's increase in the 83-year history of the bank. Such deposits at year's end stood at an all-time high of $19,257,027.

National Bank of Germantown and Trust Company of Philadelphia reports gross operating income of $825,885 for 1946, as compared with $741,177 in 1945. Operating expenses totaled $489,075, against $435,167. Net income from current operations was $336,810, compared with $306,010. Net profits after amortization of bond premiums and including net bond profits and recoveries aggregated $233,804 against $273,793 the year previous. The bank paid dividends of $120,000 during the year and transferred $113,804 to undivided profits, raising that account to $710,033.

Robert M. Berkeley and Herbert C. Moseley have been elected Vice-Presidents of The Bank of Virginia at Richmond, Va., and Aubrey V. Kidd has been advanced from Comptroller to Cashier, the bank announced recently. Mr. Berkeley was formerly Cashier in the main office at Richmond. Mr. Moseley was promoted from Assistant Vice-President. He is Manager of the Petersburg branch of the bank. As Cashier, Mr. Kidd also will continue to supervise the operational functions of the bank which came under his direction as Comptroller. The office of Comptroller will be discontinued.

The Bank of Virginia accomplished in 1946 a net gain of $2,157,948 in deposits despite a 90% liquidation of its war loan account during the year, according to an announcement by Thomas C. Boushall, President. Earnings for the year were $226,266, or $3.01 per par share of $16⅔. Mr. Boushall also reported an addition of $250,000 to the bank's surplus account, increasing capital and surplus to $2½ million. Total capital and reserve funds now exceed $4,000,000. Aggregate resources as of December 31 were $55,065,914, as compared with $52,716,745 a year earlier. Outstanding consumer and commercial loans showed a gain of 65% during 1946, increasing from $15,608,535 to $25,723,443. More than $740,000 paid out in salaries and bonuses represents an increase of 23% over 1945. The bank, it is stated, paid to depositors more than $360,000 in interest on time deposits.

Paying in December its second 3% dividend of the year, plus an extra 3% or 50 cents per share, The Bank of Virginia announced total dividends of $112,500 for the year of 1946—at the rate of 9% on par capital of $1,250,000. With 75,000 shares outstanding in 1946 as compared with 60,000 in 1945, total amount of dividends paid in the past year was 50% greater than in 1945.

At the annual meeting of the Society for Savings in the City of Cleveland, held on Jan. 17, Mervin B. France, First Vice-President, was elected as the 11th President of that 98-year-old institution. The announcement was made by Henry S. Sherman, President since 1934, who was elected Chairman of the Board to succeed Samuel Scovil. Mr. Scovil becomes Honorary Chairman after 37 years of service. Mr. France at 45 is one of the youngest Presidents ever elected by the Society although the late Ambassador Myron T. Herrick was elected to the same office at age 40. The Society as a lender of funds does business in many states. Under Mr. France's leadership it pioneered in making term loans to industry. These to date have exceeded $200,000,000. Total deposits exceed $201,000,000 and total resources $217,000,000. Mr. France is identified with the work of the American Bankers Association, the National Association of Mutual Savings Banks, the Investment Bankers Association of America, and the Ohio Bankers Association. In 1927 he became Ohio representative of the Union Trust Co. of Pittsburgh. At Mr. Sherman's invitation he left that bank in 1934 to head the Society's investment and collateral loan departments.

Incident to the issuance of the Dec. 31, 1946 statement of the First National Bank of Lake Forest, Ill., it is announced that as of Dec. 23, 1946, the State Securities Co. filed notice of liquidation and dissolution and the First National Bank of Lake Forest, being the sole stockholder of the company, acquired all of its assets. Certain substantial changes appear on the bank statement for Dec. 31, 1946 as a result of the bank having acquired those assets. The items which are substantially affected are real estate loans, U. S. Government obligations, and the undivided profits account.

The real estate loans which are included in the bank's resources in its Dec. 31 statement are shown as $1,237,470; the U. S. Government obligations are reported as $11,972,448 and the undivided profits are shown as $466,493. The bank has a capital and surplus of $200,000 each. It reports total deposits of $17,791,024, of which $1,037,399 are Government deposits; $9,157,690 demand deposits, and $7,595,935 savings and time deposits. It is indicated in the Dec. 31 statement that U. S. Government obligations carried at $3,485,600 are pledged to secure public and trust funds and for other purposes as required or permitted by law. The advices from the bank relative to the changes in the Dec. 31 statement also refer to the omission therefrom of the 100% beneficial interest in the trust created June, 1934, which entitled the bank to receive the net proceeds of the State Securities Co. Frank W. Read is President of the First National Bank of Lake Forest.

(Continued on page 676)

Responsibilities of Retailing in Free Economy

(Continued from page 649)

must keep distribution dynamic in the literal sense of keeping goods moving, thereby avoiding stagnation in the channels of distribution. Second, we must see that this process takes place in a free economy because there can be no dynamics in a controlled economy. Distribution, along with everything else, becomes static, ordered and enslaved.

Retail Problem of 1947

In 1947, we face the immediate problem of reconverting distribution to a normal, peacetime basis. With reconversion in manufacturing plants largely completed, increased production during 1947 is bound to bring marked changes in the basic pattern of distribution. Shortages, inferior merchandise and rising prices will be replaced by more adequate stocks and assortments. Prices will bear a more reasonable relationship to the quality of the goods offered and to the customer's ability to pay.

Effecting this transition without sustaining damaging inventory losses will provide a real test of our ability as retailers. It represents a ringing challenge to our merchandising skill. We, more than any other segment of the business community, are in a position to supply the guidance needed to carry our economy through this difficult period. This, because we alone are in direct contact with the public. Through sound buying and selling policies we can play a key role in shaping the economic course of the nation.

At the same time, we must never lose sight of the second problem; that of keeping our economy free. The trend towards a controlled economy has surged onward in the wake of the war. In many sections of the world the free enterprise system has been wiped out. In others, it has been so dangerously undermined that it appears to be tottering on the brink of collapse.

In this country, the drift toward collectivism has been checked, at least temporarily, by the recent elections. Yet the ignorance, misinformation and prejudice from which this trend drew its strength still persists. Widespread economic misunderstanding remains a serious threat to the future of free enterprise in this country. And if we can't find acceptance for the free enterprise idea in America, there is no hope for it throughout the rest of the world.

Dynamic distribution did not appear to be so very difficult to achieve in 1946. Retail volume exceeded all previous records. Almost $100 billion worth of merchandise moved across retail counters. This compares with less than $50 billion in 1939.

Scramble for Goods At An End

However, the record volume of last year's business is less important than the fact that it marked the end of an era. The mad scramble of consumers for merchandise of any sort has come to an end. As increased production continues to relieve shortages during the year, we shall see the factors of quality and price resume their normal and rightful importance.

Negotiating the great divide between a sellers' market and a buyers' market has always been a difficult undertaking. The same situation prevailed in 1920 and again in 1937 and in each case there was a sharp recession.

Our immediate problem in the year ahead is to bridge the gap without a serious setback to the nation's economy. It is a task in which we retailers, as purchasing agents for the public, have a leading role to play.

In tackling this job, we must rely largely upon our own judgment. We cannot expect manufacturers and wholesalers to sound warning notes every time the supply of a commodity begins to catch up with the demand. On the contrary, we must accept the fact that many of them may try to defer the day of reckoning up to the last moment.

It is recalled that in the 1920 collapse many manufacturers and wholesalers were still raising prices while the first wave of clearance sales was sweeping the country. Again, in 1937, many went on to talk about continued shortages and higher prices until the day when the bottom dropped out of the market.

Today, the story is somewhat the same. We retailers, meeting the buying public across the counter, know that many prices are already too high. Yet we are still hearing tales of "continuing shortages" and talk of "higher prices to come."

We know, however, that with continued high production, most of those shortages must soon come to an end. Barring another round of strikes, many of them should be eliminated in the near future. And when that day comes, retailers must not be caught with large stocks of merchandise, particularly highly-priced, poorly-styled, undesirable merchandise.

It seems unlikely that shortages in most lines of merchandise will disappear all at once. Instead of being deflated with a bang, the sellers' market seems destined to evaporate gradually, with the trend moving from one commodity to another as production catches up with demand. In many lines, the sellers' market is already a thing of the past. "It won't be long now" for many others.

Consumer Income High

The transition to a buyers' market will be made easier this time by the fact that consumer income is still at a high level. There appears to be no real danger that the market for quality merchandise at fair prices will diminish. In the appliance field and many other hard lines, we can count on an extended period of substantial sales before war-induced shortages can be made up. In other lines, various clearance sales appear to be drawing a ready response. On the whole, it would be difficult to find a period more favorable than the present for laying a wartime sellers' market quietly to rest, without major economic dislocations. In other words, there is no cause for alarm.

On the other hand, the consuming public must be prepared to face the fact that wages have risen more than 50% since 1940. As Bernard Baruch so clearly told our government leaders, "Let's stop bunking the public by saying that wage increases can be granted without increases in price levels!"

No Fear of Buyers' Market

We retailers do not fear a buyers' market. It is what we have been looking for. It is the only kind of a market in which we can give the public the maximum benefit of our services. Only when goods are plentiful can we see that the consumer gets the best possible product at the lowest possible price. The customer has always been our boss and we are glad to welcome him, or rather her, back to that proper relationship once again.

The desire for a return to a buyers' market was the basis of our fight against the OPA. We were never against price controls as an emergency measure. Retailers had been voluntarily cooperating to keep prices down before OPA was even heard of. But it became obvious to us, in trying to buy merchandise for our customers, the faulty administration of price controls by OPA was throttling production. And we knew from years of experience that we must have production, and plenty of it, in order to buy and sell goods at reasonable prices.

We can all be justly proud of the fight that our association made to relieve the stranglehold which maladministered price controls were exerting on our economy. It was a fight not only for ourselves but also for our customers and our suppliers. Retailers were making ample profits under price control. But we knew that reputable manufacturers were being forced out of production while thousands of "Johnnies-come-lately" were being permitted to sell inferior, ersatz goods at higher prices. And we know that our customers, the public, were getting a raw deal. As Wendell Willkie said: "Only the productive can be strong and only the strong can be free."

Preserving a Free Economy

So much for the problem of keeping distribution dynamic. It is, after all, a matter with which we are professionaly qualified to deal and I am confident of our ability to do so. Personally, I am considerably more concerned about the second problem, that of preserving our free economy.

In the final analysis, whether or not we continue to enjoy a free economy in the United States will depend on the will of the people. Congress is an important factor, but every legislative body ultimately reflects the will of the people. And the decision of the people will depend not on ideology but upon what they believe to be in their best interests.

Despite the encouraging results of the recent elections, we must face the fact that much of the traditional confidence of the American people in the free enterprise system has been shaken. The minds of a large segment of the public have been poisoned against private business and businessmen by distortions, lies and phony economics. Public opinion polls show clearly that years of anti-business propaganda from government and labor sources have had telling effect. Repairing this damage will be a difficult, long-range task.

The trends of public thought change slowly. Dangerous misconceptions about business and businessmen have been built up by years of clever and insidious propaganda. In the recent elections, most of the people did not cast their votes **for** private business. They voted **against** government bungling.

Several polls have disclosed that the public has an unflattering opinion of the motives of private business. Many people are convinced that businessmen are predominantly greedy. One survey showed that a majority of the people queried believed that businessmen opposed OPA because they wanted to make more money. They also thought most manufacturers fought price control because it prevented them from piling up excessive profits.

Another poll showed that, among consumers and workers, the majority refused to believe that the management and owners of business would improve wages and working conditions unless they were forced to do so.

Last summer the Los Angeles Merchants and Manufacturers Association made a survey. It revealed that most of the people queried thought that half of the customer's dollar was retained as net profit. A third of these people thought that the net profit was as high as 75%. (Actually, department stores' net profit has been less than 5% of the customer's dollar through the years.)

Another poll reflected a general belief that labor received for its efforts only a third of what management and stockholders received for their contributions to the business. And so on, far into the night.

As we all know, people act on their beliefs. It makes no difference whether the beliefs they hold are true or false. The man who is color-blind is acting in good faith when he mistakes the red traffic light for the green. But he rates a smash-up just the same.

This kind of economic color-blindness is the gravest danger we face today. Actually, it is only one step removed from out-and-out socialism. I know that if I were convinced that businessmen were predominantly greedy, if I thought that business took for its net profit 50 cents out of every dollar I spent, and if I thought that the management and owners of business got 75 cents for every 25 cents paid to the workers, I'd be a socialist of the first order.

Color-Blind Ideas

Fortunately, the public mind moves slowly. These color-blind ideas have not yet swept the country. Nevertheless they are working on public opinion like yeast in a loaf of bread. Unless these misconceptions are soon corrected, there is likely to be a sharp rise in the number of collectivists among our people.

Some far-sighted business organizations have already recognized this situation and are attempting to meet it. They have launched intensive educational programs to raise the economic literacy of their employees and their plant communities. Many of these campaigns are showing excellent results. But they are not enough. If we are to succeed, all business organizations must accept the responsibility of becoming an effective educational force in their respective communities.

As representatives of an important segment of the nation's economy, we retailers must recognize that a large share of the responsibility for this educational job falls upon our shoulders. One of our most pressing problems, both as a national organization and as individual retailers, is to find effective ways and means of discharging this responsibility. We cannot expect politicians, economists or even trade associations to save the free economy for us. It is a job which calls for vigorous action on the part of each and every one of us.

Facts on Retailing

Approximately a quarter of a century ago our National Retail Dry Goods Association took a wise and far-sighted step. The rise in retail prices during the inflation which followed World War I had resulted in great public resentment and an attempt was made to prosecute a number of prominent retailers for alleged profiteering. Retailers, being the only ones with whom the public came in contact, naturally were made the "goat." Accordingly, our board of directors decided that our trade should never again be in a position where no one but the stores and the Association itself knew the facts about distributing goods. In order to have an outside, disinterested agency of unquestioned standing which would know all the facts, the Bureau of Business Research of the Harvard School of Business was asked to make a yearly study of all of our essential operating figures.

Every retailer recognizes the value of this yearly study as a yardstick for comparison of his own with other operations. But I wonder how many appreciate the public relations job which these reports have done in providing an independent audit of our figures, which was the primary objective that our board of directors had in mind.

This action, taken so long ago that many of us have forgotten the reasons which prompted it, was a long stride in the right direction—a direction which we must pursue still further today. These annual studies provide a clear picture of our business for government officials, economists and educators. But we need more than that. We need a better understanding of retailing by our employees, our customers and the people in our communities. If we can develop such an understanding, we shall have made a priceless contribution toward keeping our economy free.

It is said that to define a problem is to take a long step toward its solution. If so, we have made such a step in selecting "Dynamic Distribution in a Free Economy" as the theme of this convention.

To keep distribution dynamic and to keep our economy free—these are surely worthwhile objectives for our deliberations here and for our activities at home during the coming year. They are objectives which are particularly fitting for a national association which is holding its 36th annual meeting to consider what is "good for us, good for our customers and good for our country."

Conclusion

In conclusion, let me submit a brief "blueprint for action":

1. Distribution can remain dynamic only if our economy remains free.
2. Our free economy is seriously threatened by a trend towards a controlled economy.
3. That trend is not what the rank and file of American citizens really want.
4. Organized propaganda, nevertheless, is spreading economic color-blindness among our people.
5. These attacks are effective because those best qualified to answer them invariably fail to do so. I refer to the American businessman himself.
6. Either the American businessman must militantly defend his right to function under a free economy or face the prospect of losing that right.
7. American retailers have no greater responsibility to the public they serve than to become vocal against the dangers of a controlled economy.
8. It is no longer sufficient for our retailers to sell merchandise per se. Our real job today is to sell our system along with our products.
9. We must tell our story with deeds as well as words.
10. We must never forget that we are merely purchasing agents for the public.

So much for the "why" of all this, and now for the "how." The National Retail Dry Goods Association should, and will I believe, promulgate an aggressive public relations campaign to tell the real story of retail distribution to the American public during 1947.

Retail stores, individually and in small groups, should simultaneously give forceful expression to this program, in whole or in part, at the community level.

In that direction lies great hope for the kind of prosperity and security that only a free people, aroused and determined, can hope to attain.

A Republican Program for Europe

(Continued from page 646)

preceding Secretaries of State, to take this occasion to look back in order the better to look forward.

Last year had some good aspects. There receded a serious risk that the victorious war coalition might break up and its members fight among themselves. It did not end the bid of the Soviet Union for world leadership. That was hardly to be expected. But 1946 did see that bid deflected into channels more compatible with peace.

The Soviet challenge is double-barreled. One barrel aims at social revolution throughout the world. The other barrel aims at nationalistic expansion. The war made both targets easier to hit. Economic misery, the by-product of war, bred radical agitation throughout the world. The military position of Russia, as the great land power next to Germany and Japan, gave Soviet leadership unique opportunities to bargain for an expansion of their national domain. It is the latter type of aggressiveness which was checked in 1946 when it had already gone so far that persistence would have jeopardized the peace.

Soviet Expansion Began With Hitler

Soviet national expansion was going ahead in a big way at the end of 1945. It had begun under the cover of deals with Hitler. With his tacit acquiescence or explicit approval, part of Finland, all of Estonia, Latvia and Lithuania and large portions of Poland and Rumania were incorporated into the Soviet Union. That was the price of Soviet neutrality while Hitler was attacking in the West. When Hitler turned East to attack Russia, that made Russia an ally of Britain and the United States. It was vital that the war unity of these three should be preserved and Soviet leadership relied on that to bargain at Moscow, Teheran, Yalta and Potsdam. As a result, Soviet land power was further extended in Europe and into the Pacific.

After hostilities ended, the Soviet leaders sought to go on with their nationalistic bargaining. The first occasion was the first meeting of the Council of Foreign Ministers at London in the Fall of 1945. That conference ended with no agreement. It was publicly proclaimed a failure. It was, indeed, a failure from the standpoint of the Soviet Union. It marked the end of the ability of the Soviet Union to expand by bargaining with great powers at the expense of the weak. American idealism had a rebirth. Perhaps it would be more accurate to say that our idealism, always latent, could then safely emerge from the recesses into which it had been driven by war necessity. From then on, as Secretary Byrnes well put it, the United States might compromise within principle but it would no longer compromise principle itself.

That was the spirit of 1946. It enabled the U. S. Delegation through patient firmness to obtain peace treaties with Italy and the satellites which, while not ideal, involve no flagrant new injustices. More important, it halted the Soviet program of expanding at the expense of weak neighbors.

When Soviet leaders discovered, at the end of 1945, that they could no longer get our agreement to further expansion, their first reaction had been to go it alone. At the beginning of 1946, Iran, Turkey and Greece were threatened. The result, however, was not a Soviet success. Throughout the world, public opinion reacted adversely. Soviet leaders found that they could not fire both barrels at once. Nationalistic aggression canceled out idealistic propaganda. As against the loss, there was no compensating gain, for Soviet aggressiveness had provoked in the United States and Great Britain a stronger resistance than Soviet leadership cared to face. In these countries, public opinion quickly hardened. It supported measures to rebuild military establishments which had been allowed to disintegrate. The United States displayed naval and air power in the Mediterranean. It seemed that if the Soviet continued along the line upon which it had embarked, that might even lead to major war. That is one thing which Soviet leadership does not now want and would not consciously risk. Economically the nation is still weak in consequence of war devastation. Also, for the time being, the Soviet military establishment is completely outmatched by the mechanized weapons—particularly the atomic weapons—available to the United States.

Soviet Leadership Intelligent and Realistic

So, as competent observers had thought likely, Soviet leaders drew back. That is to their credit. Soviet leadership showed itself to be intelligent and realistic, rather than reckless or fanatical. That is a reassuring fact because often leaders who are dynamic and who have had great initial successes become overconfident. They take ever greater risks until they find to their chagrin that they have made a bad calculation and have precipitated trouble which they never wanted or expected. The Politburo, at least in 1946, did not go down that path.

American People Have Shed War Romanticism

The greatest credit for the 1946 result goes to the American people. They quickly cleared their minds of war romanticism which had overidealized all of the allies and their objectives. They were able to see realities even when they were unpleasant realities, and, despite postwar weariness, they hardened their wills. There were a few who were gullable and who still believed, because Soviet leadership used idealism as propaganda, that that leadership itself was idealistic. But they were only a small and ineffectual minority. The American people showed that they still possessed to a high degree the ability to see clearly and to think straight.

Bi-partisan cooperation played an important part in the result. Governor Dewey, during the campaign of 1944, agreed with President Roosevelt that there should be a permanent world organization. That act made logical a bi-partisan delegation to the San Francisco conference. That worked so well that Secretary Byrnes invited Republicans to participate in negotiating the first group of peace treaties and to participate in the Assembly of the United Nations. Thus, Democrats and Republicans sat side by side, and we both learned, at the same time and from the same bench as it were, some of the hard facts of international life. That learning together is the key to effective bi-partisanship. In this case it made it natural that Democratic leadership through Secretary Byrnes and Republican leadership through Senator Vandenberg should speak to the American people in similar terms. That contributed greatly to solidifying the American attitude.

If, as I believe, the November elections put a seal of approval on that kind of cooperation, it is because the American people sensed that during the preceding months it had helped to save them from grave peril.

Credit also goes to the United Nations. Its open processes were what made it impracticable for Soviet leadership to play, at the same time, incompatible roles. It compelled choice between idealistic propaganda in non-contiguous lands and hard-boiled militarism toward neighboring countries. It enabled world opinion to register and show the expediency of the more peaceful course.

We can look back on 1946 with some satisfaction. But it should only be satisfaction that a long, hard task has been well begun. If 1946 saw the Soviet nationalistic challenge become less aggressive, we cannot assume that even that phase is definitely over. Certainly Soviet leadership does not accept as final the present status of the Dardanelles. In its other phase—the ideological phase—the Soviet challenge became increasingly powerful. In most of the world, effective popular leadership is in the hands of persons who are sympathetic to Soviet communist doctrines and who turn to Moscow for moral support.

In India, Soviet communism exercises a strong influence through the interim Hindu Government.

In China, United States efforts to end the civil war have collapsed and communist forces hopefully continue their struggle.

Unrest in Colonial Areas

Throughout the colonial areas, there is growing rebellion against the white man's assumption of racial superiority. The fighting now going on in Dutch Indonesia and in French Indo-China is symptomatic of a wide-spread condition. These revolutionary movements are encouraged by Soviet leadership which pretend to a "classless" society.

The Arab world grows increasingly hostile as the strain regarding Palestine is prolonged.

In Latin America communist leaders are steadily gaining in political power. They are effectively agitating against the so-called "capitalism" and "imperialism" of the United States. Hemispheric solidarity is precarious and the Monroe Doctrine faces its sternest test.

In Western Europe communist strength has grown so that in France and Italy communists now exercise a large measure of governmental power.

In the United States, Soviet leaders look to "boom-bust" finally to discredit capitalism and to liquidate the last vestiges of our claim to economic supremacy. That collapse, they profess, is inevitable. However, they deem it prudent to help the inevitable and to this end their followers have burrowed into the core of our economic body.

Soviets Portray U. S. as Militaristic

At the recent "town meeting of the world," the Soviet Delegation achieved a large measure of leadership. Also, they there did an effective job in portraying the United States as militaristic and imperialistic. They persuaded many that this nation ought to disarm itself in the interest of world peace. Soviet leaders hope thus to end the military inequality which bothered them in 1946.

Those are some of the items of the 1946 heritage with which 1947 must deal. It is a heritage which is hailed joyfully by the New Year's press of the Soviet Union. It is, for us, a heritage to be accepted with soberness. It does not contain immediate danger, as did the heritage of 1945, but it does threaten us with an isolation which sooner or later, would gravely endanger us. Also, it is a form of challenge which is difficult to meet. In 1946, our foreign policy had two main elements, negation toward Soviet expansion and relief of those suffering privation. In 1947 we shall still need the ability to say "no." We shall still need to provide some relief. But we shall need more than that. Negation is never a permanent substitute for creation and no nation is so poor as a nation which can give only dollars. The need is for spiritual and intellectual vigor and the leadership which that bestows.

Today most of the peoples of the world find their established institutions swept away. They must build anew. 100 years ago, 50 years ago, they would have looked to us for inspiration and guidance and they would not have looked in vain. They must not now look to us in vain. Let that be our New Year's resolve.

The Moscow Conference

The forthcoming Moscow conference will show whether we have the wisdom to prescribe healing of such vast dislocations as everywhere surround us. That conference will deal with Germany. Whoever deals with Germany deals with the central problem of Europe. Whoever deals with Europe deals with the world's worst fire hazard. Repeatedly it bursts out in flames. Twice within the last 30 years the edifice has virtually burned to the ground. The human and material losses have been colossal and irreparable. After each past conflagration, the structure has been rebuilt substantially as before.

Statesmanship can do better than go on repeating that folly. The trouble is not hard to find. Our finders diagnosed the situation many years ago. Alexander Hamilton put it in these historic words:

"To look for a continuation of harmony between a number of independent, unconnected sovereignties in the same neighborhood would be to disregard the uniform course of human events and to set at defiance the accumulated experience of ages."

Not only did our founders diagnose the trouble; they found, for themselves, the remedy. They placed matters of concern to all under an administration responsible to all.

The war victors will do well to have that formula in mind. Then when they plan the future of Germany, they will think more in terms of the economic unity of Europe and less in terms of the Potsdam dictum that Germany shall be "a single economic unit." Of course, there should be an economic unification of Germany. But the reason for that is also a reason for the economic unification of Europe. A Europe divided into small economic compartments cannot be a healthy Europe. All of Europe's economic potentialities need to be used at maximum efficiency and European markets should be big enough to justify modern methods of cheap production for mass consumption. That, no doubt, is why Mr. Attlee declared some time ago that "Europe must federate or perish."

A German Federation

Of course, the German settlement will not of itself bring about a federation of Europe. Only the European peoples themselves can do that and they will probably move slowly. But the German settlement may decisively determine whether the movement will be toward economic unification or toward rebuilding the old structure of independent, unconnected sovereignties.

The Basin of the Rhine, with its coal and industrious manpower, constitutes the natural economic heart of Western Europe. From that area ought to flow vitality not merely for Germans but for Germany's western neighbors. If that happens Western Europe, at least, with its 200 million people, could develop into a more prosperous and stable land. That, however, is not likely to happen if the German peace treaty merely reestablishes Germany as a single economic unity subject to only German political control which, even if originally decentralized, could again become highly centralized. If such dispositions are made, Germany's western neighbors—France, Belgium and Holland—will hesitate to organize their economies into dependence on a source which may again be controlled by ambitious and vengeful German rulers. That might enable Germans hereafter to achieve, by economic pressures, a mastery of Western Europe which they could not achieve by arms. Rather than risk that, the nations of Western Europe will probably annex bits of Germany as they can and, as to the rest, accept economic separation. That would condemn Western Europe to an unhealthy and precarious future.

Not only is such a solution bad for Europe; it is bad for peace. If the industrial potential of western Germany cannot safely be integrated into Western Europe, it ought not to be fully used by Germans alone. It is then logical to impose what the Potsdam declaration calls "industrial disarmament." That is another word for pastoralization. Its inevitable accompaniment is military occupation and charity feeding. Actually, no one of those three elements can have permanency. Not only Germans, but neighboring peoples, will eventually rebel at trying to cover with manure the natural industrial basin of Europe. Peacetime armies of occupation are a tremendous moral hazard to themselves and to others and, while long-term military guaranties as proposed by Senator Vandenberg will be required, the American people will not indefinitely keep in Germany the huge armies which would be needed to repress restless people deprived of the work for which they are fitted. Also, the American people will not indefinitely provide immense charity to prevent mass starvation which threatens only because artificial conditions are imposed.

Durable Peace Must Be Self-Enforcing

Peace should not be made dependent upon artificial conditions which hold only so long as there is external coercion. That was the main trouble with the Treaty of Versailles. Its terms, if enforced, would have kept Germany impotent for a thousand year. But enforcement depended upon external coercion which rapidly evaporated. Peace conditions, to be durable, should be self-enforcing. What is needed in respect of Germany is decentralization. At the beginning, that can be imposed. A large measure of political autonomy can be given to German states. But that decentralization will not stick unless also there develop natural forces which turn the inhabitants of Germany's states toward their outer neighbors. The economic forces operating upon Germans should be centrifugal and not centrapetal. Only if decentralization is enforced by such forces can it be depended upon.

When the German problem is thus analyzed, it is apparent that it calls for some application of the Federal formula. Under our Federal system the citizens of Pennsylvania share with others legislative control over the interstate movement of their coal and their steel products. The Port of New York is operated by an autonomous authority established by treaty between New Jersey and New York. The Tennessee Valley development is operated by a Federal authority, not by the State of Tennessee. We propose an international authority to own and operate atomic development everywhere so that nowhere can it fall under national control which might use it for war rather than for economic welfare.

Such precedents suggest that it is not beyond human resourcefulness to find a form of joint control which will make it possible to develop the industrial potential of western Germany in the interest of the economic life of western Europe, including Germany, and do so without making Germans the masters of Europe.

Up to Our Continental Allies

Whether a solution along this line is practical, and the scope to be given it, will depend primarily upon our continental Allies themselves. The non-continental victors—Soviet Russia, Great Britain and the United States—cannot impose any such solution. If, however, our continental friends are thinking constructively—and there is evidence that many of them are —we Americans ought to be able to give them precious assistance. We possess, with Great Britain, decisive power in western Germany. We have, more than any other people, experience in using the Federal formula and in developing its manifold possibilities. If we employ these assets to solve the problem of Germany, we shall have made a good start in implementing our 1947 resolve.

I have spoken particularly of Europe. But I did so only by way of illustration and not with any thought that we can safely concentrate on one part of the world to the neglect of the rest. Not only in Eprope, but in Asia, South America and the colonial areas there are vast tasks of reconstruction to be undertaken. Old societies need to be rebuilt. Sick societies need to be made well. Societies subject to alien rule need peaceful roads to freedom. We should become again, as we once were, the source to which men turn for inspiration and guidance in the accomplishment of such tasks.

The Challenge of Communism

We Americans believe that our individualistic society best qualifies men for leadership. Such a society, we believe, provides the richness of diversity and of experimentation and the stimulus of competition. That, I say, is *our* belief. But it is no longer the belief of others. They are skeptical. They are frightened by the unruly aspect we present and they suspect us of a certain moral and intellectual bankruptcy. They are attracted by the apparent smoothness and efficiency of a society where conformity is the rule and where all men walk in step. That is why Soviet Communism can seriously challenge us for world leadership. The time has come when we shall have to put up or shut up.

I am confident that out of the physical vigor of our people and the intellectual stimulus of our free society can come the constructive ideas for which the whole world stands in wait. If it does come, we shall again be safe, for we shall have given leadership and, in return, we shall receive fellowship.

The Question of Pur hasing Power

(Continued from page 649)

level based on mass production and mass consumption.

Today all three are much higher than before the war. Weekly earnings of the average factory worker were nearly twice as much in December, 1946 as in August, 1939. Corporate profits, both before and after taxes, are about three times as great as in 1939. But prices have risen about 80%, and living costs more than 50%, above the pre-war level, so that the purchasing power of both the wage dollar and the profit dollar have been diluted. The $46 weekly take-home pay of the average factory worker in October, 1946 bought only about as much as the $35 he received in April, 1942.

In the recent past, rising prices have outrun purchasing power, so there is some question whether consumers can continue to absorb the large volume of goods and services now being produced. Furthermore, with the same levels of employment in 1947 as in 1946, national production may be expected to rise by 3 to 5%, because of increased productivity, that is, output per manhour of labor. To maintain full employment in 1947 we must not only maintain full employment, but increase it by enough to provide a market for the increased production. This is to say, prices must be reduced or incomes raised or both.

Sees Both Lower Prices and Higher Incomes

Actually, we can look forward to both lower prices and higher incomes.

Consumer resistance has already caused a sag in many speculative prices, and others will follow. Moreover, resumption of the increases in productivity, which about doubled the output per manhour in our manufacturing industries every 20 years before the war, would lead us again to higher incomes and lower prices in manufacturing and in agriculture. We should avoid thinking of high wages, good profits and low prices as conflicting claims on our economy. In the past we have seen our great industries built on expanding production at lower costs and lower prices, paying higher wages and handsome profits. Our future progress lies along the same way.

No one has more to hope for from full employment, or more to fear from depression than the states and their governments.

I have had the privilege of serving a great State as Lieutenant Governor and Governor, and I know what a powerful effect the national economy exerts on the people and the governments of each state. When depression strikes, none of us can escape it. We remember how, between 1930 and 1933, state and local tax collections fell, tax delinquency increased and interest rates on state and local bonds rose.

The war and post-war years, on the other hand, have shown us how national prosperity increases state revenues, reduces the outlays for relief and assistance, and permits state and local governments to raise the standards of essential services, such as education and health, and to invest in useful public works. During the war, state and local gross debt was reduced by about 4 billion dollars and substantial reserves were set aside for post-war use.

Influence of States on the Economy

Still, we must not think that our economic health is simply at the mercy of inevitable national economic forces. The states themselves, through their legislative and fiscal policies, exert a powerful influence on the economy and can contribute materially to the attainment of maximum employment, production and purchasing power to which, as a Nation, we are committed.

The states, in the aggregate, are one of the major factors in the economy. State and local government expenditures in 1947 will account for about 11 billion dollars of national income. State and local governments employ, all told, more than 3.5 million people, with annual payrolls in excess of 6 billion dollars. Their expenditure for public works and for supplies and equipment, if timed in accordance with national economic policy, could be a major stabilizing factor in the economy. Sound policy, both Federal and State, calls for large revenues with budget surplus in good times, and smaller revenues wtih increased expenditures in period of slack. If state and local governments limit their outlay for public works and procurement to procurement for immediate needs and high priority public works, such as hospitals, they will restrain inflation now, while prices are high and supplies short; they will also have funds to spend when prices are lower and private demands need reinforcing. This is sound economy as well as sound economics.

The states largely determine the quality and amount of essential public services, such as education, health and employment service, which so greatly affect the productivity of our population. More than 6% of our total labor force is employed by state and local governments, and their earnings have not kept pace with living costs during the past few years. Strictly from the economic point of view, this is one of the weak points in purchasing power, correction of which would be helpful. Beyond this, it is threatening the quality of public services. For example, loss of 350,000 qualified teachers during the past six years —chiefly because of low salaries and shrinking buying power—has created a crisis in public education.

The states largely determine the standards of protective legislation, minimum wages, maximum working hours, restrictions on child labor and industrial safety and hygiene; and of eligibility and benefits for unemployment compensation, workmen's compensation and public assistance. In some states, minimum working conditions are below those required for a healthy, prosperous economy. In many states, unemployment and workmen's compensation benefits fall short of their twin objectives of protecting the individual worker and sustaining purchasing power.

Good public services are expensive, and not all states can afford to maintain them. The differences between states in expenditures for public education are a good example. *We need to work out better ways to share the costs of these investments in prosperity.* We have done this for a long time through Federal grants-in-aid for public roads and other public construction and more recently for public health and education and public assistance. Most of these grants have been made on some matching basis—so much Federal money to match so much state money—uniform for all states. Now it seems to some of us that we need a way to vary the basis from state, so that states which are richer or more densely populated may pay a larger share for themselves, while the states that most need it can receive a larger share from the Federal Government.

The purpose of variable grants, of course, is to make it possible for states that have fewer tax resources to maintain standards of service to their people as high as those offered by wealthier states, to equalize the opportunities for all our citizens.

The states can do a great deal to eliminate laws and regulations that restrict competition and hinder the efficient operation of industry and agriculture and the free flow of commerce. Every trade barrier that has this effect is an obstacle to maximum production and employment. Codes of health and sanitation that are twisted to close the markets of one state to the farmers of another; building codes that in the name of safety perpetuate high-cost construction; punitive taxes that act as "protective tariffs" for one product or one kind of business as against another; legalized price-fixing at the consumer's expense; laws that impede the movement of goods over state roads; license regulations that preclude reciprocity for business or professional men between one state and another; emigrant agent acts that inhibit the free flow of workers in the labor market. Such devices are hang-overs from the depression when markets were oversupplied and purchasing power thin. They have no place in a full employment economy, and they make it more difficult for us to maintain one.

Example of Post-War I Period

You remember what happened after the first World War. Buying power of the individual consumer diminished as a downward revision of wages resulted. That was a major factor in setting in motion the forces which cause recession. The one thing we know for certain about causes of depression is that they never occur until the individual loses his purchasing power. So I think there is general agreement that unemployment does more to start a depression than anything else, because it cuts purchasing power.

None of us knows the precise formula by which a bust can be prevented. But a disas'rous slump is not inevitable. The fact that we were able to avert a sharp downswing during reconversion is significant and encouraging. Even while we carried out the tremendous task of military and industrial demobilization, total unemployment never exceeded two and three-quarters of a million. Today 58 million Americans have jobs. That is a very impressive achievement. It is by far the best post-war performance in our history.

I believe one fact is quite clear. No major depression has been due to the fact that the wage and salaried workers of America were given too large a share of the national income.

Today there is growing agreement that we can avoid a depression by maintaining an economic balance which will insure full production and equitable distribution within the framework of a free society. I do not believe that is an impossible task.

But it is a difficult task because our economy is so vast and complex. We find it easier to agree upon principles than to put them into practice. Fortunately we are getting better and better acquainted with this complicated economy of ours.

That economist or financier sufficiently wise to suggest how we may draw a plan that will keep all phases of the economy in balance has not yet appeared. We have a reasonably clear understanding of the causes of "Boom and Bust." But there is no authority to prevent the excesses, the disregard of economic law, that will stabilize the economy and prevent that which sets in motion the sinister forces which accelerate "Boom and Bust." The boom that now rides on the coattail of inflation was held in check during the war by arbitrary controls, justified by the circumstances of war. But an effort to impose regulatory measures in peace time, to prevent excesses in which the seeds of depression germinate, is repugnant in a democracy. Such can be accomplished only by voluntary use of the knowledge we have acquired through bitter experience.

I have a feeling that Americans are resolved that neither blind chance nor raw economic power shall determine our national welfare. We reject the fatalism of boom and bust, as we are trying to cooperate to open the way to peace and abundance. To reach that goal—to prevent major depressions and to minimize recessions—we need both unity of purpose and a renewed spirit of fair play. That obligation lies upon all of us—industry, agriculture, labor, and a Government dedicated to the common good.

1946 Net Operating Earnings of Bklyn. Trust

Net operating earnings of the Brooklyn Trust Company of New York for the year 1946, after all expenses, interest and taxes, including provision of $390,500 for Federal income and State Franchise taxes, were $1,122,990, comparing with $993,876 in 1945. Of the 1946 net earnings $300,000 has been earmarked for pension plan purposes. George V. McLaughlin, President, reporting this to the stockholders at the annual meeting on Jan. 13 stated that "profits on sales of securities and recoveries on loans previously charged off were credited directly to reserve accounts and were not included in earnings."

Mr. McLaughlin stated that the pension plan, providing retirement income beginning at the age of 65 for all persons employed by the company five or more years, will become effective Feb. 1 next.

The report of President McLaughlin had the following to say regarding government securities and loans:

"Reflecting the end of war financing, the United States Treasury withdrew a total of $61,304,954 from its war loan deposit account with the company during 1946. As is generally known, funds were withdrawn proportionately from all banks carrying war loan accounts, and were used to pay off a portion of the public debt. Deposits other than those of the United States Government increased $18,036,059 during the year, with the result that our total deposits showed a net decrease of $43,268,894. Total deposits are still somewhat larger, however, than they were at the end of 1944.

"As a result of the decrease in deposits caused by Treasury withdrawals, our holdings of United States Government securities were reduced to the extent of $42,129,589, during 1946, and at the year-end totaled $147,846,449. Approximately 18% of our holdings mature within 5 years; 69.1% either mature or become callable in from 5 to 10 years, and 12.9% are not callable within 10 years.

"Due to a decrease of $5,216,000 in loans to purchase or carry United States Government securities, total loans and bills purchased showed a net decrease of $2,263,000 in 1946. Other loans showed an increase of $2,953,000, reflecting an increased demand for business credit. Total personal loans outstanding increased 170% during the year. Our Consumer Credit Department, which is engaged in the financing of durable consumers' goods, such as household equipment and automobiles, through purchase of consumers' notes from dealers, began operations around the middle of the year. Although its growth has been handicapped by scarcities of the kinds of goods it finances, this department has shown satisfactory progress."

In his report Mr. McLaughlin observed that "it appears probable that banking income from government securities will be smaller in 1947 than in 1946 because average holdings are practically certain to be smaller." Commenting further, he said: "Considerably more than half the $20,000,000,000 reduction in the public debt which took place in the last 10 months of 1946 represented securities held by commercial banks. With the Federal budget balanced, on a cash basis at least, it seems unlikely that banks will have any occasion or opportunity to increase their government security holdings in the coming year.

"If business activity continues high, banks may be able to offset some of their loss of income from government securities by increasing their volume of commercial and other loans at slightly higher rates of interest."

Consumer Credit—A Look Ahead

(Continued from first page)
losses and costs are concerned. Looking back on the last six years, we now realize that we could have bought any business offered to us without regard to credit or other factors, and our loss experience would not have been changed to any substantial extent. Furthermore, during this period, collection costs and collection difficulties were far less than that we had experienced heretofore. These conditions cannot last, and I therefore suggest that we forget all about our experience for the past six years, except perhaps for that part we can utilize in our mechanical operations. It is easy to forget because we do have a lot of thinking to do about how to get our house in order.

To Follow Pattern of Prewar Period

The behavior of this business in the future will, in all probability, follow the pattern of the pre-1940 period, and there is an abundance of information available on loss ratios, repossession ratios and costs of collection. However, we can see some general conditions ahead of us in the next few years that will affect this business, and I think past experience will tell us about what to expect from them. First of all, consumer credit is going to be a much bigger business both in terms of volume of loans made, and in terms of outstandings. We can also expect the average loan to be higher. This prediction has been made so often and the reasons for it are so obvious that it is mere recitation to repeat them. A higher national income and the higher average family incomes will create more instalment buying and instalment borrowing. Consumer durable goods that create most of the instalment sale credit will be made available to a much larger proportion of the public than ever before because a much larger segment of the wage-earner population now have earnings large enough to support the purchase of such goods and to establish credit. Secondly, the cost of automobiles and consumer durable goods is substantially higher than in the prewar period. Automobiles, for example, are priced from 30 to 50% above 1940 prices. Household refrigerators and other household appliances show about the same increase. In addition, new products are coming on the market which will further add to the total instalment-sale credit; television sets and deep freezers are examples of new products that will be mass-produced and sold on instalments. Thirdly, recent opinion surveys today show a much greater interest in purchasing on instalments than ever before. Instalment buying has been sold to the public, and to a large extent the public's experience with buying on time has been sufficiently good to establish its popularity. Bank advertising and promotion of personal loans has greatly expanded the use of this type of credit for current consumer cash requirements. It has been interesting over the past few years to observe that loan companies and industrial banks that formerly extended most of this credit are still maintaining outstandings equal to or in excess of prewar figures, despite the competition furnished by the thousands of banks who are now making personal instalment loans. The answer to this situation can only be that more and more people are using this facility, and with its greater use, resistance to buying on time is rapidly disappearing. Certainly if buying on time is not popular, at least no substantial part of the public still looks upon it with disfavor.

Enough Business to Go Around

If the consumer credit business is to be made a bigger business, should we let that realization affect our planning for the future? To be frank about it, it should influence us to stop worrying about the volume, to eliminate ruinous rate-cutting and assume that there will be enough business to around. Furthermore, the expansion of consumer instalment debt and greater public acceptance of this facility makes the business important, in dollars and in terms of public service. We can expect more and more publicity and governmental attention in the form of regulation. That has been the trend in the past as the business has grown. So far, with few exceptions, regulation has been lightly applied and publicity has been favorable; yet we know that the instalment finance business has been anything but free from unfair practices. Loading of rates with "packs" for dealers, misrepresentation of insurance coverages, unfair repossession methods and other abuses from now on will receive an increasing amount of public attention and governmental regulation will follow. Some regulation is probably desirable but, as we well know, once the government steps in, the extent of its interference is not easily controlled. Of more importance, however, is how the public accepts this banking service. This activity of the bank may reach more people than all of its other activities combined and, generally, the people it will reach are those who heretofore had few, if any, opportunities to deal with a bank. Consumer credit is a grand opportunity for private banking to sell itself to the public. It also represents a great risk to private banking if it is poorly administered.

The consumer credit business, in company with every other business is now, and will continue to be, faced with higher costs of operation. The postwar salaries and other costs of doing business obviously will be substantially greater than prior to the war. This business is a highly specialized and detailed business and the cost of doing business is an exceedingly important problem. The costs of conducting a consumer credit business represent a higher proportion of gross income than is the case of any other lending or investment activity of a bank. As in the past, profit from now on may come entirely from our skill in handling the business and from our ingenuity in developing techniques and methods that will absorb higher operating costs.

Matter of Rates and Charges

The really important problem with which we have to contend today and tomorrow in this business is the matter of rates. The gross return on instalment loan business is much lower today in most areas than it was prior to the war. On the other hand, there has been a gradual increase in the size of personal loans, and as a result the average loan made today is somewhat higher than previously. We therefore obtain a higher dollar gross with which to absorb the increased cost of operation and perhaps to support a minor reduction in rate. There is a different story, however, with instalment sale credit. Gross return today on instalment sale credit both before and after distribution of dealer reserves is substantially lower than the return which prevailed prior to 1941. Whether we like this situation or not, it will continue for some time to come. Maybe it will continue until some banks and some finance companies begin to take losses and find that their net earnings have not been large enough to pay the losses. Obviously, it is competition, particularly bank competition, that has forced rates downward. Anyone reasonably familiar with this business knows, as I have stated before, that our loss experience for the past five years has been nothing short of phenomenal. We will not need a major recession or depression in the next few years to materially change such an exceedingly favorable experience. A continuance of a period of prosperity will still bring losses well in excess of anything we have assumed during the last five or six years. Furthermore, we should recognize that one of our principal cost factors, the cost of collection, has been running far less than we can expect under normal conditions. Once the public begins to get loaded up with instalment obligations, we will again find it necessary to expend energy and money in maintaining the current status of our accounts. It is my opinion that without any credit losses of consequence, a large proportion of sales finance business is still being purchased at a loss. I am thinking particularly of household appliance business, which in most metropolitan areas is being discounted at approximately 5% per annum. With the short terms and large down payments, the average amount financed is around $120, which at the current rate yields a sum of $6 in finance charges. Very few consumer credit organizations have achieved enough volume or sufficient productive skill to handle a 12-month instalment account for $6. The result is that the bank or finance company is making no profit and has nothing available for loss reserve. To further present this picture, we should recognize the increased cost in soliciting or acquiring business. Floor-plan accommodations to appliance dealers at present rates is also a loss operation. Of course, most people in this business today feel that their position will improve just as soon as they get more volume and just as soon as some relaxation of Regulation W extends the terms. I do not agree with that reasoning because I feel that increased volume and extended terms will in themselves create the collection costs and the credit losses that we have been discussing. There is another argument that some bankers use that does not appeal to me. You do now and then hear bankers refer to 2 or 2½% net profit as a good return or a return that is better than the bank can obtain on government bonds. What is there good about a return like that on a risk business, particularly on a business where the loss experience from one year to the other can jump 2 or 2½%? I submit that the consumer credit business is a risk business in every sense of the word. Past experience in this business does tell us that you have to build loss reserves during good years to cover the inevitable periods of recession. The year 1937 was an excellent year for the instalment financing. By spring of 1938 losses were running three to four times the amount of the previous year. This business need not fear depressions if we prepare for them, and that is why we need a reasonable net return on our money. Let us look at it from another angle. Today practically every one has a job at a good wage. Practically every one therefore is a potential user of our service and are good credit risks. When a recession comes, a sizable proportion of our customers will lose their jobs, but we cannot tell now who they will be. That is why experience with paper bought in 1937, a good year, was bad, and why paper bought in 1938, a bad year, was good. From now on it certainly looks to me that the practice of getting new business by cutting a competitor's rate will be a highly effective form of suicide. As I said before, the volume of consumer credit business in the years to come will be far in excess of anything we have known.

In general, there will be enough business for every one. Perhaps not enough to support the whole bank, as some bankers have presumptuously hoped, but enough to justify the importance of consumer credit as a proper function of a bank. Lower rates are obviously an advantage to the instalment buyers, but not if the lowering of rates endangers the proper and sound continuation of the service.

Future Field of Consumer Credit

Let us take a quick look ahead at some of the conditions that we may expect to find in the more important field of consumer credit. Automobile financing has always been the most important and perhaps the most profitable form of consumer credit. At the moment we do not have a low-cost automobile. Within a year the industry will have to produce low-cost automobiles, that is, cars delivering for around $1,000, or the industry will miss a large part of its market. Furthermore, terms will have to be lengthened, for the public just cannot meet the monthly payments that are now required. In round figures, the cash price of the popular make of automobiles have increased between 40 and 50% since early 1941. However, the cash buyer in normal times is only represented by about 40% of the market. The increase as of today, with the present instalment terms, would be substantially more for the time buyer. To illustrate, in the spring of 1941 a new Ford car could be purchased with a down payment of a little over $300 and the balance could be spread over 24 months at the rate of about $29 a month. Today, in order to buy practically the same automobile, the time buyer must pay about $500 down, an increase of 50% in the down payment, and he must pay about $72 a month for 15 months. That means an increase in the monthly payment of about 150%.

I think that illustration tells the whole story of the price resistance that the seller of automobiles is bound to meet just as soon as the top level of the market is siphoned off. If the terms are not extended the public will not be able to buy the cars and we will have no problem at all. If the terms are extended, then the business that we do buy will be somewhat more hazardous because of the longer term. Once again, past experience relates when we can expect trouble with extended terms. Long terms for buying cars are not the primary reason for increased losses. As a matter of fact, some lengthening of the term is advantageous since it reduces the size of the monthly payment and makes it easier for the car owner to meet his payment. The modern automobile is durable and it will outlast any reasonable term of payment. However, we do know that a reduction in prices of comparable makes and models over those of an immediately preceding model-year does cause repossessions because a new car then can be obtained for not much more than is due on the old one. If cheaper cars are brought out in late 1947 or 1948, it is likely that the decrease in price will be represented almost by a decrease in quality. But the two models may still be comparable to the disadvantage of the old model. We can look for trouble unless we maintain down payments. The substantial down payment is our only protection against price fluctuation and the next year or two will not be the time to consider any short down payment paper, regardless of the continuation of Regulation W. There will have to be some lengthening of terms on new cars in order to bring the monthly payment closer to the pocketbook requirements of the public if we hope to maintain the market for cars that will be manufactured in the next two years.

Used Car Financing

The longer we hold to high down payments *and* short terms on used cars the better. Prices on used cars will decline from now on and perhaps the sooner they get down to something representing real values the better. There seems to be no sound economic reason for granting more liberal terms on used cars. The supply of used cars that will be fed into the market for the next year or two by normal means is so small that they should be absorbed without the encouragement of extended terms. A sizable proportion of the available used cars in the market is still coming from the use of the high price as the direct incentive. In general, the condition of most used cars is poor and when the cost of maintaining them in running condition is added to their purchase price, we wind up with a total that compares unfavorably to the cost of a new car. Obviously, such a situation is unsound and consequently used cars at present prices are anything but good collateral for loans other than loans on a short term basis. Used car paper has always carried a substantially higher rate than new car paper for the very good reason that collection and loss experience on used car paper compares unfavorably with new car paper. Even when the merchandising and the quality have been reasonably good, repossessions of used cars have been from 8 to 10%. If new cars were presently available, I am convinced that repossessions of used cars would now be a problem with most of us that now have a volume of that paper.

Appliance Finance Business

The appliance finance business will, I think, present about the same problems in the immediate future as we have been considering in automobile financing. All of the popular household appliance items have increased in price from 40 to 50%. The current terms available on appliances make the real increase in prices to the time buyer several times 50%. Consequently, in the immediate future, we must look forward to a substantial increase in the length of terms to be made available of appliances and some decrease in the down payment required. We will then face substantially the same situation that we do in the case of automobiles when the manufacturers of appliances begin to bring in their low-priced lines which are not being manufactured today. The demand for household appliances, furniture, radios and other consumer durable goods is undoubtedly tremendous. The housing program in prospect will maintain this demand for some time to come. The average citizen needs not one of these items, but most persons need many of them. Since most of the items will be bought on the instalment basis, I am sure we will find the typical instalment buyer tied up with a number of instalment accounts. This practice of overbuying on multiple instalment accounts was the primary cause of most of our collection and loss problems before the war and it will be again.

Prior to the war, experience in handling household appliance paper was uniformly good. Terms were most liberal since as much as three years was given with nominal down payment requirements. On such terms, repossessions ratios ran from 6 to 8%. If comparatively liberal terms again become available in the near future, it is possible that the repossession experience might run higher because of the prevalence of overbuying and because of the imminent appearance of lower priced lines. Although terms must be extended, I hope that down payment requirements will be maintained. Substantial down payments will keep down the pyramiding of accounts and will maintain equities against price changes.

Personal Instalment Loans

I think all of us connected with this business have been astounded at the tremendous increase of personal instalment loans in the past year. I think the experience of my own bank compares pretty favorably with the composite figures published by the Federal Reserve System. The outstandings of this type of credit in commercial banks at the end of 1945 amounted to $302,000,000. As of the end of November, 1946, this outstanding had increased to $525,000,000. This increase seems even more remarkable when you realize that very little of that cash was used for the purchase of automobiles and consumer durable goods that usually represent the purpose of a good proportion of personal loans. As an editorial writer in the "Wall Street Journal" pointed out a few weeks ago, the medical profession is not getting all or even a small part of the amount to which they would appear to be entitled if we can believe the loan purposes offered by the borrower. There is only one explanation and that is that the public or a large segment of the public is spending more money than it is taking in. If we come to that conclusion, I don't see how we can feel too complacent about the security of these outstandings. The personal loan borrower is obviously a victim of the increased cost of living and perhaps a scaling down of the present budget will solve his problem and liquidate the loan. Average wages and wage rates have increased but the increase percentage-wise, is much less than the increase in cash instalment loans. The loan increase is also more substantial than the increase in the cost of living. Perhaps the best remedy is to apply the old remedy, tested by experience, which is to watch your personal lending closely in good times. We can afford to forget about our problem of building personal loan volume and concentrate on a judicious selection of our risks. A loan made to capitalize an excess of current outgo against current income as a personal loan is no better than it is as a business loan. I think too many of us have contented ourselves with checking on the applicant to make sure he has a good payment record and neglected the more important determination where is the money coming from to make the payments?

To sum up this appraisal of the consumer credit business, I would say that banks are well on their way to assuming a major part in servicing the instalment credit needs of the future. The business will be bigger than ever and if we can remember and use our experiences of past years, it will be as profitable as ever.

Limitations of Government Spending

(Continued from page 650)

establishment of this independent country.

Doubtless one of the tragic examples of the effect of taxation towards the downfall of a government and the weakening of a nation is found in the history of France. There, through taxation, under the autocratic power of the existing government, the people became so burdened and harassed that they arose and destroyed the government that theretofore they had built up and supported.

Not long ago I went through the Palace at Versailles, that impressive and extensive group of buildings with its elaborate gardens and woods. While we may admire this majestic structure, it, in fact, is a monument to the recession of a nation, for I believe that France never to this day has recovered from the oppressive results of a tax preying ruler who attempted to expand government indulgences beyonds the means of a citizenry. A nation once great in power has never regained that strength.

The ruling administration, the King, bent solely upon the objective of creating a structure of beauty and a monument of pride, a benefit he doubtless believed was for the whole country, forgot the well-being of the people, upon whom were levied excessive taxes necessary to build this handsome structure, and he thereby created a situation which eventually destroyed the rulers, and worse, wrecked the country's progress.

There, indeed, was a case of high ambition dedicated to the appearance of greatness and progress, but forgetful of the lasting cost and the suffering which its creation brought about.

Any people have to suffer much before they will revolt and destroy their established order of government and its traditions. But the crushing burden of taxation necessary to the building of the Palace at Versailles, a dream of beauty and grandeur, was bought at the price of a crushed people and the eventual price of an impoverished and weakened country.

Thankfully, we do not have government by succession of kings here. There is no possible need to destroy the person of those who rule in order to correct abuses. Under our system we have an expression of the people's decisions through elections. An election has been held. The result is known. Promises were made and they will be kept. Among those promises to our people are that we will live within our government income and that the burden of taxes will be lessened. To that end we must move now.

The National Debt Should Be Considered

We have certainly reached a point in this country today when we should consider the immense debt that is the people's debt—when we should consider the amount of governmental income and the burden of taxes upon all people from the lowest income here to the highest—that a day for retrenchment has come when this government must in wisdom curtail its expenditures, however much such expenditures may be made towards something that we desire. Unless this be done we cannot remain sound, and unless we remain sound we cannot protect ourselves and have the necessaries of life and enjoy a reasonable advancement and progress.

End Spending Mania

My remarks to you are addressed to the point of what should be done now. I shall not indulge in a review of past expenditures except in a very summary way. You and I know that even prior to the war this government entered upon a course of spending that did not at any time consider the rule which we have just talked about, to-wit, the wisdom of affording it. The money was obtainable, that is, it was obtainable from the people. One new venture and one more cost, and then another, were added and added until we found ourselves in a government spending spree that was carried to exorbitant and continuing growth. We found ourselves well upon that course when war came. The material costs of war have made the problem greater and more impending.

The time has come now to end wanton and excessive public spending. Only by this course can we hope to relieve our people in every walk of life, the wage earner, the pensioner, and all others, from a burden that takes too much of his substance and blocks his individual progress in life.

It is my hope that with wisdom we may proceed to get upon a basis where we will live within our government income, and reduce that income, and thereby reduce the taxes of our people. An insolvent man is a very hapless and often a very useless person. An insolvent government means a useless government.

Most officials active in national affairs declare for the balancing of the budget. We must go beyond balancing the current budget. Indeed, we must lower current cost and current taxes, and over a reasonable length of time retire the debt that rests upon every man, woman and child here.

It may be well to point out the burden of debt under which we labor before we start to talk of cutting current expenditures and lessening annual taxes.

On Dec. 17, 1946, the gross public debt and guaranteed obligations of this country were $259,081,991,902.57. You may be interested to know that that figure is $20,000,000,000 less than on the same day in the prior year of 1945. But do not permit this less figure to give you too much comfort because the difference of $20,000,000,000 was not in new funds, nor was it a repayment of money already expended, but it was due to the recapture of appropriations and the application of certain cash balances remaining upon the cessation of hostilities. Those funds would have been spent had the war continued, but there was no new money in reduction of the debt. We did not reduce the debt out of our national current income.

On Jan. 6, 1947, the gross public debt and guaranteed obligations were $259,341,992,616.48.

Should Cut Taxes

Another item to consider as we approach the question of what we shall spend and how much we shall cut taxes is the amount of income which we have received under the present tax system. I am advised by the Library of Congress that the total Federal tax collections for the fiscal year of 1945-1946 were approximately $40,000,000,000 from all sources. You who pay the taxes may know that the state tax collections for the same fiscal year totaled approximately $10,000,000,000. The total tax figure of $50,000,000,000 is approximately one-third of the total income of the people of the United States for 1945-1946.

Because of a starved market for civilian goods calling for immense production and trade, the $50,000,000,000 figure is temporarily supportable. Even so, it is definitely too high a cost of government. Certainly we cannot base our tax structure for the future upon the inflationary period in which we live now because the time may come when this hungry market shall have been nearer satisfied, where production will be lowered because it is not so much needed, and where trade will be lessened. Your government should lead the way and lower the cost of its activities so that the tax burden, even though some would justify it with today's large income, will be low enough to meet the situation if the national earnings become lower, and thus protect our people from a possible unbearable tax burden.

What we need in our tax thinking, as well as in other aspects of government, is to get back to the bedrock fundamental that government should exist and act only in those essentials necessary to the protection of the people in enjoyment of their rights, with reasonable amounts advanced that may aid in general progress.

Taxation not for Social Reform

The concept of taxation as a means of social reform, or of perpetuating a particular group in power, is quite a different thing from a concept which simply regards taxation as a means of finding revenue to run necessary government. The purpose and end of taxation is to run the government efficiently in the interests of all the citizens.

There are certain obligations which government must meet. It must provide for national defense; it must pay interest on the debt; it should provide for the retirement of that debt; it must meet the obligations assured veterans; it should sustain that side of government which we have undertaken under the broad term of social security; and provide for such necessary public works as are actually needed to meet a reasonable plan of progress.

Those who advocate maintaining present tax levels at this time do so on the theory that Federal obligations must be paid off in more prosperous years. The trouble with this thinking is that nothing will ever be done unless some plan is adopted and put into operation. We will find ourselves stumbling into less prosperous years with a tax plan and burden that will crush us. Such thinking will land us into sudden ruin if prosperity lessens.

The chief difference between the situation facing this country now and that which faced the country at the end of World War I is in the size of the public debt. Not all of this debt is attributable to war-time expenditures. The budget has not been balanced since 1932, and any plan for tax reduction must necessarily take into consideration not only the great size of the national debt but the great obligations of the government which stem from the war and from the programs and new undertakings initiated by the government.

Fixed Government Costs

Government expenditures are naturally complex, but they fall into a general pattern. During the next few years we must provide by taxation for the following classes of expenditures:

1. National Defense
2. Veterans
3. Interest on the Debt.
4. Retirement of the Debt
5. Social Security
6. Public Works
7. Departments of the Government.

Assuming that the national income for the next two years will remain stable and with the demand for civilian goods continuing, and it ought to remain so, will it be possible to effectuate a flat 20% cut in personal income tax rates as has been advocated by the proponents of that plan?

With total government tax collections remaining at $40,000,000,000, a reduction of 20% of all taxes would mean a net reduction in tax collections of $8,000,000,000. This would leave a budget of $32,000,000,000 per year to be provided for by taxation. Of the total amount of income from taxes, approximately $20,000,000,000 is collected through individual income taxes and a reduction of 20% would be a reduction of $4,000,000,000. A reduction of $4,000,000,000 would leave upon the present basis an income of $36,000,000,000, which appears to be excessive for the needs of government.

Such a budget should include not only current costs of government but a provision for payment on the debt. It appears that this can be done. I am advised that the Finance Committee of the Senate has considered this problem and some think an even greater reduction may be effected. Those who advocate this plan feel that it will be possible to develop within two years a $25,000,000,000 budget. The plan calls for a transition budget of $30,000,000,000 until 1948.

When a friend of mine learned that I was to speak here this evening he inquired upon what subject I would talk. When advised that my subject would be upon taxation, he remarked that that was a very dry subject.

I thought that perhops some of the dryness might be taken out of it for the American people if they could be assured that their Congress of today is intent upon reducing government expenditures and reducing the taxes now imposed upon our citizens. I am glad to say to you that it is more than intent, because there has already been introduced into the House of Representatives, the body in which revenue measures must be first introduced, a bill carrying the designation of No. 1, which has for its purpose and carries as its title, "A Bill to Reduce Individual Income Tax Payments." I refer to the bill introduced by the Hon. Harold Knutson, of Minnesota, the new Chairman of the Ways and Means Committee of the House of Representatives.

While all the provisions of that bill may not prevail, while there will be questions, and maybe changes, yet it clearly shows the earnestness of your present national legislative body to now at last proceed upon a definite plan with a definite purpose to reduce taxation.

This week we also heard the President of the United States declare it to be his purpose to balance the national budget and to bring about a situation where your government will once more live within its income. It is my belief that indeed the budget may be balanced and that taxes may be reduced.

But this will be done only when expenditures are curtailed and government returns truly to the purposes for which it exists.

There are some who declare that the first step is to balance the budget and not atempt to curtail taxes until the budget has been balanced. There is some good reasoning in that position. That plan would take it step by step and feel the way to see how much more the budget could be reduced once it had been balanced.

On the other hand, while the moving is good in this direction, it is my hope that the budget will not only be brought within the present income of the government but that it will be brought so far within that income that substantial reduction in taxes may be made immediately. This is the view to which I subscribe.

Let us move while we can to this end. The country has the right to expect this course and I have faith that it will be accomplished.

Home Building Check-List

A bulletin designed for distribution by banks to their customers who are prospective home builders was mailed on Jan. 16 to member banks of the American Bankers Association by its Advertising Department. The bulletin, entitled "19 Steps, a Quick Check-List for Building a House," contains 19 points which should be checked carefully by any one building a home, both for his own protection and to insure his getting just what he wants. The "19 Steps" is a special abridgement by the author of an article which appeared in "House and Garden." It was written by Don Graf, building editor.

Our Federal Finances

(Continued from page 648)

given to effecting a substantial reduction in the public debt.

We cannot afford a general reduction of tax rates so long as the economy is confronted with strong inflationary pressures. Furthermore, even when these pressures subside, we should maintain tax rates high enough to effect as rapid a reduction in the public debt as is consistent with the maintenance of a high-production, high-employment economy.

It is necessary to keep the economic conditions which enter into the formulation of a well-balanced tax policy under constant review. If, in the light of this continuing review, some reduction in tax rates should be possible, I believe that these reductions should be concentrated in those areas where they will be the most useful in maintaining purchasing power and in providing the incentives necessary for a continued high level of production throughout the economy.

The Public Debt

The gross public debt (including guaranteed obligations) amounted to $259.5 billion on Dec. 31, 1946. This was a decline of $20.3 billion from the peak of the postwar debt which was reached on Feb. 28, 1946.

This $20.3 billion reduction in the debt was accomplished by reducing the Treasury balance from a wartime level to a peacetime level. By the end of December, the Treasury balance was only $3.5 billion. The Treasury was able to use its cash balance for the purpose of debt reduction because Federal expenditures were cut more rapidly than had earlier seemed possible; while tax receipts were maintained at a level not far below their wartime peak.

The Budget Message of the President envisages a continued reduction in the debt to be achieved by a surplus of Federal receipts over Federal expenditures. But no matter how successful we are in achieving debt reduction, we will not be able to reduce greatly the magnitude of the problems of debt management for many years to come. The manner in which the public debt is handled will continue to affect the entire economy for a long time; and the problems of debt management will continue to be among the major concerns of the Government.

The interest cost of the debt does not represent an undue burden to the country from the standpoint of ability to pay. Although the annual interest payment is approximately $5 billion, this is less than 3% of our gross national product at the current rate of close to $200 billion. Furthermore, it is clear that by keeping the national product high, the burden of the debt can be kept relatively low. On the other hand, a sharp decrease in the national product could in one year increase the burden of the debt much more than we can hope to decrease it through many years of debt reduction.

About seven-eighths of the $20.3 billion reduction in the debt from the postwar peak to the end of 1946 was effected in the holdings of the banking system. At the end of the year, the total holdings of Federal securities by non-bank investors were less than $3 billion under their holdings at the beginning of the debt-reduction program. This concentration of debt reduction in bank holdings was made possible because the Treasury's wartime policy of fitting the debt to the needs of the various investor classes had placed a large volume of short-term debt in the hands of the banking system.

The present structure of the debt, with respect to both type of security and maturity, is well adapted to the needs of the various investor classes. There is, consequently, no occasion to change it, except when there is a corresponding change in these underlying needs. Such a change was recognized in reducing short-term debt during the past year coincident with a reduction in Treasury deposits in commercial banks.

Interest Rates — There is one other aspect of public debt management upon which I should like to comment at this point. I refer to the matter of interest rates.

The low level of interest rates during the war permitted the war to be financed much more economically than any previous war in the history of this country or of any other country. The average rate of interest on the public debt (including guaranteed obligations) on Dec. 31, 1946, was 2.06%. At the corresponding date following World War I (March 31, 1920), the average rate of interest was 4.19%. In each case, the great bulk of the outstanding debt had been borrowed in the war immediately preceding.

The benefit of low interest rates in financing the war, and so in reducing the burden of the debt on the taxpayers of the country, is immediately apparent.

The maintenance of stable interest rates during the transition period has contributed to the underlying strength of the bond market and has eased the problems of reconversion, not only for the Government, but also for the industrial and business enterprises of the country. This stability has promoted business confidence, and has been of great importance in attaining a high level of employment and production during the reconversion period.

No anti-inflationary purpose would be served by raising interest rates at the present time. President Truman has again emphasized in his Budget Message the desirability of the continuation of low interest rates.

Foreign Financial Policy

In the field of foreign financial affairs, the United States Government has continued to pursue a broad program of financial aid and cooperation for the purpose of aiding the reconstruction of war-devastated countries and of fostering our objectives of expanding world trade on a multilateral basis and of promoting relative monetary stability. Our program of assistance has included not only active United States participation in international relief and financial organizations, but also a direct program of financial aid through Export-Import Bank loans for urgent reconstruction and development purposes, loans which were specifically authorized by Congress for the United Kingdom and the Philippine Republic, credit arrangements covering sales to foreign governments of surplus property located abroad, lend-lease settlements, and payment for currencies provided by foreign countries to our military forces during the war.

At the end of the fiscal year, the International Bank for Reconstruction and Development and the International Monetary Fund, institutions in the creation and promotion of which the United States Government has played an active role, were advancing toward the stage of active operations in their respective fields. The Bank has authority to make or guarantee loans to member countries for programs of economic development and of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans. The Fund is designed to give temporary assistance to member countries in financing deficits in their balance of payments on current account for monetary stabilization operations. These institutions should make an important contribution to the expansion of world trade and to the achievement and maintenance of high levels of employment, production, and purchasing power in the member countries.

Pending the initiation of active lending operations by the International Bank, the Export-Import Bank, under the increased lending powers voted by the Congress in 1945, has authorized loans urgently needed for reconstruction of war-torn countries and for foreign development projects, in addition to continuing the type of United States foreign trade financing for which the Export-Import Bank was originally established. The United States Government's program of foreign lending and international financial cooperation was further implemented by Congressional approval in July, 1946 of a $3,750 million line of credit to the United Kingdom for the purpose of aiding that country in restoring her economy and of enabling her to relax restrictive trade practices which she had been forced to resort to because of the war and the drain on her financial resources. In addition, the large volume of credit which has been made available to foreign governments for the purchase of surplus war property abroad will assist those countries in a quicker recovery of their economic activity without placing upon them an undue burden of large service charges during the recovery period.

In the Bretton Woods Agreements Act which was approved by the President in July, 1945, there was established the National Advisory Council on International Monetary and Financial Problems to coordinate this Government's program of international financial cooperation. The Council is composed of the Secretary of the Treasury as Chairman, the Secretaries of State and Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Directors of the Export-Import Bank. The Council was directed to coordinate the foreign lending operations of United States Government agencies and to consult and advise with the United States representatives on the International Bank and the International Monetary Fund on all important matters arising in the administration of the Bank and the Fund. The coordination achieved through the National Advisory Council has resulted in a more effective application of United States foreign financial aid and has contributed to the soundness of this Government's foreign financial program.

Treasury Operations

The preceding discussion applies primarily to present and prospective conditions. During most of the fiscal year which ended on June 30, 1946, Mr. Fred M. Vinson, now Chief Justice of the United States, was Secretary of the Treasury. The report on operations immediately following this introductory section, as well as the administrative reports, exhibits, and tables following thereafter, apply, therefore, principally to the period of his administration.

JOHN W. SNYDER,
Secretary of the Treasury.

To the Speaker of the
House of Representatives.

Freedom of Enterprise —Slogan or Reality?

(Continued from page 647)

prefer to tolerate mistakes and temporary excesses within the framework of a free, privately operated economy if that is the price, as history surely teaches it is, of individual freedom and liberty of action. Mistakes can be corrected and excesses can be righted by the ballot. But freedom and liberty, once lost, can only be regained by the sword.

Strengthen Free Enterprise System

Our task is to strengthen every fibre in the fabric of our traditional American system so that it will be impervious to assault from without and equally resistant to inflammability by a small, though noisy, group of agitators from within. We need not fear that the red pattern of communism will be impressed upon the cloth of democratic capitalism if our system genuinely functions with efficiency and equal justice to all. The real danger is that the friends and true beneficiaries of private ownership might damage the fabric by exacting special privilege at the expense of other groups in the community. The working man, no less than the employer, has a vital interest at stake. Hence freedom of enterprise is not a system designed to protect big business alone, nor merely a device of the investor to claim exemption from bureaucratic control. The worker and professional man, the small businessman and the consumer must also be guaranteed freedom of enterprise. In brief, unregulated monopoly in any form cannot be allowed to exist as that is the antithesis of the American way. There should be no monopoly of capital, of labor or of government imposed upon the stream of commerce. Freedom of enterprise means equal opportunity for all under laws that are fair and equitable. The peace, prosperity and well being of the whole community is paramount—the public interest must be given dominant consideration.

Free Enterprise Not a Reality

A review of the past fifty years in this country might justify one in saying that at no time has freedom of enterprise, in its larger sense of equal opportunity and justice for all, been a reality. Prior to the early nineteen thirties, business managers at times forgot they had a public trust and allowed abuses to exist in the private enterprise system. It is an historical fact that many business reforms were accomplished only after bitter opposition by corporate owners when farsighted statesmanship should have dictated their voluntary adoption. The regulation of utilities and the railroads; supervision over insurance companies and banks; factory inspection and workmen's compensation laws; regulation of securities markets; compulsory unemployment insurance and old age benefits to industrial workers, are all instances of reforms imposed upon business. At each step of the way private ownership sacrificed some part of its fredom of enterprise and government regulation enlarged the area of its control because practices developed or conditions existed which were not in the larger public interest.

Within the past fifteen years freedom of enterprise has hardly been more than an apt slogan. The individual citizen, particularly the wage earner, has suffered an alarming loss of freedom. The heavy and deadening hand of government, acting through inexperienced visionaries and reformers, has at times assumed the reins of business management. We witnessed the NRA with its attempt to throttle competition and regulate prices. We saw the policy of planned scarcity in a land of plenty. The dollar was devalued without compensation to the public. The tax structure was utilized to enforce reform. The attempt was made to spend our way out of a depression. Government operation of private facilities was fostered. The black market was born out of shortages of food, clothing and equipment induced through price and production controls. Inflation of the currency and expansion of the bureaucracy has gone on space. Indeed the marvel is that the enterprise system has withstood so well the stresses and shocks of the times and has managed to retain its virile force notwithstanding. Let no one deny the miracle of production by American industry during the war despite these handicaps.

Organized Labor Monopolistic

In its turn organized labor has become monopolistic, reckless and irresponsible — causing untold losses to the whole community, generally ignoring management and at times ignoring government as well. Big business or any one businessman never had the power, whether through monopoly or through dominance of the legislature—and if such power ever existed ever dared to exercise it—to stifle completely the life of a community and paralyze the economic life of the country as has labor leadership recently. The latest coal strike which a Federal judge aptly characterized as an act of anarchy was but an extreme case of general disregard for law and public welfare. We have seen the activity of a great city such as Pittsburgh or New York brought to a halt, in the first case by a handful of utility workers and in the second by a few tugboat workers who felt impelled to obey the command of a labor leader.

What are some of the measures which one who claims no superior wisdom and who hopes is not partisan in viewpoint can suggest for a betterment of conditions and strengthening of the free enterprise system?

What Should Be Done

First, individual incentive should be restored. This involves a revamping of the tax structure. The burden of income taxation on personal incomes has become so high that the classic notion of Horatio Alger that a poor American boy by dint of hard work and industrious effort could on his merit become a well to do man has passed into the discard along with the horse and buggy. The progressive rates of taxation have become so steep that ability is penalized. If the goose which lays the golden egg has not been killed it is slowly being choked to death. The present rate of corporate taxation makes difficult the growth of small businesses through reinvestment of earnings. And the taxation of dividends at surtax rates destroys most of the reward which the successful businessman may ultimately draw for his personal needs or to provide a liquid estate. An individual with a net income of $10,000 is presently subject to 22% Federal tax. At $30,000 a tax of 40% is imposed. Out of $50,000 the tax collector receives 50% and from $100,000 about 63% must be paid in tax. Assuming an individual could earn $50,000 a year for twenty years his net estate, after present taxes and reasonable living expenses, would be approximately $150,000 or only 15% of the gross earnings, and this if invested in high-grade bonds would produce about $4,000 a year.

Secondly, the country desperately needs a reduction of Federal spending. For sixteen years we have had a continuous succession of Federal deficits. Accelerated enormously by the cost of the war, the public debt now amounts to $260 billion. Allowing for all the national emergencies proclaimed by the Administration before the war and the waste of war itself, there are yet huge extravagances of the Federal bureaucracy which have added billions to the public debt. The assertion is often made by spokesmen for the government that the opponent of spending should identify the services which can be dispensed with and the exact places where cuts can be made. If this were meant seriously the President might try appointing a committee of certified public accountants to perform the task. It could be the most useful public service ever rendered by the profession. The independent public accountant would have an objective and impartial approach which the political or civil service representative could not possess. By training and experience the professional accountant is beat qualified to sever red tape, to eliminate waste and to recognize the essential service while combatting the nonessential. Although the task would be arduous and long the result would be elimination of hundreds of millions, yes billions of dollars from the budget. There are 2,808,000 civilian workers on the Federal payrolls. Altogether, allowing for old age assistance, veterans and the active and retired army and navy personnel, there are 16 millions being provided for at public expense. The huge cost of the Federal program now represents a charge of $50 per month for each person gainfully employed in the country.

The central fact is that the overpowering public debt and the swollen Federal bureaucracy bring about a budget which most students agree will not be less than $25 billion and which the Administration, be it Democratic or Republican, finds difficult to reduce below $35 billion. This in turn will require continuing oppressive income taxes on both individuals and corporations. These are dangerous handicaps to the free enterprise system because that system on this basis is required to maintain a national income of nearly double the level of 1939 which was a year of reasonable prosperity. It signals the continuance of high prices, high wages and high taxes. It means cheap money with a low return on capital. It encourages speculation and inflation. It allows too little reserve of accumulated capital to weather a business depression which some reputable economists see a year or two ahead.

A New Labor Code Needed

Thirdly, and perhaps of most importance, to the strengthening of the free enterprise system is the drafting of a new labor code. This does not mean repeal of all labor legislation, much of which is beneficial. Collective bargaining through union representation will of course continue. The vast majority of union members are and want to be honest, patriotic, law abiding American citizens. They are not fomenters of strife or advocates of a foreign ideology. But the working man is held in the tight grip of a selfish minority which has created through coercion and force a tyranny that should no longer be tolerated. The idea of a union closed at both ends should be declared illegal. It is a frequent practice of unionism to deny membership to those who do not pay high entrance fees and at the same time to prevent employers from offering jobs to any who are not members of the union. When this practice is combined with industry-wide labor contracts the monopoly evil can be said to exist in its worst form. This is not an issue solely for management and labor negotiation. The public interest and the liberty of the citizen under our constitution are endangered. It is to be hoped the Congress now in session will act to cure the evil and that the Department of Justice and the Courts will stamp out the monopoly of union leaders over the workers.

Manifestly the National Labor Relations (Wagner) Act must be revised at an early date to restore equality between industry and organized labor and to assess responsibility upon the present labor dictatorship. The revision may well be broad enough to be the new charter of freedom for both management and labor in the area of greatest danger to our free enterprise system. Strikes against public utilities and related basic industries should be unlawful just as are at present strikes against the government.

Secondary boycotts, sympathy strikes and jurisdictional strikes should be outlawed. Above all mass picketing of a premise with its use of force to prevent entrance to or exit from property, whether by employees who do not wish to join the strikes, employees whose work is not related to the union, owners of the business or the public generally, should not be tolerated in a country which calls itself free.

There needs to be set up a tribunal where the issues over wages, working conditions, hours of employment and the like can be dealt with in a calm, orderly atmosphere. In no field of human relations other than the field of management-labor relations, are disputes taken to the streets for settlement and the parties allowed to interfere with the peace of the general community. Businessmen who differ over a contract must seek settlement in a court of law. Neither party is allowed to interfere forcibly with the activity of the other or to restrain him physically from use of his property. Where domestic differences occur the parties either reconcile their dispute or settle the matter in a divorce court. The use of force, intimidation and violence will have to be eliminated from labor disputes. This one reform will go a long way to eliminate the racketeer and the gangster who prey upon the worker they profess to represent. It will also remove a lot of the opportunity for the agitator who thrives best when chaos, confusion and violance are present.

Steadying of Costs and Prices

Finally, in the interest of a strengthened enterprise system, the spiraling action of costs and prices should be halted. The recent call for a moratorium on labor advance and on work stoppages is timely. During the war the quality of goods and services steadily deteriorated while the price level steadily advanced. Since the victories of 1945 prices have moved rapidly upward under the pressure of increased production cost. The ultimate consumer is paying more money for less goods whereas the strength of our economy heretofore lay in its ability to provide more goods for less money. The decline in purchasing power is particularly burdensome to a large segment of the population whose income is relatively stable. The teacher and the shopkeeper, the pensioner and the office worker, the editor and the policeman might well ask whether they are the forgotten citizens. The United States with 5% of the world's population has 50% of the world's industrial output. The potential of this machine is too great to deny to any of its citizens an abundance of the necessities of food, shelter and clothing, or to withhold from their reach many of the luxuries.

It appears definite that the price level in many lines should be considerably lowered. The question is whether this need occur in a precipitate fashion accompanied by the ills and dislocations of an economic depression. Or whether it may be done in an orderly way accompanied by full employment and uninterrupted production. For a decade and a half the productivity per worker has declined as the rate of pay has increased. The first step to bring about a more balanced economy is to increase productivity at the present rates of pay. This does not mean the sweating of labor. The lifting of featherbed rules, reduction of absenteeism, elimination of work stoppages and a full day's effort by every worker will promptly bring about a lowered production cost. As this is achieved lower prices will follow and increased purchasing power will assert itself to stimulate more output. The real wages of the worker will be greater and as prices seek constantly lower levels the rates of pay may with safety be lowered without infringing upon the real wage.

At his point the business owner must not make the mistake of withholding prompt price reductions to the consumer in order to reap added profit. Just as management cannot now grant further increases to labor without increasing prices so should management not expect to maintain prices as production costs are reduced. The thesis has lately been advanced in the Nathan report that a 25% increase in wage rates could be paid out of the profit margin of industry. The fallacy of this assertion lies in the fact that for the year 1945 total corporation profits were only 8% of total compensation and if the entire profit margin were devoted to a wage advance there would still have to be a substantial price increase to meet the Nathan goal. It is fair to assume that after the long and unhappy experience private management has had with outside interference it will not so soon again forget its responsibilities to the public as to hinder a return to a normal, balanced economy. Strong as is the profit motive —and this is the sparkplug of the private enterprise system—every instinct of self preservation will dictate full cooperation of management in the orderly deflation of the price structure.

We as a nation know what we want although we differ greatly at times in the method of getting it. The people of this country want freedom of enterprise. They have faith in the system under which America has prospered and become strong. The employer, the worker and the ultimate consumer can be at one and the same time partners and beneficiaries in an economy of plenty where special privilege is granted to none. Restoration of individual incentive, reduction of Federal spending and bureaucracy, emancipation of the worker from the monopoly of unionism and expansion of consumer purchasing power through cost and price reduction will make freedom of enterprise a reality.

Landis of Chem. Bank Awarded Scroll

Edgar B. Landis, Trust Officer of the Chemical Bank & Trust Company of New York was one of eight alumni of the University of Pennsylvania who were awarded a scroll at the annual Founders Day exercises of the University in Philadelphia on Jan. 18. Mr. Landis has been President of the University of Pennsylvania Club of New York City for four years and is well known as a teacher and writer on trust subjects.

Meaning of Economic Liberalism

(Continued from page 646)

how, when and why the new idea of universal training differs from the old idea of conscription.

I do not wish to be misunderstood. Possibly peacetime conscription may now be necessary. That is not the subject on the agenda and I do not intend to argue it pro or con. My point is simply that if we do not want to get hopelessly confused we ought not to call conscription "universal training"; nor Communism "democracy"; nor industrial dictatorship "free enterprise," for that matter.

Let us call a spade a spade and not, as the English Navy defined it: "a bloody hagricultural hinstrument." It is of course true that "a rose by any other name would smell as sweet." That undeniable fact, however, doesn't justify you in asking the florist to send out an odorous cluster of skunk cabbage for your wife's birthday. You may have roses in mind, but if you don't get the idea of roses across it is probable that something less agreeable will be delivered.

So if we can't agree on the nature of liberty we are likely, even though we pledge our lives, our fortunes and our sacred honor to liberal causes, to obtain something which is vastly different from what we seek. History is full of instances where precisely that has happened, often because words were used to conceal rather than to reveal the actual objectives of leadership. That is what produces disillusionment—the eventual, inevitable evaporation of earlier illusion. It is more than 2,300 years now since Plato wrote, in "The Republic," that; "Liberty, getting out of all order and reason, passes into the harshest and bitterest form of slavery." Yet today that ancient warning remains timely, simply because it is deeply thoughtful and wholly honest. The values in those attributes—thought and honesty—are eternal.

Another honest thinker, much closer to our day, was also bothered by the easy way in which the word "Liberty"—and therefore the idea of liberty—is misused. In Baltimore, on April 18, 1864, as the Civil War moved on to its ordained culmination, Abraham Lincoln said, with characteristic simplicity:

> "The world has never had a good definition of the word 'liberty' and the American people, just now are much in want of one. . . . We all declare for liberty; but in using the same word we do not all mean the same thing. With some the word 'liberty' may mean for each man to do as he pleases with himself, and the product of his labor; while with others the same word may mean for some men to do as they please with other men, and the product of other men's labor. Here are two, not only different, but incompatible things, called by the same name, liberty."

When Lincoln said that liberty to some means "to do as they pleased with other men, and the product of other men's labor," he was of course referring to the system of human slavery. That is long since abolished, yet I fear that liberty to some still means "to do as they please with other men." If so, now as in 1864, those with that conception continue to be very much in want of a definition of liberty. Indeed, I feel sure the need is general. Probably it would be difficult, even in this unusually gifted group, to obtain one definition of liberty which would satisfy us all.

Nevertheless, I shall be bold enough to attempt the task. Liberty, I suggest to you, is not a condition to be attained, like freedom, but rather an instinctive dynamic quality which emanates—sometimes strongly and sometimes feebly—from individuals. That idea of liberty as an innate quality was what Thomas Jefferson emphasized when he said: "The God who gave us life, gave us liberty at the same time." And that is what Byron had in mind when he began his famous sonnet on "The Prisoner of Chillon" by saying:

> "Eternal Spirit of the chainless Mind,
> Brightest in dungeons, Liberty, thou art!"

Now if liberty is a quality which emanates from individuals, as I expect you will agree is the case, it follows that liberty can never be created by government. Government can certainly establish conditions, like those of freedom or slavery, which are favorable or unfavorable to the quality of liberty. Government can also act to "secure the Blessings of Liberty," which the Preamble to the Constitution specifies as the culminating aim of our political system. But no government can create the quality of liberty, for that is the gift of Divine—not human—Authority.

True Meaning of "Liberty"

I shall not apologize for time spent in seeking to define liberty at the outset of an institute devoted to the Economics of Current Trends in Wage Determination. For the program assumes that the current trend in this field is one of liberalism, and how can we know the meaning of the doctrine of liberalism; or the meaning of the action of liberation; or the position of the person who claims to be a liberal, unless we agree on the meaning of the parent noun "liberty"? And let me affirm that tyranny will remain just as foul—will in the long run prove just as cruel—even if it is called liberty by some who vociferously identify themselves with "liberalism," but who actually believe in the suppression of freedom.

In a noteworthy speech which he delivered at Syracuse University last April, our Moderator, Senator Ball, drove close to the heart of this whole problem. "The political opposite of liberalism," he wisely said, "is not conservatism."

That is because liberalism, properly defined, is wholly a matter of one's viewpoint towards other human beings, regardless of whether they are Germans or Esquimaux, black or white, Mohammedans or Jews. A conservative, if his objective is to conserve a fine tradition, can be completely liberal as long as he respects the opinions and rights of other individuals. By the same token a Communist, if he maintains that non-Communists deserve no such respect, is an extreme reactionary. For no human failing is more primitive, or more subject to vicious exploitation, than is intolerance.

So economic liberalism, as I understand it, is an attitude in respect to economic problems which consistently respects the personalities of other individuals. The employer is liberal when he regards his workers, not as hands but as men and women with problems, needs and desires in no way essentially different from his own. The employee is similarly liberal when he recognizes that management is beset by problems which simply cannot be solved without his wholehearted cooperation. The average citizen, who is seldom directly concerned in an industrial dispute, but whose welfare is increasingly affected by such disputes, is liberal when he refuses to take sides with either management or labor, but continuously emphasizes the simple truth that

(Continued on page 660)

Meaning of Economic Liberalism

(Continued from page 659)

the only alternative to industrial warfare is industrial cooperation.

I have defined economic liberalism as that attitude of mind which, in the sphere of business, respects the personality and, unless cause to the contrary is shown, the integrity of others. I have laid down certain principles of action, individual and group, which seem to me to follow directly from that definition. As a part of my small contribution to these proceedings I would like to attempt at least one application of the principles which spring from accurate definition.

Liberalism Unqualifiedly Indorses Collective Bargaining

Economic liberalism, I think, must give unqualified indorsement to the procedure of collective bargaining. If every employer were a saint and every employee a bum—and the reverse of that is just as probable or improbable—it would still be unfair, and therefore illiberal, for the employer to bargain with the employee man to man. In such an operation the employee simply does not hold the cards. The hazards of life alone make it necessary for every business to be organized in such a way that an individual is indispenable. Because he is not indispensable the individual employee, no matter what his competence, is unable to negotiate effectively on working conditions as an individual. The threat of discharge has him bound. "Take it or leave it" is the ace of trumps in management's hands.

When labor is 100% organized—through the device of the closed shop—it looks at first glance as though the shoe were on the other foot. The union representatives seem able to lay down the law in just as arbitrary a fashion as the most tyrannical employer ever could. But actually there is an important difference. When a shut-down results from demands made in a closed shop, the workers as well as management temporarily lose their means of livelihood. Only the worker suffers when the situation is such that he can be discriminated against as an individual without due cause.

In my opinion the philosophy of economic liberalism forces an honest and objective thinker to be very slow in condemning the device of the closed shop, and the checkoff whereby it is most easily imposed. When there is a closed shop, management is still far from helpless in dealing with employees. In the open shop the individual worker is still helpless in dealing with management. Since the aim of economic liberalism is to give scope to the quality of individual liberty, the liberal must always by sympathetic towards cooperative procedures which strengthen the bargaining position of the individual.

Of course this may mean that the liberty of a minority is constrained so that the liberty of a majority may have more scope. But that happens whenever you stop for a traffic light. It seems to me that the monopolistic aspect, rather than the alleged restraint on individual liberty, is the worst feature of the closed shop, from the liberal viewpoint.

Closed Shop Should Not Be Mandatory

In arguing that Economic Liberalism demands sympathetic consideration of the closed shop, it is essential to add one very important qualification. This device should be permitted, but should never be enforced, by law. The true liberal will oppose any attempt to make the closed shop mandatory, unless it is the general will of the employees in a particular unit that it should be mandatory. The issue is one for individual, not legislative, settlement.

That, also, is a reasoned position. The liberal agrees with Lord Acton that "all power corrupts and absolute power corrupts absolutely." If there is one single lesson which history makes clear to the student, that is it. And because they recognized this lesson the founders of our Republic did everything possible to prevent a concentration of political power. Our political system does more than divide governmental authority between the Federal and State governments; it also separates the legislative, the executive and the judicial authority in each of them.

It is belief in this system of checks and balances, and nothing else, which makes our country the great stronghold of liberalism—and the last stronghold of liberalism—in the world. And real liberals will fight, at the drop of a hat and to their last breath, against anything which threatens to upset this delicate balance of power. Such an upset is always threatened when the State intervenes to give any element in society a monopoly. That is why our Constitution expressly prohibits the establishment of a nobility, or of a dominant church, or of the arrogation by the central government of a single power not delegated to it by the Constitution. If this is good political doctrine it is also good economic doctrine.

Most of us realize that the spirit of our government requires the State to take action to prevent the establishment of a private monopoly. We seem to forget, however, that it is equally important to keep the State from establishing its own monopolies. And that is the modern tendency, whereby political as well as economic liberty—they are only different aspects of the same thing—may easily be crushed. The Wagner Act, which does not stop at removing obstructions to trade unionism but proceeds to make it monopolistic and to alienate management from labor in the fancied interest of unionism, is the more illiberal because it opens the door for government to take over trade unionism.

A Fair Deal for Wage Earners

Economic Liberalism demands a fair deal for wage earners. But it also demands that the State shall not weigh the balance of power in behalf of organized labor or any other element in the community. That, of course, is in the long-range interest of labor just as much as it is in the interest of management, and of all other organized and unorganized interests. I think the average wage earner is beginning to realize this fact.

Certainly the confusion resulting from opportunistic thinking was demonstrated in the recent coal strike. Then the Administration, which had encouraged labor aggression against private management, proceeded ruthlessly to crush exactly the same sort of aggression directed against public management. I confess to being surprised that the Government's refusal to apply its own principles to its own conduct was not more emphasized, for this inconsistency made no sense unless one believes with the Communists that private ownership is inherently evil and State dictatorship inherently good.

Whether he is discussing wage determination, or any other difficult economic or political problem, there is one underlying truth which the real liberal will never forget. This is that power, political or economic, should always be divided and balanced, for the simple reason that concentration of power, economic or political, invariably leads to the corruption of those who exercise it, and to the degradation of those on whom it is exercised. That is why the enormous growth in the power of the State is such an alarming characteristic of our time. Society, and the individuals who compose it, are being drained of vitality for the constant aggrandizement of this insatiable Leviathan.

The Hypertrophy of Bureaucracy

Since the State effects this drain through the device of taxation, and since all of us are at the moment tax conscious, it is not apart from the scope of this Institute to consider how wage determination is being affected by the hypertrophy of governmental functions. In the fiscal year 1915-1916, during which we were preparing to get into World War I, U. S. Treasury receipts totaled a little under $780,000,000. During the fiscal year 1945-1946, during which we emerged from World War II, these receipts amounted to $44,239,000,000. Averaging it out, this means that during the year ending July 1, 1946, the American people paid over to their central government each week more than they were paying in a whole year when you and I were young.

I cite these appalling figures because they help to show us how important theory, based on sound definition, has become. After we have made generous allowance for dollar depreciation the increase in tax exactions during the past 30 years is still enormous. And for the most part it has been effected in the name of liberalism — to establish what President Roosevelt, in his message at the convening of the 77th Congress just six years ago, called the "four essential human freedoms." By no means all of the tax increase has gone for war expenditure. In the fiscal year ending July 1, 1946, social security taxes alone exacted more than twice as much as all the imposts of the Federal Government 30 years earlier.

The real liberal knows, and always has known, that the State cannot create Liberty or any of its by-products. What the State can do; what it always has done; what it is doing all around us today, is to turn free men into slaves. We have won the war, but there is today, throughout the world, less freedom of speech, less freedom of worship, less freedom from want and less freedom from fear than when these seductive phrases were coined six years ago. Only in our country do all these freedoms still exist, and that only because a majority of the people, as they demonstrated on Nov. 5, have come to realize where fake liberalism leads.

The able speakers who follow me can tell you the effect on wage determination of an annual tax bill — for the peacetime activities of the central government alone—of $37,500,000,000. But I am enough of an economist to know that the depressing effect on real wages will be tremendous. I don't believe there has ever been effective disagreement with the diagnosis of David Ricardo, when he wrote at the close of the Napoleonic Wars:

"There are no taxes which have not a tendency to impede accumulation, because there are none which may not be considered as checking production, and as causing the same effects as a bad soil or climate, a diminution of skill or industry, a worse distribution of labor, or the loss of some useful machinery; and although some taxes will produce these effects in a much greater degree than others, it must be confessed that the great evil of taxation is to be found, not so much in any selection of its objects, as in the general amount of its effects taken collectively."

To summarize, there are two sides to the doctrine of Economic Liberalism. It means, on the one hand, that every extension of State authority, no matter how seductively presented and superficially meritorious, should be viewed with suspicion and opposed on principle. Of course some social conditions may be so bad that State intervention has to be accepted, at least temporarily, as the lesser of two evils. But the real liberal knows that every enlargement of the area of political government is wrong, because it reduces by so much the area in which the individual has freedom to develop his own potentialities by free association, in free enterprise.

The other side of the doctrine is equally important, and indeed inseparable from hostility to the theory of a Welfare State. Economic Liberalism places on every individual a responsibility commensurate with his power. It means that he must respect the rights of others, especially when they are in any way dependent upon him, with the same sincerity and conviction that he gives to the protection of his own rights. If the employer elects to be ruthless with the livelihood of a wage earner he need not complain if, eventually, the State elects to be ruthless with his own livelihood. As he has sowed, so—in the long run—will he reap.

It is the decay in our sense of personal responsibility, which alone makes liberty a constructive force, that has led to the dreadful encroachment of State authority on the individual. This encroachment has now gone so far that long and arduous effort will be needed to turn it back. But if any people can reverse the trend, it is those who live in this country. Americans inherit, and in their hearts I think still cherish, that faith in self-government which is the only alternative to bureaucratic government, to National Socialism of the Fascist, Communist, or New Deal Pink variety.

The meaning of Economic Liberalism is implicit in that line in the hymn "America," which reminds us that God alone is "author of liberty." The Liberal, while critical of the State, freely acknowledges that higher authority and, subject to human weakness, seeks always to uphold its will. In short, I venture to say that the man who believes in Christian doctrine, and who prefers it to the worship of Caesar, is instinctively an Economic Liberal. Such a man will always recall that "whosoever exalteth himself shall be abased; and he that humbleth himself shall be exalted."

What's Coming in Labor Legislation?

(Continued from page 648)

vent and punish all the outrageous uses of organized private force, by which labor unions have made local, state and federal governments impotent either to preserve law and order, to protect the people from needless and intolerable injuries, or even to carry on the normal and necessary operations of the government itself.

The leaders of organized labor do not seem wise enough to realize that, unless these abuses of power are legally prevented, unless the lawless, irresponsible members of the unions as well as their officers are made subject to reasonable restraints upon concerted action, public hostility will grow into an overwhelming demand for the outright suppression of any organization which has such a power for evil and constantly threatens to use it.

Fears Civil War

As one who has done his bit in promoting and legalizing collective action in behalf of the wage earners I am sincerely fearful of legislation against labor unions that will strip them of a desirable ability to maintain and advance the interests of industrial workers. But, unless the gigantic powers of labor leaders are cut down and the unions and their officials are compelled to subordinate private interests to the public interest, we shall be driven deeper and deeper into a political war, which may become actually a civil war, for the preservation of our free economy and our institutions of self-government.

Two years ago these fears, which I then expressed, may have seemed the vaporings of an overheated imagination. But, after the dreadful experiences of 1946, what thoughtful person can regard them as ill-founded? In that year we had every variety of strike that could be imagined as a conspiracy against the people and the Government of the United States. We had every imaginable exhibition of reckless, irresponsible stoppages of the economic machinery which is the living organism of our society.

What Election Signifies

As a result, we had in November an avalanche of votes in favor of a change of national policy in dealing with organized labor. Make no mistake! That, was the popular decision registered in the election of a new Congress. And the new Senate and House of Representatives have no question as to that mandate of the voters which they were elected to translate into law. The voters have demanded compulsory, punitive and drastic labor laws to end promptly and decisively the rule of private labor unions in American industries and American politics, and to reestablish the supremacy of the public union of all the people that is known as the Government of the United States.

What is coming in labor legislation to satisfy this demand of the American people? If I were to attempt to outline a series of laws that would be enacted I should be indeed a bold and a rash prophet. The voter proposes and the Congress disposes; and eventually the judiciary imposes clarifying or mystifying interpretations.

But it is not so difficult to outline the essential principles that must be written into labor law, and that probably will be written into labor law before the 80th Congress adjourns. From a rather intimate knowledge I may venture to say that these principles are pretty well understood and generally accepted in both the legislative and executive branches of the Government, and are not regarded as indigestible in the judicial branch.

Principles of Labor Legislation

The first principle is that the way to avoid strikes is to provide a legalized procedure of peaceful negotiation and bargaining for the settlement of all labor disputes *and to make it a legal duty* of both employers and employees to use this peaceful procedure before taking any aggressive action against each other.

This principle was written into the Railway Labor Act in 1926 and has kept the railroads substantially free from both minor and major strikes for 20 years.

This principle was fundamental in the Hatch-Burton-Ball bill of 1945. It was incorporated, in a weakened form, in the revised Case bill of 1946, sponsored by Senators Ball, Taft and Smith. It has been written more strongly into the labor bill introduced by these three Senators on Jan. 4, 1947.

It is not enough simply to provide ways and means for conferences, for bargaining, and for government mediation. It is absolutely essential that it be made the legal duty of all parties—not only to negotiate but to negotiate in peace. This means that everyone must refrain from changing conditions and starting a war, and trying to win by force, while an honest effort is being made to settle a dispute by peaceful persuasion.

The way to avoid strikes is not to try to produce a "cooling-off" period, after fighting has begun and all are red hot with the heat of the battle. The way to avoid strikes is to compel cool negotiations in an air-conditioned privacy in the beginning; and then, if necessary, have them continued in the cold light of public investigation and mediation. In this way inflammatory speeches and belligerent threats will be discouraged and all the mustering and arming for war will be deferred on the assumption that it will probably be a waste of time and money.

Many labor leaders obstinately and obtusely oppose what they call "compulsory" negotiation or investigation. Strangely enough they worship the Wagner Act which *compels employers* to bargain collectively and *compels employers* to desist from a variety of unfair labor practices.

They also demand power to compel other workers to join unions, and to compel employers to bow to organized force, and to compel the public to submit to their monopolies and tyrannies. But the faintest trace of any effort to compel labor leaders to do anything—such as to behave like peaceful, law-abiding citizens—brings a vast shouting against "compulsory" laws as the destroyers of liberty. Yet, it is a truism of political science that the liberties of the many can never be preserved except by compulsory restraints on the liberties of a powerful few.

Apply Monopoly Laws

The second principle of effective labor legislation is that any private monopoly of production or distribution must be either regulated or destroyed. If, by the closed shop, by industry-wide bargaining, by standardized wages or working conditions, any labor union, alone or in combination with employers can fix labor costs, production standards, and prices to consumers, that monopoly power must be destroyed or else regulated for the protection of the public.

The choice must be enforced by law against labor organizations, just as it has been enforced against business organizations. If a union does not dominate an industry or a locality—so that, despite a strike, public needs can be served, no compulsory settlement may be necessary. But if a labor union assumes the power to stop a public utility service or the production or distribution of the necessities of life, it must be compelled to submit the justice of its demands to the final decision of an impartial public tribunal. The people of the United States and their Government cannot permit any private monopoly to dictate the terms and conditions upon which the people shall be able to obtain the necessities of daily living.

There is no difference in effect between permitting the owners of property to combine to fix the prices and quality of goods and services which a community must buy, and permitting a combination of workers to fix their wages and working conditions free from the restraints of free competition. The final result in either case is the exploitation of all the people for the private gain of a privileged class.

New labor law must require either the destruction of labor monopolies or their regulation in the public interest. The owners of public utilities and other tolerated monopolies have their prices, their services and their profits regulated by public authorities. Other private monopolies are outlawed, prevented and destroyed. Labor monopolies must be likewise regulated or destroyed in conformity with the same principle or else a free economy and free, competitive enterprises cannot be preserved.

Make Labor Unions Responsible

There is a third principle that must be expressed in new labor law; that is, that labor unions not only must be made responsible to the public for the use of their powers in the public interest, but also must be made responsive to the opinions of their members. Their officers must be the freely chosen representatives of the rank and file. They must be required to account to their members for the spending of their money and to keep them fully informed regarding the decisions and representations they make in the name of their members. And the members must be freed from any intimidation or brutal compulsion to support their leaders despite their individual convictions and interests. The unions must be voluntary associations of free workers, not a conscript soldiery compelled to follow the orders of a military command.

You will see in bills that are introduced in the 80th Congress these three principles expressed in many ways. Some will propose short-sighted, impractical methods of accomplishing desirable results. Some will substitute political coercion for economic coercion and intensify instead of ameliorate the class struggle. Some will go to the other extreme and seek to rely wholly on good will and self-discipline for the settlement of industrial conflicts of interest. What we should have learned is that neither political domination over labor relations nor a reliance upon self-control will solve our labor problem.

Government Must Regulate Methods of Industrial Peace

We should have learned that organized labor as well as organized capital cannot be left free from legal obligations to refrain from advancing private interests by methods injurious to the interests of all the people. We should have learned that, although wages and working conditions should be fixed by private agreements, the Government must regulate the methods by which labor interests can be advanced just as it has been found necessary for the Government to regulate the methods whereby the private interests of financiers, industrialists and public utility owners could be advanced.

We should have learned that a free economy and democratic government can only be maintained by preventing any economic or political organization from obtaining and exercising the power to dictate the terms upon which the rest of the people shall be permitted to work and live. The government must strive constantly to restore the balance of competing forces in our society so that none can become dominant.

There is nothing anti-labor, or illiberal or reactionary in such a program. It is only conservative in the purpose to conserve the essential principles of that free society which the Constitution of the United States was adopted to perpetuate.

It is most unfortunate that in this critical time a great many well-meaning liberals do not see that the preservation of the unrestrained freedom and irresponsible authority of existing labor unions means the inevitable destruction of the freedom of all American citizens and the authority of the government of all the people. They do not see that an economy and a government subject to the dictation of labor bosses must bring an eventual struggle for the rule of a socialized state by a political tyranny, and the end of an economic and political democracy.

Civil Liberties Menaced

It was significant of this blindness of professed liberals that at a recent meeting in Washington the self-styled Union for Democratic Action adopted a guiding principle in these words:

"Civil liberties must be protected from concentrated wealth and overcentralized government."

The chief menace to civil liberties in the United States today will be found in the monopolies of organized labor and their unrestrained use of economic power and physical violence to deprive workers of the right to work and to deprive entire communities not only of competitive prices for the necessities of life, and, frequently, of any ability to obtain such necessities, but even of the right of people to exercise the elementary liberty of going about their daily business without fear of physical harm.

No true and open-minded liberal could see and express the need to protect civil liberties against concentrated wealth and over-centralized government, without at the same time recognizing and, in all honesty, speaking of the urgent need to protect civil liberties from destruction by organized labor.

You will see in the forefront of efforts to defeat any effective labor legislation in the present Congress a lot of anemic liberals, who are so fearful of the arrogant and crude violence of tough labor unions that they will oppose any compulsory, or punitive or drastic labor laws. They will tell you that you cannot put 10,000 men in jail. They will tell you that any judicial settlement of an unsettled labor dispute is a wicked "compulsory arbitration." In a word, they will tell you that the people and the Government of the United States must leave labor unions free to enforce their demands by the compulsory arbitration of a strike, supported by the intimidation of mass picketing, by the wholesale violation of civil liberties, and by bludgeoning an entire population with a denial of the necessities of life.

They will tell you that court orders should not be issued because they will be violated by thousands. They will tell you that the police and the armed forces will not be able to suppress insurrections if they are called strikes. They will tell you that minorities have such a command of private, unlawful force that a large majority of the people who are law-abiding will not be able to enforce the laws which they have enacted to protect their liberties.

A Genuine Liberal Policy

The opinions of one man are unimportant. But I believe that I am voicing an opinion held by millions of American citizens when I say: The genuine liberal of today is not an anemic defeatist. The genuine liberal believes that the liberties of all the people are superior to the liberties of any class. He believes that, if the leaders of organized labor think they can defy the laws of the United States and carry on successful insurrections against the Government, it is high time to meet that insolent challenge. Then the anemic liberals, who urge us to appease the enemies of law and order, will have to guess quickly which will be the losing side in this test of strength. You will find that most of them will be back under the American flag as soon as they learn that the Government of the United States still has the power to prevent and punish all conspiracies against the public welfare.

Speaking to the Washington Building Conference at Washington, D. C., on Jan. 13, Mr. Richberg, while upholding the legal right of workers to strike individually or on a local basis and in cases where public interests and public welfare are not menaced, urged compulsory arbitration of labor disputes in public utilities and in other industries on a nation-wide basis. In presenting this proposal, Mr. Richberg stated:

We face a choice here between either outlawing strikes and requiring compulsory arbitration of industry-wide controversies, or of limiting the bargaining powers of unions so that the failure of local bargaining will only result in local strikes and there will be no industry-wide bargaining that may result in an industry-wide strike. The core of this problem is the monopolistic power which large national unions have acquired and which they can use and have used to dictate terms to an entire industry.

It is a manifest absurdity to enforce anti-monopoly laws against businessmen for the purpose of protecting the public from monopoly prices and then leave the labor unions free to use a far more effective and practically unrestrained power to impose fixed labor costs and production controls on an entire industry, with the inevitable result of establishing monopoly prices.

By closed shops, industry-wide bargaining, and nationally-fixed limits and methods of production, some of our large unions are now exercising a monopoly control over commerce which makes the worst business monopoly in our history look like child's play.

Free capital has always been available and anxious to finance competition with a profitable business monopoly. Many industries compete with other industries. The worst business monopoly may reduce production and charge high prices but it will not intermittently stop all production and deny to a dependent public any access to the necessities of daily living.

But, labor monopolies which starve out all free labor, which conspire with monopolistic employers, which orders workers into idleness when they need wages and the public needs their products, labor unions which blindly raise labor costs until products are overpriced and customers are driven out of the markets . . . these are the most vicious, socially harmful monopolies that have ever menaced our free economy and our industrial progress.

Perhaps I need not emphasize this point in talking to a building Congress. Some of you may think it would have been more tactful for me to have said less. But, I can assure you that I am referring to the evil influence of labor monopolies in not one but many industries.

The right to strike, which can be upheld as lawful, must be the right to carry on a concerted action which is either publicly beneficial or at least not harmful to the public interest. There is no natural right, no individual right of citizens to combine in activities injurious to individuals or to the community. Any united action of large numbers of persons must always be subject to whatever legal controls or limitations are needed for the protection of public and private interests which may be injured. These are well established principles of law and constitutional government which have been so seriously neglected in the political favoring of labor organizations that many labor leaders have apparently never been made aware of their existence. These leaders have demanded in the name of the freedom of labor—and have been given—such an extraordinary license to destroy the freedom of other people and to indulge in what would ordinarily be called criminal conspiracies, that they are now outraged at the simple demand that they be required by law to respect the rights of others and to cease their assaults upon the general welfare.

It seems to me particularly fitting that I should publicly advocate the enactment of legal restrictions on the right to strike. There is no living lawyer who rendered any more active service than I in establishing and sustaining the rights of labor, in the days when that service was less popular and much less profitable than in recent years. I am as firmly convinced today as ever that strong labor organizations are needed to prevent misuse of the economic powers of large accumulations of capital.

More Freight Cars in Service at End of 1946

The Class I railroads put 40,377 freight cars and 563 locomotives in service in 1946, the Association of American Railroads announced on Jan. 22. This was an increase of 1,390 cars but a decrease of 80 locomotives compared with the number installed in 1945.

Of the new freight cars installed in the past calendar year, there were 14,740 plain box, 4,143 automobile, 5,511 gondolas, 14,379 hopper (including 3,135 covered hoppers), 524 flat and 1,080 refrigerator.

The new locomotives installed in 1946 included 83 steam and 480 Diesel, compared with 109 steam, and 534 Diesel in 1945.

The Class I railroads on Jan. 1, 1947, had 63,829 new freight cars on order, which included 25,896 plain box, 6,040 automobile box, 4,705 gondolas, 15,273 hoppers of which 2,044 were covered hoppers, 9,651 refrigerator, 1,096 flat, 750 stock and 418 miscellaneous cars. New freight cars on order on Dec. 1, last, were 63,616 and on Jan. 1, 1946 totaled 37,162.

The railroads also had 604 locomotives on order on Jan. 1 this year, which included 64 steam, six electric, and 534 Diesel locomotives. On Jan. 1, 1946, they had 471 locomotives on order which included 92 steam, six electric and 373 Diesel.

U. S. to Broadcast to Russia

State Department plans for a program of information in the Russian language to be broadcast commencing about Jan. 15 to the Soviet Union were disclosed on Dec. 29, according to Washington Associated Press advices. Consisting of news, music and cultural subjects, it is hoped that the programs will give the Russian people a better understanding of the American viewpoint, it is said. Plans are to keep the broadcasts so fair and factual that they will give no offense to the Russian Government. It is considered likely that controversial issues may be introduced later through the technique of broadcast debates designed to present the merits of both sides fairly. The Associated Press added:

"The Russian-language programs have been difficult to arrange because of a scarcity of persons qualified in the language and in ideas and concepts acceptable both to the United States and the Russian Governments.

"The British have been broadcasting in Russian for about a year. According to information here, they have had no adverse reaction from the Kremlin, and believe they have received good listener response. American officials estimate there are 70,000 or more radio sets in Russia capable of picking up the Munich short-wave broadcasts.

The New American Market

(Continued from page 650)
allowance, I think that we should come back to that statement of the clothing manufacturer, who said that once people try, and get used to quality, they hate to give it up. What was luxury for them becomes a must.

If this is true, it is a profound fact for every 1947 merchandiser. Since it has been the history of the automobile business, and many other major American industries, to work continually toward better products—more for the money—I believe that it is true.

Don't let me give you the impression that the American people are not interested in economy and low prices. They are. They have been. They probably always will be. But, the American people want better quality at low prices. They have acquired a habit of better things. It is not a habit they want to break. Given increased buying power during the war and since its close, they educated themselves to prefer higher quality goods and services. Today they not only take utility for granted, but they take an increasing number of yesterday's luxuries for granted.

Better Products At Lower Prices

The problem this change creates for manufacturers and merchandisers is a big one. We are being asked by our fellow citizens today to give them better products and lower prices. They want both. It is a great challenge to the ingenuity of all of us but a still greater opportunity for those of us who intend to be first in every advance.

We at the Ford Motor Company are continually exploring the possibility of manufacturing a new, low-priced car which would, necessarily, be simpler, smaller, with fewer luxurious fittings. During the past two years we have been investigating public attitude and reactions. When we suggest a small car for the sake of economy, we get answers which indicate that people don't want to sacrifice the car features they have been accustomed to, for example, riding quality and general comfort.

When we suggest a lighter car, people agree readily enough, but then they promptly tell us that they don't want a car so light that it will not have the "roadability" required by the average driver. When we begin to ask about accessories, comments from all areas show conclusively that radios, heaters, lighters, clocks, sunvisors and ash trays are now widely regarded as necessities. Bumpers, you know, were sold not many years ago as an accessory; now they are standard equipment on all makes of cars. So, I think the American people want, expect, and will get a kind of product in this post-war world of ours which is substantially superior to the products we considered customary and normal before the war. The "New American Market" is a different market and increasingly a higher quality market.

The Economic Base

Now let us take a look at the economic base on which "The New American Market" rests.

In 1929 our national income was approximately $83 billions. In 1940 it was approximately $77 billions. In 1946 it was approximately $167 billions. In other words in 1946 it was greater than 1929 and 1940 combined and approximately double the legendary 1929 figure. When we examine this great increase in national income, and when we take into account the fact that more than 11 million people have been added to the employment rolls of the country, we find ourselves confronted by statistics which seem to relate to quite a different nation from the one we left behind when we entered World War II. And further exploration merely conforms our feeling that we are in new territory. At the present time, for example, approximately 24,000,000 consumer spending units (that is to say families and single individuals) have annual incomes over $2,000. That is nearly four times the 6,000,000 consumer spending units which had $2,000 a year in 1935-36 and nearly double the 14,000,000 of 1941.

Studies indicate that millions of American families have moved up into higher income brackets and find themselves with larger amounts of "free money." In 1941, for example, about 6% of American families had incomes of $5,000 a year or more. In 1946 about 17% of American families were in that classification.

In 1941, we estimate about 16% had incomes between $3,000 and $5,000. In 1946, 28% of American families were in that classification. In 1946, the percentage of families in the $2,000 to $3,000 income group had dropped from 22% to 21%. The percentage in the $1,000 to $2,000 group had dropped from 27% to 18% and the percentage American families with incomes under $1,000 declined from 28% in 1941 to 14% in 1946.

What do these changes mean? To me they mean tremendous increases in the buying power of the American family unit. Or, from our point of view as salesmen, they mean a huge increase in the potential market for products, particularly those on which families spend more money as they move up in the income scale. For instance, because of the upward shift of families into higher income brackets, the potential dollar market for cameras and film supplies is about twice what it was in 1941.

By the same token, there is a present domestic demand for four and one-third million new passenger cars per annum at present prices—without taking into account any deferred demand as a result of the war. That's more passenger cars than the industry has ever been called upon to produce for the domestic market. The statisticians tell us that the "New American Market" is that big without taking into account the possibility that an increased percentage of total income might be spent by each income group for the purchase of automobiles, or that people may draw on their huge liquid asset reserves. It assumes that the ratio of automobile buying per hundred families is the same in the postwar world as it was in the prewar world.

As another indication of the kind of market we are entering, consider these facts. On January 1, a year ago, the backlog of unfilled orders for Ford cars and trucks stood at 868,000. During the past year Ford produced 574,000 Ford cars and trucks. By mid-December the backlog had climbed to 1,568,000—an increase of 80%.

The pressure for deliveries still shows no sign of slackening, nor does price yet seem to be exerting any drag on demand. Our last price increase was on the 16th of September. In October our backlog of unfilled orders rose 77,000 — a figure above the normal monthly increase. November continued to rise. By every index we know, the automobile market looks firm and urgent, both for the short-term and long-term future.

Taking into account the large wartime accumulation of deferred demand, I estimate that the automobile industry has, at the present time, an immediate market (not yet fully expressed in the form of orders) for at least 12 million motor vehicles.

This great potential market should be good news to everyone. It should mean steady jobs at good pay for many years to come. There is, unfortunately, a big toad in the water bucket. The big potential market may be very sharply reduced if we don't keep prices from going up. No matter how anxious people may be to have better things, all of us buy at a price. As prices rise, we buy more and more reluctantly. Resistance increases. Finally, a time arrives when we refuse to buy. Look what happened to the market for mink coats recently, and we all know what happened when the housewife refused to buy butter at a prohibitive price. So, if new car prices get too high, people will find ways and means of getting along with their old ones.

I think we must always remember that we live in a mass production economy. What we enjoy in the way of the good things of the earth we owe to our unrivaled capacity for quantity production. Industrial enterprises have been built on a program of tremendous output. Only when they can achieve this huge production can they break even or make a profit. Strikes and work stoppages of all kinds cut down output and seriously endanger the survival of great companies geared to exist only at high output. When suppliers are prevented from keeping the flow of raw materials constant the same thing happens. An enterprise like the Ford Motor Company, for example, is in reality a huge market place for thousands of small producers. We buy hundreds of millions of dollars of parts and materials from other American companies, many of them quite small.

Ford Policy

Our whole effort at the Ford Motor Company has traditionally been in the direction of better products, lower costs and lower prices. Our constant aim today is to get prices down. Our engineering, manufacturing, and purchasing departments are continually working with the hundreds of our suppliers to reduce their cost so that we can reduce ours. Our purchasing department recently instituted a plan of decentralized buying for our 13 assembly branches throughout the United States. The purpose was to eliminate long freight hauls, expedite delivery, to save time, reduce costs and at the same time to place the business in the locality of our operations.

Within this short space of time, the dollar volume placed locally by the Ford Somerville Branch has increased as much as 300% in a single month's business. But what are the opportunities in the postwar world to cut costs and prices in the fields where you and I are responsible—through more successful distribution? President Truman sent a message to the Boston Conference on Distribution held here last October in which he said:

"The path to progress in this country lies in the direction of making the products of our factories available to more people at lower cost, and distributors as well as manufacturers can help greatly in keeping us moving in this direction."

Mr. W. A. Harriman, Secretary of Commerce, sent a telegram to the same Conference. It contained this statement:

"The time is coming when aggressive salesmanship and greater efficiency in distribution will be required to sell the products of our greatly expanded industrial facilities . . ."

Productivity of Worker

We frequently speak of the need for increased productivity for the individual, and almost always we are thinking of the factory worker. I suggest that all of us in the field of selling accept the same challenge.

I fully appreciate that the increased productivity of the factory worker is due in large measure to the development of machines and operating techniques which greatly increase his capacity. Mass production achieves tremendous output at low cost in part by giving men costly, special-purpose machines which can do better and more quickly what a man can do with great effort and more slowly.

You may say, then: "How can we achieve greater productivity in the distribution field? How can we use machines in that area?

The fact of the matter is that the geratest machine in the world is man himself. For an all-purpose machine, man is hard to beat, and the unique characteristic of man as a machine is the fact that his capabilities can be greatly increased. Man can be trained to do far more than he now does—far more than he himself knows. It is in that field, it seems to me, that we have tremendous opportunities. We have not begun to achieve the efficiencies (which mean low costs and maximum profits) of which we are all capable as individuals. The road of great promise is the road of education — training — better human relations—what Henry Ford II has in mind when he talks about "human engineering."

The potentialities of such training can be seen by any salesmanager. There are great differences in productivity and earnings among salesmen, for example. Some part of the difference is due to native instincts. But the greatest difficulties are usually due to differences in experience and training. One man knows his business and the next man doesn't. One man does all the right things and the other man doesn't.

We at Ford are giving great attention to this field. We want our retail organization better trained than any in the automotive industry. WHY? So they will be the most prosperous — and when automobile dealers are prosperous they are producers of volume sales.

I would like to say a few words about the automobile salesmen. It seems to me that we in the automobile industry have got to change our thinking regarding the compensation and training of salesmen. There is a well established theory that the more salesmen you have the more contacts each one makes, the more products he sells. That's malarkey. With badly trained or incompetent salesmen, the more contacts he makes the more sales he kills. It cuts both ways. Furthermore, when you have men working solely for a commission — and without sales help or training — you have a heavy, costly turnover.

I believe that now especially there is a need for high-grade salesmen in the automobile industry and for sound education and compensation programs to give them some security and insure their progress. If we are to sell better and more products, we must have better-trained and better-paid salesmen.

The new automobile salesman must have a great deal more understanding of markets and marketing than he had before the war. He must be something of an economist. The consumer today—with a long memory for yesterday's prices and a short memory for today's income—must be reminded, for example, that the 1946 dollar may be worth only 75¢ as compared with the 1941 dollar, but for every dollar of 1941 income the consumer today has $1.55 of income to spend. The average American has seen prices go from $1 to $1.33 and he remembers that—but income has gone from $1 to $1.55. He doesn't recall that so easily.

Reducing Distribution Costs

Our aim in the field of distribution is the same at Ford as our aim in manufacturing and engineering. We want to make it easier for the human machine to do the best possible job. We want to conserve human energy. We want to cut down waste time, waste motions, lost selling time so that the dealer has maximum opportunity to concentrate on successful management of his business.

We have new instruments to use in achieving lower distribution costs. One of them certainly is the improved techniques of consumer preference analysis. Determining public attitudes toward products and ideas is much more nearly a science today than it was before the war. It is easier to estimate public reactions for sales and design purposes. A major responsibilty of automotive research is consumer studies to determine what people want in their cars. Without such research, the Sales Manager is "flying blind." In the new postwar American market, trends must be followed closely. We can't wait for sales records to indicate public preferences. We must anticipate. In this we in the automobile business must be particularly sensitive to the preferences of women as important factors in the purchase of the family car.

I am fully conscious that people who sell consumer goods have long had in mind the power of feminine preference. It would be absurd for me to say that the influence of women on the sale of automobiles has not been great. And yet I think there is far more to be done in the direction of appealing to feminine preferences in the design and sale of automobiles than has been customary in the past.

I can't resist reporting an incident in our own company not long ago. We were considering fabrics. We submitted many samples to a number of our chief executives. Each made his selection. Then we submitted the same samples to a group of girls in our sales and advertising departments, and to a group of our factory girls.

The executive group—all men—liked strong patterns. The girls all liked "background" patterns — the kind of fabric which would show off an attractive dress, coat, or hat and not compete with it. The girls all chose much the same fabrics. The executives were not unanimous in their selections. Two things are significant—first that both groups of girls made essentially the same choices and second that the executives had no objection to the selections made by the girls. They liked them.

I think the American people today are looking toward the future with a bright and fresh eye. In advertising especially, old-fashioned, stuffy thinking is going to be entirely out of key. What we need today, in step with modern selling, is a new spirit in advertising—a quick understanding of public moods and thinking and a quick capacity for capitalizing them. There is need for more of the unusual — even for the spectacular—for greater imagination. Advertising has become stodgy. It is too often found in comfortable, well-upholstered ruts. Perhaps it has become over-professional. It needs to appeal to and capture the spriit of youth and optimism, which is the America of today.

I think, too, there is a great waste in advertising and as part of the overall need for more effective distribution to these great new post-war markets, we will also need greater efficiency in our advertising.

We will need this greater efficiency not only to help bring our distribution cost down, but also because we are confronted today with a more difficult problem in spreading our advertising dollar than ever before.

Today, we have many new channels of advertising . . . we have many new magazines which we did not have before, new newspaper supplements, new forms of spectacular outdoor advertising, additional use of advertising in our comic papers, and we have television ahead of us.

In addition to these new media, almost all the old familiar media have expanded their circulations and increased costs . . . so advertising men of tomorrow must be more efficient, more selective and more judicious than was the case in pre-war days. We feel so strongly about this at Ford that we have just finished what we believe is the largest and most complete advertising media survey ever made in the automobile business. We thought it was only good business to spend as much as $50,000 to determine how best to spend $10,000,000.

One more thought in conclusion. There is evidence that we are already moving out of a seller's market into a buyer's market in some lines of merchandise. The consumer is coming into his own again.

To me that's good news. I don't believe that a prolonged and deep seller's market is a good thing. It isn't healthy. The production of goods and services is soundest when we are all conscious that, in the last analysis, we are performing a public service. The seller is better off when he is most alert to the needs and wishes of the buyer. A seller's market puts a premium on laziness, carelessness and inefficiency.

A seller — whether he is running a store, a factory or a restaurant—whether he is an employer or an employee—has no real incentive to do a good job for his customers or his employer when he's able to escape by saying: "That's it, brother—Take it or leave it." The trouble with any monopoly in any field is largely that fact — the monopolist is always operating in a seller's market. America was built on competition for public favor on a long-term buyer's market.

This nation is economically most healthy when the consumer is boss and we are using our greatest skill and ingenuity to satisfy the demands of the American people for better things at lower prices. That's the kind of exercise that makes good salesmen and strong dealers. That way lies hard and healthy competition.

Out of a vigorous, competitive buyer's market for goods will come a healthier period of labor relations, too, in my opinion. Labor has a great stake in the competitive system of which we are all beneficiaries. Labor also has a stake in profitable distribution of goods and services—in achieving the corporate incomes which are possible in the mass production field only when output is great and costs are low enough to permit low prices and even greater output. The wealth which all of us will divide is not Money but Products. The only way to achieve that wealth is for all of us to work for it. There cannot be real wealth in a free country unless there are goods and services for all—and the way for more goods and services for all is more work—more **productive work!**

In the clean, hard atmosphere of competition in a buyer's market we have an opportunity—management and labor—employer and employee—to achieve the kind of effective and mutually-profitable teamwork which is the only road to national wealth and an ever-higher standard of living for all of us.

Now let me summarize briefly what I have tried to say to you today:

First—It is quite a different market than the one we knew before World War II—a market so different that we may properly speak of it as the "New American Market."

Second—It is a market in which the American people have acquired a taste for and are now demanding higher quality goods and services.

Third—It is a market where people can afford to pay for quality merchandise providing prices are held down.

Fourth—We in the field of Distribution cannot say to the factory worker "Increase Productivity" without accepting the same challenge for ourselves. Management must and will make still further progress in the technology of production. Labor should and must do its part by stepping up their individual productivity, and progress toward more economical, lower-cost distribution can also be achieved by a more intelligent and effective use of ourselves as salesmen—by education—by training—by better planning of our work, and by a more accurate knowledge of consumer needs.

Fifth—It is a market where the seller must be more conscious of the buyer's need—more sensitive to changing buyer trends.

Sixth—It is a market requiring greater advertising skill—better judgment in media selection.

Finally—We are again entering the good, wholesome competitive atmosphere of a buyer's market where the consumer is boss, where laziness, inefficiency and slip-shod ways will no longer be good enough—today's phrase of "That's it, brother, take it or leave it" will change to, in fact is already changing to, "Hold everything, brother, I have what you want."

If 1946 was a Year of Confusion, I believe 1947 can be the first year of a Decade of Unprecedented Opportunity.

Yet some people are worried by such a prospect. They are afraid it may mean a boom followed by a bust. I see no reason for such fears. I believe we are already moving from a seller's market, which had some appearances of a boom, to a buyer's market, which will, in my opinion, be far from a bust. As a matter of fact, I contend that the kind of a buyer's market we now face is a healthy market—a market where the emphasis will be on the consumer. Those are the conditions which made America great, and which will make it greater. I see no reason why the next decade should not be that kind of a decade—healthy, prosperous and a progressive period for all of us. But, we've got to avoid the present wild and fantastic scramble for money wealth. We've got to substitute product wealth.

I am going to end this talk by citing the result of a recent "Fortune" poll by Elmo Roper. A cross-section of the American people were asked whether they thought their opportunities were better or worse today than the opportunities of their fathers. Seventy percent said better. When these same people were asked if their sons would have a better world, 62% said better. These 62% were undoubtedly looking the atomic bomb right smack in the eye. That's American fortitude. That's American confidence. That's good old American common sense and optimism.

How can we lose in a country made up of people like that?

U. S. Conciliation and Collective Bargaining

(Continued from page 649)

policy is one of free collective bargaining. Nowhere in government is there a bureau or an agency that can order you or any employer to write a particular clause or a particular condition into any contract with a union. The government's role at the bargaining table is limited to that of conciliation.

This policy has imposed grave responsibilities on our Conciliators. But, it has imposed an even greater responsibility upon management and labor. Today, no interruption of work can be blamed on the government. Today, the full responsibility for continuous production rests wholly with employers and unions. They are the men who determine whether or not work shall be interrupted.

From here on, whether collective bargaining remains free depends on the ability of both management and labor to do their negotiating without seriously disrupting the nation's economy or interfering in the lives of their neighbors.

Last year's record was the worst in our history; three times more man-days were lost than in 1945, the previous peak year. I doubt that the citizens of this country will be willing to put up with many more years of free collective bargaining if the stoppages continue to be as long and as bitter and as frequent as they were this past year. That nine in every ten disputes were settled peacefully last year is not a sufficient defense. Last year's record of 45,000 negotiations settled peacefully to 5,000 strikes is not good enough when the stoppages include such big strikes as coal and steel or such long strikes as maritime and General Motors.

Dangers of Compulsory Arbitration

If work stoppages continue to interfere with our economy, I am afraid the Congress is going to consider seriously some form of compulsory arbitration. That, of course, will be the first step to many other compulsions. Once the government is permanently in the business of deciding the wage increase every year—in peace as it did in war — then inevitably the government will have to make other decisions on prices and production schedules.

I wish I could say at this point that the Conciliation Service is your complete protection from that sort of regulation. It is not. Only labor and management settling their differences peacefully can guarantee such protection. Employers cannot do it alone. Neither can unions. Both must sit down and work this out unless they want the government to work it out for them.

The Conciliation Service can help you in this effort if you will let us. Although we cannot guarantee you complete freedom from strikes, we can help you to conclude your negotiations peacefully.

In the year since the President's Labor-Management Conference on Industrial Relations met in Washington and recommended an expansion of the Conciliation Service, we have been working hard to create a mediation agency in which both unions and employers can have confidence. I believe we have come a long way on that path in 12 months. I would like to say that in this effort, we have had some able assistance from Carrol French, the industrial relations director of the NAM.

We need other types of help from employers and union officers. We depend on your judgment to bring Conciliators into disputes at the right moment. A Conciliator is needed in negotiations only if and when it begins to appear that the employer and union are approaching a deadlock. But, if he is expected to postpone a strike deadline and avert a stoppage, the Conciliator must be brought into negotiations while there is still some time left. You can help us not only by timing the call to the Conciliation Service properly, but by seeing that our Conciliator arrives under the proper circumstances.

When Conciliation Should Begin

In the present state of public uneasiness about stoppages and threats of stoppages, I believe that many employers could perform a valuable public relations job by taking the initiative in calling Conciliators whenever it appears that they may have trouble. I have observed that public citizens of the community interpret a call for a Conciliator as an extra effort by the company to settle its negotiations peacefully without community disturbance. I think you are missing a bet when you let the union put in the call to the Conciliator.

Part of the failure of employers to take the initiative in calling for a Conciliator is, I believe, a misconception of what a mediator can and cannot do.

Our Conciliator has no forms for you to fill out. He makes no inspections. He has no authority to order you to do a single thing you don't want to do. He cannot force you to open your books. He cannot take you to court. He is forbidden by order of the Secretary of Labor from ever testifying in court or in government hearings on any details of any dispute in which he acted as mediator. In this respect, he has the immunities of a doctor or a lawyer. His reports are confidential.

The Conciliator's only power is the power of persuasion and the cold eye and clear head that an impartial third party can contribute in a crisis. He represents the public interest in a peaceful settlement. However, he will not make any public statements against you—or the union. Twice during the last year — to my knowledge—Conciliators have issued public statements criticizing parties to a dispute. In both instances, the Conciliator was immediately withdrawn from the dispute. Under our policy, a Conciliator may attempt to persuade either party privately to modify his position. But, he may not attempt to pressure either party by public statements.

You will find that the Conciliator frequently can furnish the fresh information and fresh viewpoint that helps to get negotiations off dead center. During this past year, we have launched an intensive training program for our Conciliators. We have periodic Problems Conferences in Washington and in every one of our seven regions. Part of our effort has been to bring to our staff the viewpoints of labor and management. For example, we have had a representative of either the National Association of Manufacturers or the Chamber of Commerce as a speaker in every one of these training sessions.

Expansion of Conciliation Service

There are other services which we can furnish. At the recommendation of our Labor-Management Advisory Committee, I have just completed the appointment of 25 Special Conciliators, men of outstanding reputations in this field who will be available for occasional mediation assignments in key disputes. Through the device of this panel, we have recruited the occasional services of men whom we could not attract to government service on a permanent, full-time basis. And, if we could attract them, we could not afford them.

When disputes arise over wage incentive plans, workload, job evaluation or similar technical matters, our Technical Division is available on joint request to make impartial studies of the facts in dispute.

If an employer and a union have decided to submit their differences to an outside umpire, the Conciliation Service has available a new panel of qualified impartial arbitrators. All the men on this panel have been screened by the Regional Labor-Management Advisory Committee in the area in which they work. These seven regional advisory committees are composed of men recommended by the NAM, the Chamber of Commerce, the AFL and the CIO. When an employer and union are unable to agree on their own arbitrator, we will on joint request, appoint an arbitrator for them from this same panel of qualified men.

Occasionally, in disputes involving the public safety, a Conciliator may recommend to employer and to union that the dispute be submitted to an Emergency Board of Inquiry. If both parties agree to this procedure, but only if both parties agree, the Emergency Board will conduct hearings and make recommendations on the evidence. Their recommendations are not binding but are intended as a basis for further negotiations.

These are the major services we can offer you. We have made many changes in the Conciliation Service during the last year. It is performing efficiently and impartially. During the last year, our Conciliators aided, to a greater or lesser degree, in the peaceful settlement of 13,000 industrial disputes. Our records show that in 90% of the disputes in which we were called before work had halted, no stoppage occurred.

Last year, we aided in the settlement of 3,400 strikes. Of those, 64%—almost two out of every three—had begun before either of the parties called for the services of a Conciliator. We believe this record proves that Conciliators are useful.

The Conciliation Service can play a useful role in your bargaining. It cannot succeed unless you use it. The more you use it, the less you need fear that the government will alter its policy of free collective bargaining. We are an essential part of the free enterprise system. But, in the final analysis, the best Conciliator in the world cannot bring about a peaceful settlement unless the employer and the union have the will to settle.

N. Y. Savs.-Loan Assns. Report Gain in Loans

The monthly loan volume of savings and loan associations for the month of October, 1946, kept pace with that shown for these institutions for the preceding month of September, according to figures issued recently by Zebulon V. Woodard, Executive Vice-President of the New York State League of Savings and Loan Associations. The League's advices state that reports received covering lending activities during October show that associations in New York State loaned a total of $23,908,586 on 4,712 loans, exceeding the amount of loans made during the month of September by approximately $200,000. Loans made during October, 1946, were approximately 90% greater in volume than the total loaned in the corresponding month of 1945, which was the peak for that year. The League further says:

"Loans made to veterans of World War II continue to represent approximately 45% of the total monthly loan volume, the total for October being $10,688,588 on 1,760 loans. Of the total loaned by these institutions in October $18,633,335 was for the purchase of homes; $2,187,261 was for the construction of new homes; $1,387,531 for refinancing of existing loans, and $1,700,459 was for repairs, modernization and all other purposes."

Orienting International Economic Collaboration

(Continued from first page)

we were to achieve a World United, working toward a constantly rising standard of living for all. It envisaged a Charter of the United Nations, with appropriate organizations to deal on a global basis with problems in the economic, social and security fields.

International Organizations

It is the economic aspect of this design, and particularly the organizations which have been set up to deal with it, that I propose to discuss briefly this morning. My purpose is to relate the design and the organizations to the foreign economic policy of the United States, and then review the achievement to date in this post-war but pre-peace period.

But before we consider the design and the organizations, we should first consider the foreign economic policy they are to serve. For a simple statement of that policy, we can do no better than adopt the language of the Final Declaration of the 33rd National Foreign Trade Convention, which the Undersecretary of State, the Hon. William L. Clayton, speaking at the World Trade Dinner, unqualifying endorsed. The foreign policy for the United States there proposed is so well-balanced that I hesitate to summarize it. Perhaps this paragraph will serve our purpose:

"Consistent . . . with the basic American concept of free, private competitive enterprise, our foreign economic policy is dedicated to the attainment and maintenance of an international trading system, multilateral in character, free of discriminations and uneconomic restrictions, and affording access on substantially equal terms to materials and markets everywhere."

The goal is to augment international trade, lend it stability, extend its scope and direct it into economic channels by removing excessive and discriminatory barriers. To foster this objective, three organizations are in the making—all of which will operate within the framework of the United Nations. *The International Trade Organization* will seek to reduce trade barriers, remove discriminations, eliminate quantitative trade controls, curtail restrictive business practices, facilitate economic development, and contribute to economic stability, particularly in the field of primary commodities. *The International Monetary Fund* will deal with stability of the exchanges, and strive for free currency interchangeability, without which foreign investment and multilateral trade cannot thrive. *The International Bank for Reconstruction and Development* will seek to encourage and supplement the international capital market, by assisting in the rehabilitation of old, and the creation of new, productive resources. These instrumentalities are complementary, and the success of each is vital to the success of the whole. They were conceived as an integrated entity, but it was felt that technical and tactical reasons prohibited their simultaneous consideration. This is regrettable, as the necessity of each to the other would have been more clearly understood had their development proceeded contemporaneously. Even more regrettable was the decision to bring up the Fund for first consideration. For this decision—which there is no evidence that he made—Lord Keynes had no better explanation than that "One must begin somewhere." In any event, the result was that the Fund, a subsidiary instrumentality, which in the opinion of many qualified to judge, might better operate as a department of the International Bank, was brought forward in 1944, when a war-stimulated emotions had generated a great surge of sentiment for international cooperation. The campaign for the Bretton Woods institutions was tuned up to an evangelical note, and was of a character which left our people unprepared to understand the necessity for the United Kingdom financial agreement which shortly followed.

However, Congress authorized our quota of $2,750 million for the Fund, our subscription of $3,175 million to the International Bank in 1945, and a credit of $3,750 million to the United Kingdom in 1946. The Fund has completed its organization, accepted the existing rates of exchange of some of the participants, and expects to begin operations in those currencies next March. The Bank has completed its organization—is currently considering applications for loans for specific projects of reconstruction and development—and is engaged in discussions as to the marketing of its obligations, and qualifying them for investment by institutions and trust funds. These discussions have had the salutatory effect of bringing into the open doubts and misgivings that have been entertained with respect to the Bank. I remind you that the Congress did adopt specific recommendations made by the American Bankers Association which provided important safeguards, especially for the creation of the National Advisory Council to coordinate United States foreign lending policy. The statutes of the Bank provided that it is to make loans only after a competent committee has submitted a written report recommending the project after careful study of its merits, and with due regard to the prospects that the borrower will be in a position to meet his obligations. The Bank is to "act prudently." The United States has veto power over any loan to be financed in this market. The Bank can make loans, moreover, only after it is assured that borrowing cannot be done through commercial channels under reasonable conditions. Thus the Bank is organized to deal with borderline cases which are expected to be good loans but which involve a little too much risk for private lending. The obligations of the Bank are guaranteed up to a little over $3 billion by the United States Government, and beyond that by other governments. Another of the proposals of the Bankers Association adopted by the Congress was for a full periodical review of the operations of both Bank and Fund. Our responsibility as bankers, is, I believe, first—now that we have these organizations—to give our aid to make them effective; and second, to study their operations and be ready to recommend from time to time such changes as may be desirable.

International Trade Organization

But all this is preliminary. The heart of our design for foreign economic cooperation is the International Trade Organization, still to be created. This is the organization to clear up the obstacles to world trade which the conferees at Bretton Woods, in Section III of their report, recorded their conviction must be removed before the objectives of the financial institutions they proposed could be acihieved. To inaugurate it, our State Department, in December 1945, published "Proposals for Expansion of World Trade and Employment." These Proposals were presented by the State Department as not final nor perfect—and, as an honest reporter, I must say that foreign traders who studied them endorsed that statement. However, they have well served the purpose for which they were intended—as a working basis for discussions, both here and at the preliminary conference just concluded in London.

I do not intend to attempt here an analysis of the Proposals, either in the original form of the United States Suggested Charter (September 1946) or as they emerged from the London Conference. Their scope and provocative nature require more time and patience, and a smaller circle than we have here today.

In substance, the document we took to London aimed at elimination of all forms of discriminatory treatment in international commerce except tariffs. Tariffs, which are not discriminatory *per se*, are to be dealt with this spring in Geneva by the same group of countries that met in London. Later, all members of the International Trade Organization will make and receive tariff concessions to the positive benefit to those within, and to the definite disadvantage to all nations remaining outside the Organization. The document came back from London with several new sections, inserted at the insistence of industrially poor or economically under-developed countries and those concerned with enormous problems of war reconstruction.

Taking into account that our draft doubtless accentuated the concessions we desired the other participants to make, and minimized the price we were prepared to pay for them, the outcome is a natural one, and the suggested Charter is now a more realistic working document. The State Department has announced that public hearings will shortly be held for discussion of the revised Charter. This is obviously the wise course, because of the technical staff of our government, which is to continue negotiations in Geneva in April, can present a viewpoint which has the support, not simply of our technical staff, but also of informed and able groups of our citizens, the prospect of their ultimate acceptance both at home and internationally will be brightened.

To Promote Durable Peace

I am conscious, of course, that this condensed factual recital to which you have patiently listened has none of the elements of a scintillating Monday morning discourse. Why, then, do I subject you to it? To understand my purpose, may I ask you to recall the emotion which mounted in you on that Sunday afternoon just five years ago when you realized that, for a second time in one generation, we were engulfed in world war. I ask you to recall your feeling of exultation on V-E Day, and your solemn resolve on V-J Day that this time we must have a durable peace. And in that mood, I ask you to listen to this statement of Professor Hoskings:

". . . with the evil of war there comes one good—an unexampled limbering of will and resources—a profound willingness and desire to accept painful change. To end the war means to recover our freedom of political action. Unless we have something to do with it, the recovered freedom is meaningless; it is the aim beyond victory which alone justifies the fighting."

I suggest to you that if our aim after victory is a durable peace—to be attained in part by an enlightened foreign economic policy—we are still in the first stages of achieving it. The progress to date is simply overture. It began on a high note of triumph, but the recitative, though relieved by an occasional eloquent phrase, has been over-long. The spirits of the audience are flagging; their first fine rapture for the theme of international cooperation has abated. Before this restless, skeptical audience the curtain is now again about to be drawn back to disclose the decisive scene.

And because it is so vital, agreement upon the provisions of the Charter of the International Trade Organization will be infinitely more difficult to reach than on the organizations already in being. The Bank and Fund are lending institutions in which our function is to put up much of the capital which the other participants hope to utilize. As a nation, our tendency is to over-emphasize the role of credit, granting it liberally and utilizing it freely. The Bank and the Fund were planned and approved when we were in a war-time lending, spending, mood, and the argument could be, and was, made that to risk a few billions for peace added but little to the enormous sums which we appropriated for war. But the Charter comes before us for support and ratification at a time when our people are in a different mood. If it is to succeed, it will require from us something beside and additional grant of funds. It will require something much more difficult—a change in some of our national habits of thought.

As I have promised you, I do not intend to discuss the provisions of the Charter this morning. But I do want you to understand the background against which it is projected. To be globally effective, it should devise general rules for the international contacts of free markets and state-controlled economies — whether socialist, communist or fascist — which would be susceptible of equal application to both types of countries and acceptable to both. And if, as Dr. Jacob Viner states, no one has yet succeeded in that attempt, we have the choice either to press for the abolition of state-monopoly trading everywhere, or to place upon state-trading countries no restrictions which are also not assumed by free-market countries. If we choose the first alternative, it will be regarded by the state-traders as a declaration of economic war, and as such be strongly resisted. If we choose the second alternative, we will be charged with acquiescence in state-trading. I offer no brief for our representatives in the solution of the problem. I believe that our representatives should be afforded latitude in dealing with it. Nevertheless, I feel that our voice and our vote should at all times favor private enterprise in preference to government enterprise; free enterprice in preference to controlled enterprise; competitive enterprise in preference to monopolistic enterprise; and that no concessions be made which would involve the United States in operations which importantly violate these principles.

World Wants U. S. Economic Stability

That issue is illustrative of the concessions we want from the other conferees. What do they seek from us? Essentially, that we give them some assurance that we have taken steps to prevent a recurrence of the depression of the 1930's, and narrow the pattern of our alternate "booms" and "busts" which spread with accelerative effect around the globe, and, specifically, that we shall surrender the privilege of exporting our depressions by subsidies, heightened tariffs and similar devices. As Walter Lippmann recently observed, "The whole world—all of Europe, Britain, Russia—are living today with an acute sense that an economic catastrophe in the United States would shake the world. If we were able to assure them that we have the will and the knowledge to avert another 1929, we could do more to relieve them of their worst anxieties, more to persuade them that peace is possible through the United Nations, than by any other thing we could do."

To that I would like to add that the whole world is living today also in acute fear that, if we have another 1929, we will also have another 1930. It was in 1930 that we enacted the Smoot-Hawley Tariff, which boosted the duty on imports about 16%. If we are to secure the adherence of other nations to the Charter, we will have to give them reasonable assurance that we will continue to buy their commodities in bad years as well as good. Recent press dispatches with regard to movements on the part of sectional interests to curtail the Executive authority, under the Trade Agreement Act, to make tariff reductions up to 50% from present rates, do not contribute to that assurance. I suspect that most of this audience were not interested in tariff-making in 1930. For their enlightment, and to refresh the memories of those of you who were then adult, let me quote you an at-the-time observation. The National City Bank of New York monthly bulletin for July, 1930 said this:

". . . the law itself is not so bad as the experience of getting the revision. For nearly a year-and-a-half hearings, proposals and arguments on the subject have figured in the news of the world. Not only have many industries and lines of trade been in a state of suspense but industries and trades of many countries have been deeply involved. The employment and livelihood of thousands of workers have seemed to be dependent upon the terms of the bill. Every disturbing proposal has not been enacted, but naturally the worst have had the greatest publicity, and the effects of that publicity have made an impression more or less lasting, even though many of the objectionable proposals were eliminated. Almost every country of any importance in trade has been aroused to the point of making representations, either officially or through trade bodies, concerning features of the measure which were thought to threaten harm to its industries."

The Trade Agreement Mechanism

Viewed in that perspective, it seems fair to ask those who are threatening to revise our trade agreements mechanism, whether they are not placing themselves within the category of those who, in the language of Henry Hazlett, fail to distinguish between those policies which in the long run benefit everybody, and those policies which benefit certain groups only, and at the expense of all others.

The alternative is all too apparent. Under the guise of stabilization the British have created a monopoly in cocoa. Argentine, Brazil, and India have imposed embargoes, quotas, and licensing upon the exports of hides, skins and leather goods. India also restricts the exportation of burlap, jute, and pepper.

For a lucid comment on action of this sort, let me again quote Mr. Hazlett:

". . . They are an attempt to impose once more the kind of 'stabilization' that Brazil attempted for coffee; Japan for silk; Britain for rubber, the United States for cotton. None of these plans worked as their sponsors intended; all of them (except the cotton plan, which was baled out by a world war) ended disastrously even for their supposed beneficiaries.

". . . To the extent that such plans as these are sincere and disinterested, their authors fail to recognize that the markets of the world, if left free, can achieve the stabilization of both prices and stocks infinitely better than any government board, national or international. The markets are not perfect; they sometimes make mistakes; but their mistakes never reach the dimensions and persistence of those governmental 'stabilizers'."

Other nations have erected hidden trade barriers against our export trade. The Kentucky Distillers Association, in a pamphlet entitled "We Ask Fair Play" sets out in detail the contrast between the treatment accorded foreign competitors in our market, to which virtually every type of alcoholic beverage produced in any part of the world has unrestricted access, and the devices by which American whiskies are excluded from various foreign markets. Here again I do not intend to go into detail, though I assure you that evidence of similar handicaps can be supplied by any group of exporters. My point is that the one best hope of turning the world away from this fruitless, witless sort of back-biting lies in international trade conferences from which genuinely useful proposals can and will emerge. In a world of states separately governed, the conference method of getting along is the alternative to trade war—and eventually—to shooting war.

I would like to conclude my argument with you, for support of our foreign economic program and of the organizations which are its instrumentalities by reiteration of my statement, made at the outset, that our paramount economic strength gives us the privilege and the responsibility, not to dictate, but to lead, and by our example to support, the movement of the world back to multilateral trading. We should give fair play, and see that we get fair play. The Charter is the focal point around which should rally those who believe that the main prize of victory is the power to establish a world in which all nations can work together for security and mutual advantage.

We should lead that rally.

Outlook for Inter-American Trade

(Continued from page 649)

able, I foresee a rapid expansion of trucking, bus services, and utilization of motor transportation. Several countries have already formulated vigorous highway construction programs. The new Five Year Plan in Argentina envisages the expenditure on highways of 110,000,000 pesos ($27,500,000) a year, to construct over 5,000 miles of new roads, connecting the interior points with ports and rivers, and tying up the mountain regions by means of a lateral road along the Chilean frontier. In Brazil, the Federal Government is attempting to economize to combat inflation, but the southern states, particularly Sao Paulo and Rio Grande do Sul, have enlarged their highway budgets. In eastern Venezuela, the oil companies are building new roads.

President Aleman of Mexico has not yet announced his program for highway construction, but there is every reason to believe that he will want to complete the highway from Ciudad Juarez (across the Rio Grande from El Paso, Texas) to Mexico City, and will also push the uncompleted sections of the West Coast highway so as to connect the important West Coast states and lower California with Central Mexico. In Central America, work is most active in Guatemala, where the government has a new grant of $10,000,000 from the United States. This is being used to rebuild the Guatemalan section of the Inter-American Highway. Mexico will no doubt finish its section during the Aleman administration. Work in the other Central American countries has slowed down for lack of funds.

The war has brought unprecedented prosperity to manufacturing enterprises, and has given rise to numerous new establishments, including a substantial number of important undertakings in which United States firms have participation. Perhaps not all of the war-time industries will survive, but there have been many sound developments, and industrialization has reached a new level of importance in the larger countries. Equally important have been the steps taken to diversify agricultural production and to improve agricultural methods.

Along with increased productivity there has developed a broader distribution of wealth, which, in turn, provides a broader and sounder base of political responsibilty.

Increase in Exports

The aggregate value of the exports of the 20 Latin American republics has increased steadily since 1940, and in 1945 amounted to $3,251 million, the largest total in any year in history except 1920. Latin American imports were nearly stationary from 1938 to 1943, but rose substantially in 1944 and still more in 1945. In the last mentioned year, the total value of imports was $2,272 million, a total surpassed only in the year 1920, and in the five years 1925 through 1929.

The destination of Latin American exports was strongly influenced by the war. In the late 1930's, around 33% of aggregate Latin American exports were going to the United States, 1.5% to Canada, 5.5% to the other American republics, 8% to the Netherlands West Indies, 2.3% to Asia, Africa and Oceania, 16.7% to the United Kingdom, and the balance of 33% to Continental Europe. In 1945 the United States took about 50% of the total value of exports, other American republics 16.6%, United Kingdom 12%, Continental Europe 8.6%, Canada 1.3%, Africa, Asia, and Oceania 1.8%, all other 9.7%.

There have also been important changes in the principal sources of imports into Latin America. This is shown by setting the percentage distribution for the years 1936-38 side-by-side with the percentages for 1945, for each of the major countries or areas: United States, 1936-38 average, 33.0%, year 1945, 58.5%; other American republics 9.6, 25.6; Canada 1.1, 1.9; United Kingdom 13.1, 3.6; Continental Europe 34.7, 6.1; Africa, Asia and Oceania 6.2, 2.6; all other 2.3, 1.7.

During the war years Latin American trade with Continental Europe dwindled to a very low point. The revival since the war has been principally in exports of foodstuffs, textile fabrics, and certain raw materials to Europe. Some large shipments were made on behalf of the United Nations Relief and Rehabilitation Administration. Several of the Latin American republics have also extended credits to European countries as the basis for reviving trade with that area. Imports from Europe are also gradually picking up, but at a considerably slower rate. Among the major items involved in this trade have been such things as wood pulp, hardware, and machines from Sweden, and textile machinery and chemicals from Switzerland. A relatively small volume of imports, consisting principally of newsprint, has been received from USSR.

Before the war Germany occupied a larger position than any other Continental European country in the trade with Latin America. In 1938 Germany took 10% of the aggregate Latin American exports, and furnished 16% of the aggregate imports. Germany was a major market for such products as tobacco, cotton, hides, cacao, and coffee, and supplied a large variety of manufactured products in return, especially iron and steel products, machinery, chemicals and textiles. In view of the almost complete elimination of Germany for the foreign trade picture, together with the physical destruction and economic disorganization and reorientation of Central and Eastern Europe, it appears unlikely that the European continent will again, at least in the near future, occupy as prominent a position in Latin American trade as it did in earlier years.

A new development has been the appearance of the Union of South Africa as a factor in Latin American trade. It has taken substantial amounts of textiles and foodstuffs and has supplied coal and lumber.

Prior to the 1930's, Latin American foreign trade with Asia consisted principally of imports of jute, tea, silk and miscellaneous Japanese handicraft articles. During the 1930's Japan developed its exports to Latin America, especially cotton textiles, and also became an important purchaser of Latin American raw cotton, wool, hides, and metals. These interchanges have been affected, not only by the temporary elimination of Japan as an important trading nation, but also by the fact that the Latin American countries have developed local production of articles, or substitutes for articles, formerly imported from the Far East. For example, Brazil is now a producer of silk and tea, Peru has started tea plantations, and most of the countries have been developing local fibres as a substitute for jute. Nevertheless, there will doubtless continue to be a considerable demand for some Oriental products, especially jute. In the past, Latin America has also taken substantial quantities of copra from the Philippine Islands. Part of this market remains, but several Latin American countries have expanded production of vegetable oils.

Increased Interchange of Latin American Products

One striking feature of the war-time trade developments has been the greatly increased interchanges among the various Latin American republics. Some of this trade has obviously been of an emergency character, but it appears likely that the inter-Latin-American trade will remain on a higher level than before the war. The diversification of Latin American economies and the improvement of transportation facilities, are important factors tending towards more trade between adjacent countries. A considerable part of the war-time increase has been in food products. There have also been some important instances of exports of manufactured goods, particularly exports of cotton fabrics from Brazil to Argentina.

The relative position of the United Kingdom in Latin American foreign trade has been declining slowly over a considerable period of years. At the same time, Great Britain remains second only to the United States as a market for Latin American produce. Imports from the United Kingdom declined darstically during the war but have made some gains since the end of hostilities. For the immediate future, in view of the great backlog of demand in Latin America, the outlook for British exports is conditioned less by competitive conditions than by the productive capacity of the British nation.

Trade With U. S.

Mention has already been made of the large increase of United States trade with the other American republics. Here again much of the increase was abnormal and is not likely to survive a revival of peacetime competitive conditions. At the same time, it is reasonable to expect that both United States imports from Latin America and United States exports to the southern republics will remain on a higher level than before the war. It is significant that Latin American exports to the United States are steadily becoming more diversified and now include many types of semi-manufactures, finished manufactures, and handicraft articles, as well as the great staples of commerce that have long comprised the bulk of this movement.

Up to this point I have been basing the discussion on the statistical returns of the Latin American countries. An examination of the United States trade statistics shows that our trade with the 20 Latin American republics had risen by 1945 to the largest point in history, except for the one year 1920.

The war-time trade of the United States with the other American republics showed a relatively greater increase of imports than of exports. Purchases included not only larger amounts of strategic and critical materials usually procured from Latin America, but also included substantial quantities of essential goods which had previously come largely from the Far East. There were also important purchases of such articles as alcoholic beverages, candy, jewlry, leather goods, and textiles. On the other hand, United States exports were held in check by the Gargantuan appetite of the military services, although the United States allocated to the other American republics supplies of manufactured goods and raw materials on the "share-and-share-alike" principle.

Growth of U. S. Exports

Since the end of the war, as most types of goods have become more plentiful, United States exports to Latin America have increased steadily. During the first 10 months of 1946 United States exports to Latin America were at the monthly rate of $154 million, nearly four times the monthly rate in 1936-38. During the same period of 1946, United States imports from Latin America (not including gold and silver) were at the monthly rate of $141 million, or slightly more than three times the pre-war rate.

Important Position of Latin America

The important position that Latin America has come to occupy as a supplier of the United States is indicated by the fact that whereas in 1936-38 imports from the Latin American republics represented only 23% of total United States imports, in 1945 imports from Latin America were 39% of the total. Latin America is also taking a larger proportion of United States total exports. In 1936-38 exports to Latin America were 16% of total United States exports; in 1945 Latin America took 29% of United States exports.

There is every reason to believe that our trade with Latin America will continue at high levels for the immediate future. Most of the republics have substantial exchange reserves and the total is continuing to increase. There is also still a large backlog of demand. It seems likely that the total value of our trade with Latin America will be somewhat larger in 1947 than in 1946.

At the same time, it should be realized that there are some rough spots ahead. Not all of the approximately $5 billion of Latin American exchange reserves is available for purchases abroad, since substantial amounts must be held as monetary reserves. Several countries are already having exchange difficulties. Furthermore, some of the countries require special import or exchange licenses, either for the purpose of protecting their exchange position or with a view to keeping out imports which compete with local industries. The war has fanned the flames of nationalism, and in some cases protection has been pushed to uneconomic extremes.

It should also be kept in mind that the composition of the trade is constantly undergoing change. The development of new crops and new industries may affect the market for some lines, but should result in a larger market in other products. All in all, I believe we are justified in looking forward with optimism to the future of our trade and other economic relations with our neighbors to the south.

Gardner Pres .of Coffee & Sugar Exch.

John C. Gardner, Vice-President of Lowry & Co., Inc., Sugar Brokers & Merchants of New York, was elected to the Presidency of the New York Coffee and Sugar Exchange, Inc. by the membership on Jan. 16. Mr. Gardner has been connected with the sugar industry since 1919 and has been a member of the New York Coffee and Sugar Exchange, Inc. since 1932, was elected to the Board of Managers in January, 1942 and has held the offices of Treasurer and Vice-President previous to his present elevation. Mr. Gardner is a Director of the National Association of Commodity Exchanges and Allied Trades, Inc. and is known as a writer on sugar subjects. He appeared as a witness before the Anderson Committee of the House of Representatives to investigate the sugar shortage in 1945 and acted as technical advisor to the Committee during the preparation of its report.

Herbert G. Bell, partner of the firm of Hayden, Stone & Co. of New York, has been elected to the office of Vice-President of the Coffee and Sugar Exchange. Mr. Bell began his career with that firm in Boston and later transferred to New York when an office was first opened here and has been a partner since 1931. He has served as a member of the Board of Managers since 1939. Mr. Bell holds memberships in the following Exchanges: New York Stock; New York Curb; New York Commodity; New York Cotton and New York Coffee and Sugar Exchange, Inc.

F. R. Horne of the firm of Thomson & McKinnon was reelected to the office of Treasurer of the Coffee and Sugar Exchange. In addition, the following were elected to the Board of Managers to serve for the period of 2 years: G. W. Knauth; Ody H. Lamborn; Gustavo Lobo, Jr.; Chandler A. Mackey; John H. Naumann; A. M. Walbridge.

Chairman of FDIC Reports No Loss

Chairman Maple T. Harl of the Federal Deposit Insurance Corporation announced on Dec. 31 that the country is well into its third year without a loss to any depositor of an insured bank. As with 1945, there was no failure of an insured bank in 1946, and only one merger requiring financial aid from FDIC, he said, adding that in each merger case all depositors were fully protected. The advices from the FDIC aso said:

"During the 13 years of its existence, Mr. Harl pointed out, 399 insured banks were liquidated or merged with the aid of advances from the Corporation. The 1,310,000 depositors of these banks held deposits of $505 million. Of these deposits, 98% were made available promptly to depositors, of whom fewer than one-quarter of 1% held accounts in excess of $5,000 that were not fully protected.

"Total assets of the Corporation on Dec. 31, 1946 were about $1,060,000,000, Mr. Harl estimated in his year-end statement."

Wartime Banking Developments

(Continued from page 651)

loans, on the other hand, showed substantial increases as durable goods reached the market, the demand for homes increased, and the reconversion to civilian production took place.

4. For the six and one-half year period since Dec. 31, 1939, the two classes of commercial banks (national banks and State commercial banks) showed significantly greater increases in assets than mutual savings banks. During the six months ending June 30, 1946, however, mutual savings banks continued their growth while assets of commercial banks were declining.
5. During the first six months of 1946, while United States Government deposits were decreasing, some of the other deposit items continued to increase. Thus, a $11.2 billion decline in United States Government deposits was in part offset by a $7.0 billion increase in time and demand deposits of individuals, partnerships, and corporations, and deposits of States and political subdivisions.
6. The ratio of capital accounts to total deposits for all active banks has declined during the period from Dec. 31, 1939, through June 30, 1946. The ratio of capital accounts to deposits minus cash and United States Government securities, however, has risen.

Bank Assets

First decline in assets since beginning of war occurred during January-June, 1946. The latest report on bank assets and liabilities indicates that during the first six months of 1946 bank assets showed their first decrease since the beginning of the defense and war periods. This new trend reflected primarily the Federal Government's debt reduction program which was started on March 1, 1946. The government's cash balance had been built up considerably as a result of over-subscriptions in the Seventh War Loan and the Victory Loan. Meanwhile, the budgetary outlook of the Federal Government had improved substantially, making it possible for the Treasury to use some of the funds to pay off a large part of maturing securities each month beginning March 1, 1946.

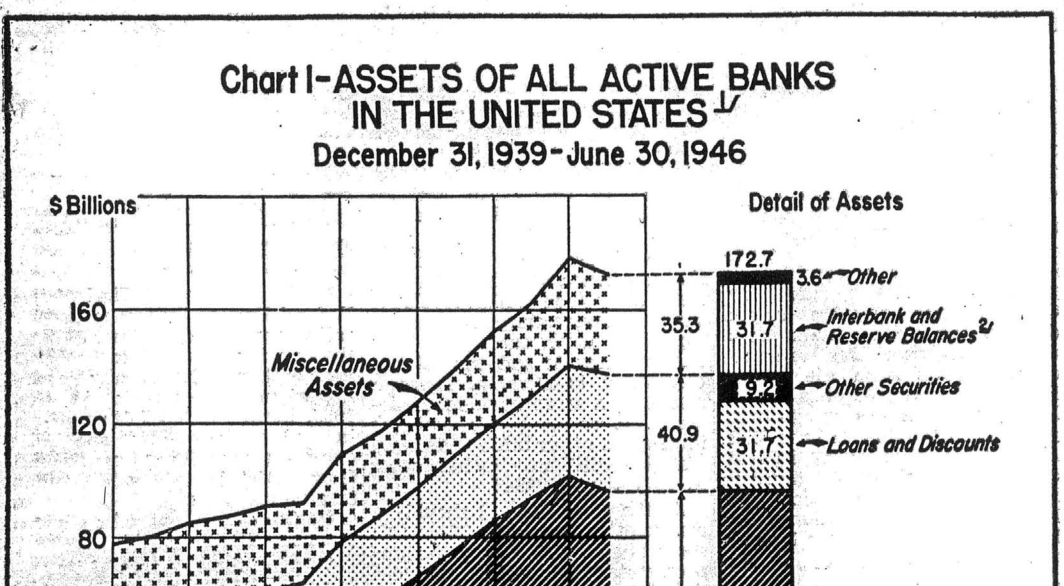
During the six months January through June, 1946, total assets of all active banks decline $5.6 billion from the all-time reported peak of $178.4 billion on Dec. 31, 1945 to a new total of $172.7 billion as of June 30, 1946. The two classes of commercial banks (national banks and State commercial banks) reflected this change in trend by showing a comparable decline in assets resulting primarily from reductions in holdings of United States Government securities on the assets side and United States Government deposits on the liability side of the balance sheet. Mutual savings banks, on the other hand, had an increase in assets during the period at a rate consistent with that shown during previous six-month periods. These banks had practically no deposits of the United States Government to be drawn on for the pay-off program. The following table presents a distribution of total bank assets by classes of banks as of June 30, 1945, Dec. 31, 1945, and June 30, 1946.

TOTAL ASSETS
(In billions of dollars)

Class of Banks—	June 30, '45	Dec. 31, '45	June 30, '46
National banks	81.8	90.5	86.0
State commercial banks	65.1	70.6	68.4
Mutual savings banks	15.9	17.0	18.0
Private banks	0.2	0.3	0.3
Total	163.0	178.4	172.7

PERCENTAGE CHANGE

Class of Banks—	From June 30, 1945— Dec. 31, 1945	From Dec. 31, 1945— June 30, 1946
National banks	+11	—5
State commercial banks	+ 8	—3
Mutual savings banks	+ 7	+6
Private banks	+11	+1
Total	+ 9	—3



Bank holdings of United States Government securities show downward trend. The Federal Government's debt reduction program was responsible for significant changes in the various asset items, and particularly United States Government securities, during the six months ending June 30, 1946. Bank holdings of United States Government securities showed a decline of $5.4 billion in the first six months of 1946 from the peak on Dec. 31, 1945. The following table presents a distribution of the various asset items as of June 30, 1945, Dec. 31, 1945, and June 30, 1946.

ASSETS
(In billions of dollars)

	June 30, '45	Dec. 31, '45	June 30, '46
U. S. Government direct and guaranteed obligations	94.2	101.9	96.5
Loans and discounts	28.1	30.5	31.7
Other securities	8.0	8.6	9.2
Interbank and reserve balances	29.2	33.6	31.7
Other assets	3.4	3.8	3.6
Total assets	163.0	178.4	172.7

Decline in government securities concentrated in commercial banks. This declining trend was reflected completely in the holdings of Federal securities by national banks and State commercial banks. These banks owned a large proportion of the maturing securities paid off in cash, and in addition liquidated government security holdings in the market by sales to other investors. Thus, in the first six months of 1946, national bank holdings of United States Government securities declined $4.0 billion, while holdings of State commercial banks dropped $2.2 billion.

In contrast to this, mutual savings banks continued to increase their holdings of United States Government securities during the first six months of 1946, even after the Federal Government started its debt reduction program. From Dec. 31, 1945, to June 30, 1946, Federal security holdings of mutual savings banks increased by $0.8 billion. Their increased holdings resulted from purchases in the market from other investors as well as from deferred purchases made in the Victory Loan.

Other asset items also affected by debt reduction program. Bank loans were also affected by the government debt pay-off program during the first six months of 1946, as reflected in declining loans to carry securities. During the period of large-scale war financing, bank loans for the purpose of purchasing and carrying securities were made in substantial number and amount.

Consumer, business, and real estate loans showed the beginning of peacetime financing as more consumer goods became available in the first half of 1946. During the six months January through June, 1946, loans of all types rose by $1.2 billion.

Other securities, comprising State and local and miscellaneous securities, in the first six months of 1946 also showed a new growth which had started very slowly early in 1944. For the period they had an increase of $0.6 billion.

Total assets increased 123% from Dec. 31, 1939, through June 30, 1946. The change in total assets over the recent six-month period, although an important departure from trend, did not make a deep inroad in the increases over the six and one-half year period since Dec. 31, 1939. For convenience this date is used to represent the beginning of the defense period. For the six and one-half years, total assets of all active banks increased by $95.1 billion. They rose from $77.6 billion at the beginning of the period to $172.7 billion at the end, a total percentage increase of 123%. The table below shows the distribution of total assets by classes of banks as of Dec. 31, 1939, and June 30, 1946.

TOTAL ASSETS
(In billions of dollars)

Class of Banks—	Dec. 31, 1939	June 30, 1946	Change Amount	Change Percent
National banks	35.3	86.0	+50.7	+143
State commercial banks	29.5	68.4	+38.9	+132
Mutual savings banks	11.9	18.0	+ 6.2	+ 52
Private banks	0.9	0.3	— 0.6	— 68
Total	77.6	172.7	+95.1	+123

Heaviest growth in commercial banks over 6½ year period. As the above table shows, the heaviest growth of bank assets occurred in the two classes of commercial banks (national banks and State commercial banks). The increases of over 130% in the assets of these two classes of banks are largely a reflection of the rise in demand deposits over the period, since commercial banks hold all of the demand deposits (with negligible exceptions). This increasing trend, as described above, has been reversed in the last six months.

Mutual savings banks, as the table shows, had a much smaller increase in assets (52%) over the six and one-half year period. This was due to two factors: (1) the deposits held by this class of bank are almost exclusively time deposits, which increased at a materially slower rate than demand deposits during the early war years; and (2) these banks are concentrated in the northeastern part of the country, where wartime business expansion did not reach the levels of other regions. For the last six months, however, savings bank assets have continued their upward trend while the assets of commercial banks were declining because of withdrawals of government deposits.

The decline in assets of private banks during the last six and one-half years resulted primarily from a decrease in the number of banks in that class as some of the larger ones shifted into the commercial bank category.

United States Government security holdings multiplied 5 times. Over the six and one-half year period, Dec. 31, 1939, to June 30, 1946, United States Government securities showed the most substantial increases among the various asset items. Federal securities held by all active banks increased by $77.1 billion, or 396% during the period (Chart 1). United States Government securities accounted for four-fifths of the increase of $95.1 billion in total assets. As a proportion of total assets of all active banks, Federal securities rose from 25% on Dec. 31, 1939, to 56% on June 30, 1946. The following table presents the major asset items as of Dec. 31, 1939, and June 30, 1946, and the change over the period:

ASSETS
(In billions of dollars)

	Dec. 31, 1939	June 30, 1946	Change Amount	Change Percent
U. S. Government direct and guaranteed obligations	19.4	96.5	+77.1	+396
Loans and discounts	22.4	31.7	+ 9.3	+ 42
Other securities	9.3	9.2	— 0.1	— 1
Interbank and reserve balances	22.2	31.7	+ 9.5	+ 43
Other assets	4.2	3.5	— 0.7	— 15
Total assets	77.6	172.7	+95.1	+123

Striking similarity in growth of Federal securities of national vs. State commercial banks. United States Government securities held by the two classes of commercial banks, national banks and State commercial banks have followed a strikingly similar course during the period from Dec. 31, 1939, through June 30, 1946. They had almost parallel increases in government securities of 423% and 451% for national banks and State commercial banks, respectively. Federal securities accounted for 76% of the total increase in national bank assets while for State commercial banks this rate was 79%. As a proportion of total assets of each of these classes of banks, United States Government security holdings again showed corresponding changes for the six and one-half year period. In the case of national banks, government securities rose from 26% to 55% of total assets from Dec. 31, 1939, through June 30, 1946, while in the case of State commercial banks this relationship was 23% at the beginning and 55% at the end of the period.

Mutual savings bank holdings of United States Government securities showed a greater increase over the six and one-half year period than occurred in their total assets ($8.3 billion as against $6.2 billion). A decline of $2.2 billion in the other asset items held by mutual savings banks, therefore accounted for about one-fourth of the growth in government securities. As a proportion of total mutual savings bank assets, Federal securities accounted for 26% as of Dec. 31, 1939, and 63% as of June 30, 1946.

Other investments showed divergent trends. Over the six and one-half year period to June 30, 1946, loans and discounts of all active banks showed an increase of 42% while State and local and other securities showed practically no change. Loans and discounts showed an increase of $9.3 billion over the six and one-half year period. In relation to total assets, loans and discounts accounted for 29% at the beginning of the period as compared with 18% at the end.

State and local, corporate, and other securities amounted to about $9.0 billion at the beginning and end of the period. They made up 12% of total assets as of Dec. 31, 1939, and dropped to 5% as of June 30, 1946. After having declined by almost $2.0 billion from 1939 through 1943, these other securities have since been increasing steadily. As of June 30, 1946, other securities had finally reached almost the same level as at the beginning of the six and one-half year period.

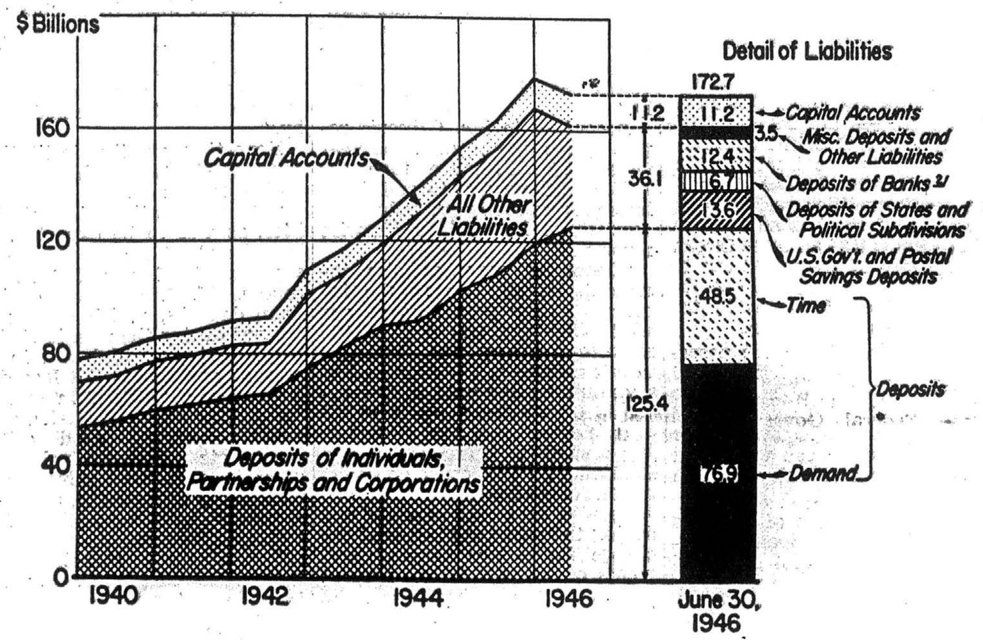
Bank Liabilities and Capital Accounts

United States Government deposits almost cut in half in first 6 months of 1946. On the liability side of the balance sheet for all active banks, the most significant development during the six months ending June 30, 1946, was the decline of United States Government deposits as a result of the Federal government's debt reduction program. The following table present the major liability items as of June 30, 1945, Dec. 31, 1945, and June 30, 1946.

LIABILITIES AND CAPITAL ACCOUNTS
(In billions of dollars)

	June 30, 1945	Dec. 31, 1945	June 30, 1946
Liabilities—			
Deposits of individuals, partnerships, and corporations—			
Demand	66.7	73.9	76.9
Time	41.3	45.3	48.5
U. S. Govt. and postal savings deposits	24.5	24.8	13.6
Deposits of States and political subdivisions	5.4	5.8	6.7
Deposits of banks	12.6	14.1	12.4
Other deposits and miscell. liabilities	2.2	3.8	3.5
Total liabilities	152.9	167.7	161.5
Capital accounts	10.2	10.6	11.2
Total liabilities and capital accounts	163.0	178.4	172.7

Chart 2-LIABILITIES AND CAPITAL ACCOUNTS OF ALL ACTIVE BANKS[1] IN THE U.S.
December 31, 1939 - June 30, 1946



[1] Includes banks in territories and insular possessions
[2] See accompanying Table I, footnote 2

Office of the Secretary of the Treasury, Division of Research and Statistics F-497

As the table shows, during the first six months of 1946, United States Government deposits declined from $24.8 billion to $13.6 billion, as withdrawals were made for the purpose of paying off maturing securities, as well as for net operating outlays. The $11.2 billion decline in United States Government deposits was to a large extent offset by increases in other deposit items during the first six months of 1946. Thus, time and demand deposits of individuals, partnerships, and corporations rose by about $3.0 billion each, while deposits of States and political subdivisions rose by $0.9 billion.

Increase in liabilities concentrated in deposits over 6½ year period. For the six and one-half year period from Dec. 31, 1939, through June 30, 1946, the various deposit items on the liability side of the balance sheet accounted for most of the $95.1 billion increase in total assets and liabilities. Demand deposits of individuals, partnerships, and corporations rose from $28.2 billion to $76.9 billion, an increase of $48.7 billion or 173%. For the same period, time deposits increased from $25.4 billion to $48.5 billion, a rise of $23.1 billion or 91% (Chart 2).

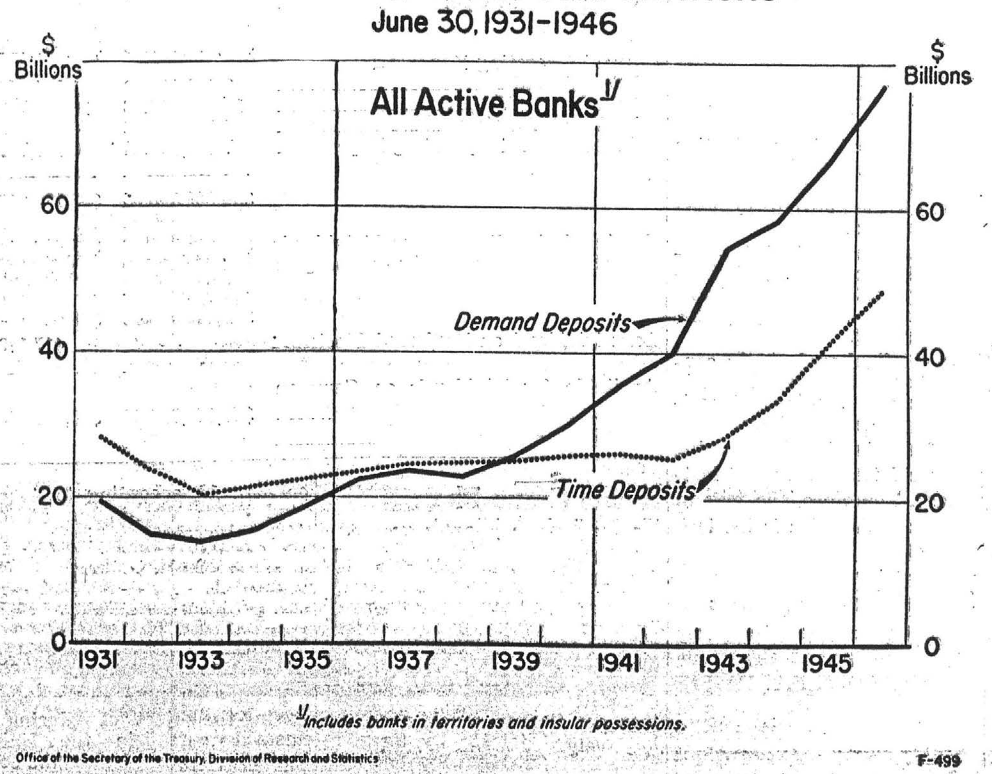
Analysis of data on time and demand deposits of individuals, partnerships, and corporations even further back than 1939, shows that their relationship has been changed more sharply than the later evidence indicates. Chart 3 presents figures on demand and time deposits back to June 30, 1931. From that date through June 30, 1938, time deposits were consistently larger than demand deposits, although the difference was gradually narrowed throughout this period. It was with the beginning of defense and wartime expansion, however, that this historical trend was reversed and demand deposits began to increase at a significantly greater rate than time deposits.

The following table presents a distribution of the major liability items as of Dec. 31, 1939, and June 30, 1946, and the change over the period.

LIABILITIES AND CAPITAL ACCOUNTS
(In billions of dollars)

	Dec. 31, 1939	June 30, 1946	Change Amount	Change Percent
Liabilities—				
Deposits of individuals, partnerships, and corporations—				
Demand	28.2	76.9	+48.7	+173
Time	25.4	48.5	+23.1	+ 91
U. S. Government and postal savings deposits	0.9	13.6	+12.6	+1,390
Deposits of States and political subdivisions	3.5	6.7	+ 3.2	+ 90
Deposits of banks	9.9	12.4	+ 2.5	+ 25
Other deposits and misc. liabilities	1.3	3.5	+ 2.2	+164
Total liabilities	69.3	161.5	+92.2	+133
Capital accounts	8.3	11.2	+ 2.9	+ 35
Total liabilities & capital accounts	77.6	172.7	+95.1	+123

Chart 3-DEMAND AND TIME DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS
June 30, 1931-1946



[1] Includes banks in territories and insular possessions.

Office of the Secretary of the Treasury, Division of Research and Statistics F-499

Three major classes of banks share differently in deposit increase. As mentioned previously, the two classes of commercial banks, national banks and State commercial banks, hold all but negligible amounts of the demand deposits in the country. Of the total increase of $48.7 billion in demand deposits of individuals, partnerships, and corporations, national banks accounted for 57% and State commercial banks for the remainder.

The distribution of time deposits of individuals, partnerships, and corporations among the three major classes of banks changed substantially during the six and one-half year period. Mutual savings banks, at the beginning of the period, held the largest portion (41%) of the time deposits in the country. By June 30, 1946, this percentage had declined to 33%. Time deposits in national banks, on the other hand, increased from 30% to 35% of total time deposits, and those in State commercial banks rose from 28% to 31%. Of the total increase in time deposits since Dec. 31, 1939, 41% went to national banks, 34% to State commercial banks, and 25% to mutual savings banks.

The change in the distribution of time deposits between commercial banks and mutual savings banks is due primarily to their geographic location. Mutual savings banks showed the smallest increases because they are concentrated in the northeastern states, which were least affected by wartime financial and industrial expansion. The data presented in the article "Geographic Distribution of Bank Deposits" in the May, 1945, "Treasury Bulletin," show the importance of location in the matter of bank deposit increases during the war period.

Capital accounts show 35% increase. Capital accounts increased from $8.3 billion to $11.2 billion over the six and one-half year period, a rise of $2.9 billion or 35%. Of the capital stock items, common stock showed an increase of $0.4 billion while capital notes and debentures and preferred stock declined $0.3 billion. Surplus, undivided profits, and reserves showed an increase of $2.8 billion.

The ratio of capital accounts to total deposits changed from 1 to 8.27 on Dec. 31, 1939, to 1 to 14.35 on June 30, 1946. If total deposits are offset by cash and United States Government securities, the ratio of capital to remaining deposits becomes 1 to 3.10 for Dec. 31, 1939, and 1 to 2.75 for June 30, 1946.

America, Rediscovered

(Continued from page 647)

planes, including approximately 100,000 bombers—a plane production that far out-stripped the production of all other nations of the world combined, enemy or allied. In approximately the same period this nation, which had only 7,695 ships in its Navy in 1941, had 100,000 fighting and auxiliary ships when the war ended in 1945. In fact, by the time the war was over, we actually had more ships in the United States Navy than we had men in its personnel in 1939! Today we have a Navy that far outstrips the dream of any Admiral in history, and dwarfs all other Navies of the world combined.

Our construction of merchant ships was actually hair-raising. In approximately five years, we built 7,100 sea-going ships in the merchant class with the result that when the war ended, America—not Britannia—ruled the waves, with the American flag flying on twice as many ships as all the other merchant fleets of the world combined. In five years, American industry produced 6,000,000 rifles, 5,000,000 carbines, 2,500,000 machine guns and 2,000,000 submachine guns. In the same period our factories turned out 37,000,000,000 rounds of ammunition to supply those same guns with fire power. We produced 85,000 tank guns, 55,000 units of field artillery, 71,000 mortars, 770,000 trucks, 2,000,000 tons of high-explosive TNT and 2,000,000 tons of smokeless powder.

Those are figures that not even the mathematical mind can cope with, but I am not through. I want to offer you some figures which will give you a better perspective on the might of the Soviet Union's Red Army.

In a little over three years—during the very time when we were hearing how Russia was winning the war almost unaided—we sent the Soviet Union by air or in our own ships and under our own escort through the treacherous Arctic and Persian Gulf routes, 14,450 fighting planes, including 9,700 pursuit ships and 3,800 bombers, 7,000 tanks, 3,200 armored scout cars, 2,200 ordnance service vehicles, 52,000 jeeps, 363,000 trucks, 35,000 motorcycles, 8,200 anti-aircraft guns, 135,000 submachine guns, 343,000 tons of explosives, 105 submarine chasers, 195 torpedo boats, 7,600 marine Diesel engines, $320,000,000 worth of machine tools, $35,000,000 worth of metal cutting tools, $43,000,000 worth of petroleum refining equipment, $171,000,000 worth of electric generators, 810,000 tons of non-ferrous metals, 17,600 tons of ferro-alloys, 2,688,000 tons of steel, entire railroads, not to mention tons of food including butter which you did without. And if that is not enough to impress you, let me add that what we sent Russia was only two-thirds of what we sent Britain!

And if you are still unimpressed let me further add that the above list is not complete by several railroad systems—several hundred ships and hundreds of millions of good old American dollars.

Now I am prepared to stand up with any man and give Russia credit for its part in the war but at the same time I want to stand and pay the fullest tribute to the gallantry of our own armed forces, and these herculean accomplishments which our capitalistic system made possible.

When you consider that in addition to all this, we put 12,000,000 persons into the armed services and raised approximately $400 billions in taxes and loans from our people, I can scarcely be accused of flag-waving when I cry, "Wake up America, you don't know your own strength."

Now I purposely omitted the mention of one weapon which we produced that literally overshadows every other single effort of the war—the atom bomb. No words of mine can begin to describe its horrifying potentialities. At the moment it is an American possession; how long it will remain our secret no one knows. But as Winston Churchill says, "It is the new balance of power in the world today." It makes the United States—already armed with the greatest Navy, the greatest air force and the greatest army, the most awe-inspiring military power the world has ever seen.

So here stands America, a stupendous nation—strong like no other before it—unaware of the vastness of its muscle, unsure in its leadership without which world solutions are impossible.

What are you and I as Americans going to do about it?

We have a role and it is a simple one. It is the task of impressing on Americans the plain fact that with out strength goes responsibility.

First, let us make every American sure in the knowledge that our strength derives not from communism, not from fascism, not from nazism, not from socialism, not from any totalitarian system, but from a mighty free competitive system, a republicanism which we have chosen to call Democracy. It is a system which needs no borrowings from the isms of the Old World, the teachings of Marx, nor the decadence of the Orient. It is the greatest dynamic force in the world today and only by preserving it intact can America realize its full role in human affairs.

Second, let us ourselves realize and impress on our fellow Americans that with oceans reduced to mere rivers, and with weeks reduced to mere minutes by the advent of jet propulsion and the harnessing of atomic energy, no minor disturbance of the peace, be it in the Himalayas of Tibet or on the veldt of Africa, is beyond our concern. No longer can America close its eyes to the fact that, as a street fight may turn into a riot, so may a minor border dispute flare into the next world war.

Finally, let us grasp and fully comprehend the terrible strength that is ours and realize unless it is put to wise and just use, it will be turned against us, just as surely as the peoples turned against arbitrary powers of their protectors and rulers of other centuries.

Wisdom, not passion nor prejudice must be the keystone of the conduct of our foreign affairs.

Domestic Scene

On the domestic scene we are emerging from an era of confusion partly caused by "totalitarian liberals" attempting to drag us into the abyss that has engulfed every Republic that abandoned its ideals for human liberty in exchange for a totalitarianism masquerading under the guise of emergency and equality.

On top of that basic conflict we are now wallowing in postwar adjustment.

We hear men speak of recession, depression, inflation and deflation. We hear outcries that labor is throttling the country, we hear screams that the Robber Barons are returning, now that the Republicans are on their way back to power. I think labor in many instances has abused the power it has gained. I believe that greed has not been erased from the heart of every financier. Of course I see the threat of inflation on one hand and a recession on the other.

Fundamentally, we are in a period of transition, a period of readjustment of economic values, a period of restoration in the balance of political power. So long as Americans like you here tonight grasp the implications of what is happening, and seek to steer a safe and sound course, then so long will America be spared the burden of unsold inventories and unemployed labor on one hand, of inflation and a panicked people on the other hand.

Depressions and inflations alike are primarily a state of mind. Only ignorance and distortion of values breeds either form of calamity. One only has to know America to realize its untold potentialities, to understand that only lack of our own wisdom can keep us from cashing in on tomorrow.

On the international scene, as on the domestic front, we are also in a transitory stage. From some quarters come forecasts that Russian expansionism is going to throttle the world, that British imperialism and the pound sterling are once again spreading their tenacles, that fascism is not dead, that the United Nations is already a failure.

Here again I must say that the actions of the Soviet Union leave much to be desired. Nor does the difficulty of Great Britain in India or her policies in Palestine add to the peace of my mind. Other disturbing factors are Peron in the Argentine and Tito in Yugoslavia. To me the Trieste treaty creates another Danzig. I read daily of new ineffectualities performed in the name of the United Nations.

Yet I know that all these threats to the peace of the world can be diminished in direct ratio to the wisdom of the role played by the United States of America.

At the moment, we are posessors of the "Big Stick" but I sometimes feel we speak too softly. Only if we encourage the American people to awaken to their full strength can we expect our statesmen to speak with full voice.

The United States of America today represents the greatest concentration of technical skill and industrial power essential to modern warfare. I do not speak in prideful exaggeration of our power, but of its place in peoples struggle for peace.

Our goal is a lasting peace in the interest of all humanity. That lofty objective is aided by tranquility and stability at home. Our prosperity contributes to the welfare and order of the world. The well being of America is essential to the safety of mankind everywhere. And America is sustained and made great by the energies and the endeavors of all her citizens. Frequently, our purposes cross each other. But our ability to work together is the heart of the life of our Republic and of a durable world peace.

America's material production and unselfish spiritual ideas are a master force radiating throughout the world to the inestimable blessing of mankind.

We must realize that tremendous affairs throughout civilization rest on affairs here at home—in America—the center of the world's gravity.

So in the final analysis the conclusion cannot be escaped that in the hands and hearts of Americans rests the spiritual force and the instruments of power to bring about world tranquility and lasting peace. Therefore, the task of rediscovering America is the task of each of us.

3-Cent Edison Stamp

A 3-cent commemorative stamp will be issued through the Milan, Ohio, post office on Feb. 11, 1947, to mark the 100th anniversary of the birth of Thomas A. Edison, it was announced by Albert Goldman, Postmaster, on Jan. 15.

Increase in Loans to Business Capital Funds And Earnings of Manufacturers Trust Co.

In his annual report to the stockholders of the Manufacturers Trust Company of New York, Harvey D. Gibson, President, stated that "capital funds were increased during the year, out of earnings after dividends, in the amount of $5,892,537, and now total $119,029,898. As a result," he said, "our 2,062,500 shares of stock on Dec. 31, 1946, had a book value of $57.71 per share, as compared with $54.85 at the close of the previous year. In addition to these capital funds, we have, as of the end of the year, after provision for all known losses or doubtful debts, an unallocated Reserve for Contingencies amounting to $9,926,985."

As to the bank's loans to business, Mr. Gibson said that "for generations the traditional source of income for commercial banks, have averaged $100,000,000 more during the year than during 1945, and should continue to increase as the readjustment to normal business procedures progresses." He went on to say "our specialized loan departments, handling accounts receivable, commodity, industrial instalment, automobile and personal loans have all made substantial gains as compared to restricted operations during the period of World War II, and earnings are improving. As production keeps pace with the accumulated demand loans in these categories should increase materially."

According to Mr. Gibson's report "gross earnings for the year were $3,640,712 more than for 1945, due somewhat to additional income from the larger volume of commercial loans." He likewise reported:

"Operating expenses also increased, largely due to the increased salary payments of our staff which aggregated $2,312,046 more than during 1945. Included in this amount is 6% supplementary remuneration paid in December 1946 on salaries up to $6,000 to employees receiving $10,000 or less annually. Our Pension and Retirement Fund costs approved by our stockholders a year ago were also an added expense and during the past year involved the charge for future service payments of $591,469 to our current earnings. $1,279,252 was also charged to Reserve Account to cover cost of three years past services, the payments due in 1947 and 1948 having been anticipated in 1946. As will be seen from the statement of Income and Expense for the year 1946, our net earnings show an increase of $735,093 over 1945.

"As has been our custom for many years, net operating earnings do not include recoveries on items heretofore charged off or net profits from the purchase and sale of securities or from the sale of miscellaneous items above book values. Nor do they include charge-offs, settlement of claims, losses on assets sold, or additional reserves set up. Recoveries and net gains from the sale of miscellaneous assets during 1946 amounted to $924,986, and the net profit on the sale of securities amounted to $2,787,881. These non-recurring amounts, less the net taxes payable on them, were credited directly to Reserve accounts.

"Some of these transactions resulted in tax savings during 1946 of $358,000, which amount was credited to Contingent Reserve account, so that our current earnings should not be affected thereby."

Reporting on the institution's deposits Mr. Gibson had the following to say:

"The termination of war activities, as was to be expected, has brought about a considerable readjustment of our deposit accounts. U. S. Government War Loan deposits, which greatly increased during the war, have during 1946 been withdrawn in the amount of $433,413,000, leaving a balance of $44,478,000 in that account. Our normal deposits, eliminating certified and official checks, etc., which are included in gross deposits, have gained in almost every department, especially commercial deposits, which have increased by more than $162,000,000, and thrift deposits, which show a gain of $48,000,000, resulting in a net gain in normal deposits of $198,000,000 over the end of 1945."

The deposits of the Manufacturers Trust on Dec. 31, 1946 were $2,286,946,694. A condensed comparison of earnings were contained in report as follows as of Dec. 31, 1946 and Dec. 31, 1945:

	1946	1945
Current Operating Earnings:		
Interest on Loans	$11,384,303.51	$8,827,332.50
Interest and Dividends on Securities	20,683,603.41	20,203,826.42
Other Current Operating Earnings	6,123,530.21	5,519,566.06
	$38,191,437.13	$34,550,724.98
Current Operating Expenses:		
Interest Paid	2,199,415.40	1,824,286.37
Salaries and Wages	12,397,746.06	10.085,700.49
Provision for Taxes	4,872,381.28	4.848,900.00
Other Current Operating Expenses	7,521,360.91	6,363,723.60
	$26,990,903.65	$23,122,610.46
Earnings before Reserves and Dividends	$11,200,533.48	$11,428,114.52
Less: Reserve set up out of earnings	358,000,000	903,000,000
	$10,842,533.48	$10,525,114.52
Less: Dividend on Preferred Stock	—	417,673.75
Available for Dividends on Common Stock and for Other Purposes	$10,842,533.48	$10,107,440.77
Earnings per Common Share	5.26	4.90

Senate Group Plans Early Labor Hearings

Hearings on various proposals for labor legislation are to begin in the Senate Labor Committee on Jan. 23, with some legislation ready about Mar. 1 as a goal, according to a statement by Senator Taft (R.-Ohio) who is Committee chairman. The hearings are first to touch upon the bill offered jointly by Senators Taft, Ball (R.-Minn.) and Smith (R.-N. J.), Mr. Taft told reporters on Jan. 15, according to Associated Press Washington advices. Also to be considered is a proposal by Senator Murray (D.-Mont.) and eight other Democrats for an overall study of labor problems by a commission composed of Congressmen and public representatives named by the President.

Finally all bills and proposals having the object "of reducing industrial strife in the United States" will come before the committee for consideration.

Pres. Weld of Commodity Exch. Says British Socialism May Divert Free Market to U. S.

Great Britain's post war political switch establishing a labor government with a socialistic program may divert to the American free market a greatly increased volume of international futures trading in the strategic commodities rubber, hides, copper, lead, zinc, tin and silk, declared Philip B. Weld, President of Commodity Exchange, Inc., in remarks, accompanying the annual report of the Exchange's Board of Governors, made public on Jan. 10. Mr. Weld said:

"Great Britain has committed itself, to development of a political environment inimical to many forms of free enterprise, including free markets for some commodities. The United States has come out of the war as the sole remaining first-class nation supporting a free enterprise policy. Traders and dealers in and processors and manufacturers of the seven commodities traded on Commodity Exchange, Inc., may find here, in consequence, the one international marketplace freely responsive to the law of supply and demand and the market machinery best calculated to furnish them adequate, safe hedging, a form of price insurance so needful to their businesses."

Mr. Weld referred to this situation as presenting an opportunity for the American futures market to occupy a position in the national and world economy of much greater importance than has been vouchsafed it in the past.

"It will be our duty," Mr. Weld added in his remarks to the exchange membership, "to deal with this opportunity carefully, responsibly, but boldly."

Commodity Exchange, Inc., formed in 1933 by consolidation of four separate commodity exchanges, closed down futures trading June 3, 1942, for the duration of the war. Hides futures trading was resumed November 19, 1946, following removal of hides OPA price restrictions. "With a free market again operating for one of the exchange's commodities, we look forward," said Mr. Weld on behalf of the Board of Governors, "to restoration of trading in our six other commodities, with more than mere hopefulness."

The Exchange's Finance Committee, headed by Floyd Y. Keeler, Treasurer, reported emergence from the years of suspended trading activity with finances in excellent condition. Balance sheet accompanying this part of the report showed exchange total assets at end of the fiscal year, November 31, 1946, of $1,179,202, of which $953,309 was in cash and United States government bonds.

Steel Operations at New High Postwar Peak—Balancing of Supply and Demand Months Off

An uninterrupted high level of steel output over the next six months, which is considered likely, barring a coal strike, will establish a new peacetime peak in steel industry operations, according to "The Iron Age," national metalworking paper. "Furthermore, the production of finished steel products during that period will result in one of the greatest flows of manufactured goods to the consumer than has been seen since V-J Day," continues that publication, which we further quote as follows:

"Steel ingot operations this week established a new peak of 93% of rated capacity, up one point from a week ago. On an annual basis this activity is equivalent to an 85 million ton year. The extension of steel contracts to Apr. 30 practically eliminates the chance of any steel tie-up this year. This will give steel firms the long awaited chance to maintain operations at a substantially high peak and thus reduce unwieldy backlogs, make a better return on investment and eliminate by greater production some of the fringe premium price steel markets which have grown up because of the tightness in general steel supplies.

"Steel wage negotiations will be inconsequential and will be restricted to legalistic interpretation of contract wordage until such time as a definite settlement of the portal-to-portal pay problem results from legislative and court action. Some time later the broad aspects of a guaranteed annual wage and a severance pay for employees who are laid off will be gone into thoroughly between the U. S. Steel Corp. and the union.

"While the union is not expected to obtain a modified guaranteed annual wage plan as a result of current negotiations it will not be because the U. S. Steel Corp. has not made an exhaustive study of the possibilities or is unsympathetic to the basic principles of such a modified plan.

"For the past year the steel company has been using the utmost research effort in a study on the overall aspects of a guaranteed annual wage. The summary of this study is expected to be the basis for answering the union's demand during the current negotiations. It is unlikely that a definite plan will be agreed upon early this year, but on the other hand it is unlikely that the steel company will give a flat 'no' or close the door to future negotiations on the problem.

"Such arguments as the erratic tendencies in the steel demand picture, the high break-even point, the already heavy labor costs and the dictation of steel production by factors beyond the control of steel firms, will probably be the basis for rejection of the guaranteed wage demand at this time. Furthermore, the corporation is expected to speak up sharply on the question of steel productivity, per employee and might indicate that a substantial increase in worker productivity would make the case for a greatly modified guaranteed annual wage appear in a better light. Under present conditions it is believed that a falling off in steel production of 25% would from a company standpoint completely wreck any attempts to guarantee wages for even 70% or 75% of the production force.

"While steel demand is kept in bounds only by the insistence of steel firms that orders will not be accepted beyond the second quarter, some sections of the steel industry have developed a slight tinge of anxiety over the probable trend of steel demand during the last half of this year. Many steel research officials believe that there is an even chance for a 'shaking out' period later this year during which current prices will be severely tested. The old bogy of consumers eventually living off their inventories has raised its head in the minds of some steel sources.

"While many steel sales officials look for a leveling off in steel production later on this year as unfilled orders are reduced, opinion appears to be sharply divided as to when it will occur, how deep it will be and how long it will last. The extension of the current wage contracts will give both management and labor a better chance to appraise future steel production trends so that a mutually beneficial wage agreement can be eventually reached.

"The nation's scrap markets this week were straining at the bit, brokers were finding it practically impossible to cover at old prices and consumers were having difficulty in making new purchases at current quotations."

[The United Steelworkers of America (CIO) on Jan. 24 accepted the proposal of the United States Steel Corporation that the labor agreement which terminates Feb. 15, 1947 be extended until April 30, 1947, in order to provide additional time to conduct effectively collective bargaining on the terms and conditions of a new agreement. A similar agreement was later reached between the Union and the Bethlehem Steel Co.—Ed.]

The American Iron and Steel Institute this week announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 92.9% of capacity (a new postwar high) for the week beginning Jan. 27, compared with 91.8% one week ago, 87.7% one month ago and 5.9% one year ago when the industry was in the grip of a country-wide steel strike. The current figure, which represents an increase of 1.1 point or 1.2% over the preceding week, is the highest scheduled since the week beginning May 21, 1945, when this country was still at war with both Germany and Japan. The operating rate for the week beginning Jan. 27 is equivalent to 1,637,300 tons of steel ingots and castings, compared to 1,617,900 tons one week ago, 1,545,600 one month ago, and 104,400 one year ago.

The American Institute of Steel Construction on Jan. 28 reported that "the total estimated bookings of fabricated structural steel for the twelve months of 1946 amounted to 1,726,057 tons or an increase of 14% over the average of 1,509,496 tons booked for the same period in the five pre-war years 1936 to 1940. Shipments have show a gradual monthly increase during the year and have totaled 1,551,607 tons for the twelve months which is a slight increase over the average reported for the same period in the five pre-war years 1,464,626. The tonnage available for future fabrication at Dec. 31 was 646,090 tons."

"Steel" of Cleveland, in its summary of latest news developments in the metalworking industry, on Jan. 27 stated in part as follows:

"Although steel production has increased to the highest level attained since the war and is headed toward new postwar peaks, prospects are that a balancing of supply and demand is still some months off. Late second quarter may see a balancing in some lines, but in flat rolled products, including plates, the outlook is for an excess in requirements for some time beyond that.

"Some leaders in the industry anticipate that it will be next year before there will be completely satisfactory balance in most grades of sheets and strip. Only in alloys and certain specialities is supply adequate and that has been true in alloys since before the end of the war.

"By virtue of rigid rationing and various revisions in selling quotas, some producers of major products expect to be fairly well caught up on arrearages by the end of this quarter. Practically all of them will be in much better position than at the beginning of the present period barring strikes, a point on which the industry now is fairly optimistic.

"Producers, selling on a quarterly quota basis, have begun to set allotments for the next period, and indications are that action will become fairly general in the early future. Due to current efforts to get caught up on arrearages, it is believed that quotas on most products will be somewhat more liberal, although far below demands.

"Meanwhile, pricing policies continue in a state of flux; as various producers, prodded by the recent increases in freight rates, move more conservatively on the quoting of shipments for delivery distant from producing plants. Revisions in prices still remain to be announced on a few scattered products. Last week Carnegie-Illinois Steel Corp. increased the price base and applicable extras on electrical sheets. Other sellers are expected to take similar action this week. Adjustments are still being made in scrap price schedules, but as a whole the market has become fairly well stabilized at the highest level in many years. Some interests believe that the next major move, probably in the early spring, will be downward.

"The first serious interruption to production schedules in the steel industry this year occurred last week when a severe cold wave created a gas shortage in several leading steel producing and consuming centers. Shutdowns were particularly widespread in Pennsylvania and Ohio and lasted slightly over 48 hours in most instances. Five rolling mills of the Carnegie-Illinois Steel Corp. were down while three open hearth and the No. 3 rod mills were down at the American Steel & Wire Co.'s Donora plant. The latter company's operations in Cleveland were also affected where the patenting, normalizing and three stainless steel annealing furnaces and the No. 2 coarse rod mill were down at the Cuyahoga works, reducing output at that plant to 50% of capacity. At the American Works, the annealing and brass plating departments were down. Ohio plants of Jones and Laughlin and Republic Steel Corp. were also affected slightly. Allegheny-Ludlum Steel Corp. closed its West Leechburg plant and curtailed operations at its Brackenridge plant. Other plants in Pennsylvania where operations were curtailed included those of Crucible Steel Co. of America and Pittsburgh Steel Co."

Thaw Austria Blocked Accounts

Secretary Snyder announced on Jan. 16 that Austria has been added to the list of countries whose blocked accounts may be released under the certification procedure of General License No. 95. The advices from the Treasury said:

"This action was taken after an exchange of letters between the Austrian Minister of Finance Zimmermann and Secretary Snyder similar to those written in connection with the defrosting of the countries previously named in the license. Copies of the letter are available at the Federal Reserve Bank of New York.

"The Austrian Government has designated the Austrian National Bank as its certifying agent."

Home and Prop. Owners Foundation to Meet in Washington Jan. 30-31

Trustees of the National Home and Property Owners Foundation will meet in Washington today and tomorrow (January 30 and 31), it was announced on Jan. 27 by Arthur W. Binns, President. Mr. Binns explained that the Board of Trustees is the policy making body of the National Foundation and meetings were called in January to work out a postwar program of policies and activities on behalf of home and other property owners. Senator Homer Capehart of Indiana will be guest speaker. The National Foundation, said Mr. Binns, was organized to speak as the unified voice of the millions of home and other property owners in the United States. The principal purpose of the Foundation, he added, is to "foster, maintain, and protect private property ownership."

From Washington Ahead of The News

(Continued from first page)

to supply them like so many cattle, and not unlikely they exist on the payroll by number instead of name.

This type has been down to Washington protesting against any prohibition of the closed shop. He has come to like it. With the union leader not having to work hard to keep his members, he won't be continually pressing the employer with new demands.

By and large, however, the employers have found that the closed shop operated in just the reverse. It has operated to permit the union bosses to move into management's functions, to make them completely dominant over the workers to the extent that the employer has no influence or control over them in the slightest. The workers can't get rid of them. To say that the leaders are elected in a democratic way sounds nice in theory. In practice it is the bunk.

It is the power the union bosses have come to have over their own members that makes the unionization of foremen so important. There was a time when management liked to have the foremen in the union. They exercised a restraining influence and furthermore, they could keep the management advised of what was going on. At that time the union didn't take kindly to the foremen belonging.

Since time immemorial the foremen of the newspaper printers have belonged to the union.

But things have changed in mass industry. The workers do not control the men whom they "elect" to represent them. Instead, they are controlled. This writer knows of his own knowledge of a musician who once attempted to buck Petrillo. He was brought to the state of going to Petrillo literally on his knees and pleading that he be restored to union membership in order that he could get a job. And Petrillo coldly turned and walked away.

On the other hand, the union bosses have become so powerful that foremen are being forced to seek protection against their being discharged upon the demands of these bosses. In these cases it is ridiculous for management to say they shouldn't belong to the union because they should have the interest of the management at heart. In the very nature of things they are beholdened to the union bosses whether they belong to the union or not.

There is, however, a lot of misunderstanding about the closed shop out of which has grown the demand that it be outlawed. There seems to be no serious reason why, if management and the union mutually want a closed shop, they should not be permitted to agree to one.

The present situation against which there is so much agitation did not come about voluntarily between the unions and management. It was largely forced by the New Deal, particularly during the war. In plant after plant where these contracts are expiring, management is refusing to renew this provision and under the new Republican order of things, the labor bosses are becoming increasingly reluctant to call a strike to enforce it. It is our belief that this is one phase of the great labor problem that is straightening itself out.

Of all the hodge-podge of labor proposals being introduced in Congress, Senator Ball seems to have come forward with the best all round treatment. He proposes to amend the Wagner Act to put the employer on a more even footing. This will go more to getting the labor bosses' feet on the ground than anything else.

Give Workers and Employers Equal Privileges!

(Continued from page 650)

plumbing and a real heating system.

He drives a modern car, instead of a charcoal-burner or an ox-cart.

He is his own boss, and, if he wants to badly enough and is willing to try hard enough, he can get to be boss of his department, his company, or his country.

His children can have college educations, and can go into any business or profession they choose. (There aren't many other places on earth where that's true.)

He's an American working men, living and working under the American system of free choice, free speech and free opportunity.

Thousands of men like him work at Republic Steel.

Now why are we in this envied position?

We Have Tradition of Success

The people of the United States are much the same as the people of other countries. If we have any advantage it is that we are a melting pot and have attracted many people of ability and skill from other nations. Their contributions and the contributions of their children to our welfare have been enormous. But most of all we have the tradition of success.

For some reason or other we have a genius for organization and for mechanization. Our living standards have been hitched firmly to the ability of our inventors to produce machines that do more work. Over a period of years the productive capacity of industry has increased an average of 3% a year.

It is this annual margin of 3% which has enabled us to increase wages, to improve living conditions, and to raise standards. Without this annual productive increase I would say that all of the union efforts which might be brought to play would be unable to secure the advantages which are now so common.

I say this because the improvements first had to be earned through increased production. If they had not been earned through increased production, there would have been no reservoir from which increased wages could be paid.

Business is exactly like churches in that it can only pay out after it has received. When you develop your annual budget for your churches, you do one of two things—you either find out first approximately what your income will be and fit your budget to it, or you list your necessities and then, through the productive efforts of your congregations and yourselves you raise the money needed to meet the budget.

So industry must have money coming in from the customers before it can be paid out to the employees, to the suppliers, or to other people.

Our Genius for Organization

I said we had a genius for mechanization and organization, and that genius results in a living standard which has made the American working man the world's envy. Let me point out three or four things to illustrate what I mean.

If we were still making automobiles as we did in the early days—largely by hand labor—the automobile today would be a great luxury. Very few of us could afford to buy even one. As a result the employment opportunities which have come from industry, in the production of cars, in their service, in the petroleum industry, and in countless other indutsry's would be only a small percentage of what it is today.

But the assembly line was developed. Through the assembly line more cars were turned out in the same time. Because more cars were turned out in the same time, they could be sold at a lower price, more people could buy them, more people have bought them. The industry has become a great factor in the total economic welfare of our country. Today it is a rare family that does not have an automobile and enjoy the recreation and the opportunities which go with the automobile.

Let me turn to another invention. Elias Howe, Jr., invented the sewing machine. Incidentally, almost 102 years ago. The sewing machine has made it possible for the average woman in this country to buy four or more new dresses each year, in addition to the clothing which is made at home on some 20,000,000 sewing machines.

In 1944 almost 2,000,000 Americans were employed in making clothing, hats, bags, upholstery, draperies and other products.

Here again a machine has accomplished miracles and has brought the average person articles which are luxuries abroad.

Example of the Steel Industry

In our own industry, steel, the continuous strip mill is a striking example of the success of mechanization. I very well remember the controversies which arose when the continuous mill first came to public attention and we were told that it would result in mass unemployment. The opposite has been the case. Right here in Cleveland we are employing nearly 1,300 men in our strip mill who are making the steel strip and sheet without which mass production in the automobile and household utilities field would be impossible.

In recent months the coal industry has been in the forefront of public attention. Coal mining at one time was a laborious job. I often wondered why anyone would ever choose it as an occupation. Then we began to mechanize the coal mines. Instead of employment decreasing, it increased. Today 80% of the coal mines are mechanized. In recent years some $400,000,000 has been spent to install mining machinery. Our coal producing capacity has risen to 600,000,000 tons a year.

And what has happened to employment? In 1890 coal mines employed about 190,000 men. This has risen to 450,000 as of today.

During the past ten years the average hourly earning of our coal miners have increased by 66%.

During that same period, due in part to this hourly increase and in part to an increase in hours, their weekly wages have gone up by 165%.

So I could go through industry after industry, pointing out the advantages which the genius of American invention and American industrial management has brought to our nation as a whole.

Now every time a new machine is installed, it costs money. After it is bought, the machine must pay its way.

Where Capital Comes From?

Where do we get the money with which to install this labor-saving equipment, this production-increasing equipment, this wage-raising equipment? We get it from people who have saved money. Or we get it from the savings of the companies of this nation.

American industry, to advance, needs a constant and steady flow of new money. That is its life blood.

The same thing would happen to industry that happens to your car if you neglected it. It would quickly become useless.

The money which industry gets comes, in substantial measure, from the investment of small stockholders. It comes from the people who, from their earnings, have saved enough to buy 10, or 15, or 20 shares of stock.

Let me point out something to you as it applies to the steel industry, which I know best. The steel industry is owned, according to most recent figures, by somewhat over 530,000 stockholders. Employed in the industry are about 509,000 men and women. That means that there are more owners than there are employees. This is typical of industry as a whole and is contrary to the belief which many people hold, that business is owned by only a few people.

Two-thirds of the 530-odd thousand owners have less than 25 shares of stock. Nine out of ten own less than 100 shares.

Who are the stockholders?

They are individuals—people like you and me. They're insurance companies, they're colleges, they're investment organizations of all kinds.

Republic Steel's Experience

In Republic, the same situation exists. We have approximately 60,000 employees and 62,000 stockholders. Back of each Republic employee is an investment of almost $6,000.

Many people look to Republic and the steel industry for at least a small part of their annual income. This income comes from dividends.

In the last few years we have seen a development of opinion polls in this country. Through their use we know what people think. So we know that many people think that stockholders and management get 75% of the business income and that the worker gets 25%. That, of course, is entirely untrue.

Turning to Republic again, all the dividends which were paid to Republic stockholders since the company started in 1930 amount only to 41% of the payroll for 1945 alone. The employees got as much from the company in one year as the owners of the business got in 16 years.

The average profit which Republic has made since 1930 has been 2% on the company's sales. That means that out of every dollar's worth of goods sold, two pennies remain as profit.

You see, this isn't very much, and if we are going to encourage the investment of new money in business, which is so essential, we must some day take better care of the stockholders.

Now let me briefly show you what happens to the Republic dollar.

The last complete annual figures that are available are, of course, for 1945. In 1945 Republic's gross receipts amounted to almost $530,000,000—truly a huge amount.

Out of this we paid for materials, supplies, freight, selling, depreciation, amortization and depletion, for taxes, and interest. The total of these amounted to about $340,000,000. This left $189,000,000.

This $189,000,000 was divided among the employees, the stockholders, and re-investment.

Of the $189,000,000 wages and salaries took 95%. The stockholders received 4% and only 1% was re-invested in the business.

Remember, I said that a part of the money which keeps business going comes from its own efforts? This 1% represents those efforts.

So you see, Republic stockholders do not become rich as a result of their investment. Nor do Republic employees receive only a small part of the available money. They receive by far the lion's share.

Steel Prices

Yet last winter, when we were negotiating for a new contract with the union, the unions released figures purporting to show that increased steel prices were not required to meet increased wage demands and you were told that steel had gone up in price substantially.

Let me show you just how much steel has gone up. I think you should know this because steel is a basic raw material for a large part of our American industry.

When the government granted a wage increase of 18½ cents an hour to the steel industry employees, it gave the industry an average increase of $5 per ton. This amounted to an average of about a quarter of a cent per pound.

Including this increase, steel had gone up only 18% between 1939 and 1946.

Steel prices were frozen in 1941, and, in spite of greatly increased costs, the prices remained stationary. Other commodities have increased in price since 1939 by 63%. They have gone up almost two-thirds, while steel has increased about one-fifth.

As opposed to this the average weekly earnings of wage earners in the steel industry increased between 1939, when they amounted to $29.88 to $47.44 in 1946.

I should like to give you another fact about the steel industry. In 1934 steel ranked as the 12th safest industry in the United States. Today it is the 4th safest industry. It is exceeded in safe working conditions only by the tobacco, electrical and communications industries. As a matter of fact, a man working in the steel industry is less likely to have an accident than he is in his own home. That may seem a surprising statement, but it's true.

Here in Republic Steel we are proud of our safety record. We have worked hard and long to create safe conditions in our plants. We feel we have met with real results. Since the company was organized Republic plants have won 159 safety trophies in the National Safety Contest conducted by the National Safety Council. Of these, 54 were first place awards.

We have also been honored in our plants and mines with ten Safety "S" pennants, awarded by the National Safety Council.

When you consider that only 225 out of a possible 175,000 eligible business establishments have received this award, you can understand our pride.

We hold literally thousands of safety meetings in Republic annually. No new job is ever attempted without a thorough discussion of the safety factors. About 225 people are employed in Republic whose responsibility it is to promote safety.

In 1945 Republic's safety program represented a money outlay of almost $2,000,000.

So you see, the steel business is not a dangerous business. The steel business is a safe business.

Labor Situation

Now I want to turn briefly to another phase of the industry which I think I should discuss with you. That is our labor situation.

During the past two or three years there has been great public agitation for a modification of our existing labor laws.

Let me interrupt myself here to say that I am not opposed to unions. I think it's entirely proper that employees should organize to further their interests. We are dealing with unions throughout our company.

It does seem to me, however, that it is not in conformity with our democratic type of government to give certain advantages and benefits to one group of people which are denied another group.

By that I mean that certain advantages and privileges have been given to labor unions which are exclusively theirs and which do not apply to other groups.

For instance, a labor union, as far as I know, is the only group in the United States which can, with impunity, break a contract.

As I have said, we have contracts in all of our plants and still, although they contain no-strike pledges, we have had literally hundreds of strikes.

If, on the other hand, Republic or any other company were to break its contract flagrantly, it would be subject to a legal suit and damages.

Unions Have Absolute Monopoly

It seems to me that both sides of a contract should be charged with the same responsibility and the same penalties. A union is the only organization of which I have any knowledge, which has an absolute monopoly. Under the closed shop, or any of the variations of the closed shop, a man must belong to a union in order to work. That has always seemed to me to be an admission of weakness on the part of the unions.

English labor leaders are surprised at the existence of the closed shop which American unions have. The English labor leaders say we must make the union worthwhile. The American labor leader says, we must have laws which force the employees to join unions whether they wish to or not.

It seems to me that at one time—many, many years ago—people were almost forced to join certain churches. We would regard such a condition as intolerable today.

So it would seem only fair that the individual employee should have the right to choose for himself whether or not he wishes to join a union and just which union.

If unions are as valuable as is contended, there should be no requirement for compulsion to drive members to their membership rolls. I think, too, that freedom of speech should be common in this country and still it isn't. A union can make charges of any sort or kind against an employer with impunity, but if the employer replies to correct those charges, he is subject to legal penalties.

An employer and his company can be pictured as a veritable menace to the community and the employer must take it. He can not express his opinion about the union—he can only stand and take it.

I believe that the employer, within the limits of good taste and honesty and always held by the laws of libel, should be permitted to reply to union accusations.

Unions Should Not Have Illegal Privileges

Unions have arrogated another right to themselves which I have never been able to fathom. Anything which is done in the name of unionism seems to be regarded as entirely right and proper. We have seen examples, all of us, of violence in picket lines, of violence against individual workers, which have gone unpunished. Violence under any other circumstances would have brought penalties.

I do not believe that unions are so sacred that the organizations or the members should have such illegal privileges. I believe they should be subject as organizations or as individuals to the same penalties which govern your conduct or my conduct.

When I mentioned the closed shop, I should also have mentioned the check-off because I think the check-off is as fundamentally wrong as is the closed shop. I do not think that the employer should be forced to act as a collection agency for the union. I think men should pay dues to unions because they want to pay them and they should pay them directly to the union.

I don't know in dollars and cents what is entailed in our company in collecting union dues, but I know it is a substantial amount. If a union doesn't give a member his money's worth, he should not be compelled to pay dues.

Here again, I think the check-off is an admission of weakness on the part of the union.

Opposes Industry-Wide Strikes

Finally, I don't think that any union should be so broad in its scope that it can shut down an entire industry no matter what the result may be on our national economy. We have anti-monopoly laws which apply to business. We should have anti-monopoly laws which would apply to unions.

I know of a case during the steel strike of last year in which a concern which makes paper milk bottles was closed down because it had been forced to sign a contract with the United Steel Workers of America. This is, of course, ridiculous and still when we have labor monopoly, we have situations similar to this only too frequently.

These are a few of the corrections which I believe should be made in our labor laws. I ask for nothing which would take away just rights or privileges from unions. I ask that the employer and the employee be treated as equals.

The State of Trade

(Continued from page 647)

some instances into 1948. However, practically no mills are willing to commit themselves on third quarter tonnage and present records show that the quotas granted for the first two quarters may not be met since shipments during the past month have been lower in volume than had been planned.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 92.9% of capacity for the week beginning Jan. 27, 1947, compared with 91.8% one week ago, 87.7% one month ago and 5.9% one year ago. This represents an increase of 1.1 points or 1.2% from the previous week.

The week's operating rate is equivalent to 1,637,300 tons of steel ingots and castings and compares with 1,617,900 tons one week ago, 1,545,600 tons one month ago and 104,400 tons one year ago.

Electric Production—The Edison Electric Institute reports that the output of electricity increased to 4,856,890,000 kwh. in the week ended Jan. 18, 1947, from 4,852,513,000 kwh. in the preceding week. Output for the week ended Jan. 18, 1947, was 17.2% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 216,700,000 kwh. in the week ended Jan. 19, 1947, compared with 200,800,000 kwh. for the corresponding week of 1946, or an increase of 7.9%. Local distribution of electricity amounted to 205,000,000 kwh. compared with 193,200,000 kwh. for the corresponding week of last year, an increase of 6.1%.

Railroad Freight Loadings—Car loadings of revenue freight for the week ended Jan. 18, 1947, totaled 828,060 cars, the Association of American Railroads announced. This was a decrease of 2,885 cars (or 0.3%) below the preceding week and 78,617 cars or 10.5% above the corresponding week for 1946. Compared with the similar period of 1945, an increase of 50,488 cars, or 6.5% is shown.

The volume of freight traffic handled by Class I railroads in 1946, measured in ton-miles of revenue freight, was approximately 13% 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 and made public today. Freight traffic in 1946 totaled approximately 590,500,000,000 ton-miles compared with 681,000,000,000 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 volume carried in December 1939.

Railroad Earnings In December—Based on advance reports from eighty-four class I railroads, whose revenues represents 80.8% of total operating revenues, the Association of American Railroads estimated that railroad operating revenues in December, 1946, increased 2.7% above the same month of 1945. This estimate, it was pointed out, covers only operating revenues and does not touch upon the trends in operating expenses, taxes, or final income results. Estimated freight revenue in December, 1946, was greater than in December, 1945, by 21.7%, but estimated passenger revenues decreased 41.7%.

Paper and Paperboard Production — Paper production in the United States for the week ended Jan. 18, was 103.8% of mill capacity, against 102.6% in the preceding week and 94.4% in the like 1946 week, according to the American Paper & Pulp Association. This does not include mills producing newsprint exclusively. Paperboard output for the current week was 103%, compared with 102% in the preceding week and 93% in the corresponding week a year ago.

Business Failures on Increase—On the uptrend for the sixth straight week, commercial and industrial failures rose to 52 in the week ending January 23, reports Dun & Bradstreet, Inc. One above the 51 recorded last week, which was the highest of any week since August of 1943, concerns failing continued to be twice as numerous as in the corresponding week of 1946 when only 24 concerns failed. In fact, this represented the eighteenth consecutive week in which failures have exceeded those reported in the previous year's comparable weeks.

Large failures with liabilities of $5,000 or more comprised four-fifths of the week's failures. Numbering 43, failures occurring in this size group increased from 39 a week ago and, compared with last year's 16 were almost three times as numerous. Nine of the 43 failures in the $5,000 and over liability class actually involved losses in excess of $100,000; for one concern, losses topped $1,000,000. On the other hand, small failures with liabilities under $5,000 declined from 12 last week to 9 in the week just ended, only 1 above the number reported in the same week of 1946.

Manufacturing and retailing together accounted for all except 10 of the failures during the week. The only increase from a week ago took place in the manufacturing industry where concerns failing rose from 16 to 22, outnumbering by a wide margin the 12 manufacturers failing last year. In retail trade, failures remained at 20, the same as in the preceding week, but almost three times the number a year ago. Wholesalers failures continued at 6, the same as last week. In construction and commercial service, concerns actually showed a decline from the previous week's level; in fact, failures in these two groups did not even rise above 1946's low level.

The Middle Atlantic States with 16 failures and the New England States with 14 had the largest number of concerns failing this week. Although down from the previous week, failures in the Pacific States at 8 and in the East North Central States at 6 continued above the 1946 record.

Three Canadian failures were reported, as compared with 5 a week ago and 4 in the corresponding week of 1946.

December Building Permits Fall—Down for the fifth successive month, the dollar volume of building permits for the month of December dropped to the lowest point since September, 1945. The aggregate for the month in 215 cities reporting to Dun & Bradstreet, Inc., came to $148,029,710. This marked a seasonal decrease of 6.4% from the November sum of $158,079,798, and was 27.4% less than in December, 1945 when permits equalled $204,008,232.

New York City permits for December had a value of $35,168,491. This was 68.0% over the November figure, and was double the volume for December a year ago.

Wholesale Food Price Index Lower—The Dun & Bradstreet wholesale food price index dropped 4 cents in the past week to stand at $6.19, the lowest level for this index since Nov. 5, 1945 when it stood at $6.14. The current figure marks a drop of 30 cents, or 4.6%, from the decontrol-peak of $6.49 recorded on November 19. At this time last year the index registered $4.12.

Commodities moving upward in the week included rye, bellies, sugar, eggs, hogs and sheep. There were declines in flour, wheat, corn, oats, barley, butter, cocoa and steers. The index represents the sum total of the price per pound of 31 foods in general use.

Daily Wholesale Commodity Price Index—The decline in the wholesale price level was accelerated last week due to continued weakness in cotton and other leading staples. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dropped from 240.37 on Jan. 14 to 234.65 on Jan. 21 the lowest point touched in over two months. At this time last year the index stood at 183.38.

After a firm start, leading grain markets turned downward as the Commodity Credit Corporation showed signs of resistance to current price levels. Wheat declined under pressure of larger offerings prompted by indications that government buying of the cash article would soon taper off and reports that purchasing of flour for export had been greatly curtailed following recent heavy buying over the past few weeks. Domestic demand for flour was fair, but liberal stocks held by most users made for extreme caution in buying. Cash corn prices averaged slightly higher despite weakness in other grains and heavy offerings by farmers.

The lard futures market showed strength, aided by reports of large purchases by the government. The undertone in cash lard, however, was somewhat easier, due to the belief that the make of lard would increase in the near future. Hog prices were irregular and firmer at the close. Sheep and lambs were also firm but cattle prices were off slightly under pressure of increased receipts. Cocoa prices displayed a downward trend during the week, reflecting heavy arrivals and growing caution on the part of manufacturers in making new commitments.

Cotton markets were irregular and prices shifted over a wide range last week. In the sharpest decline since last October, New York spot quotations fell 2 cents per pound in the week, following a substantial loss in the preceding period. Favorable supporting factors continued as heretofore, but considerable liquidation developed at times as the result of fears of of further restrictions being placed on trading in cotton futures and weakness evidenced in other markets. The report of the Census Bureau showing 774,000 bales of cotton consumed during December, was sharply under trade expectations and compared with 878,000 for November. It was, however, well above the December, 1945 total of 652,000, and slightly exceeded the December, 1944 figure of 758,000. Consumption for the first five months of the current season amounted to 4,257,000 bales, compared with 3,594,000 in the similar period of last season, or an increase of 18.4%. Activity in staple carded cotton gray goods markets was fairly brisk.

Sales of domestic wools in the Boston market were spotty throughout the week. Some business was noted in defective pulled type wools, stimulated by the recent revision in CCC selling prices. Spot foreign wools remained quiet but trading in foreign primary markets was resumed after the holiday lull. Competition was keen in the various markets and prices were established on a firm basis, especially for choice wools wanted by this country.

Retail and Wholesale Trade—Rain and unfavorable shopping weather over a wide area of the United States resulted in a minor decline in retail volume the past week. Dollar volume was moderately above that of the comparable 1946 week.

The consumer demand for staple goods remained at a very high level. Some of the sharpest declines were reported to be among luxury items and soft goods lines, while increases in the retail volume of electrical appliances on the other hand, were appreciable.

Retail food volume was almost unchanged from the very high levels reached in previous weeks. The price of butter declined in many cities again last week and minor price declines were reported in some localities for meat, poultry and some canned foods. The supply of fresh fruits and vegetables remained abundant and meat, fish, and poultry were easily obtainable.

Large percentage increases in the dollar volume of home and electrical appliances were reported the past week. Interest in other durable goods was maintained at the very high levels that have prevailed in previous weeks. Dining room and bedroom furniture were frequently sought. Hardware and automobile acessories were requested by numerous shoppers.

A slight decline in retail apparel volume was apparent in many lines last week. Promotions of Spring styles of women's apparel were beginning to appear as some clearance sales of winter wear ended. Much of the current demand was directed toward medium-priced lines. Consumer interest in men's suits remained at the high levels of previous weeks. Selections continued to increase but were far from plentiful. The demand for shoes dipped slightly, though dollar volume remained high.

Retail volume for the country in the week ended last Wednesday was estimated to be from 15 to 19% above that of the corresponding week a year ago. Regional estimates exceeded those of a year ago by the following percentages: New England 10 to 14, East 18 to 22, Middle West 13 to 17, Northwest 20 to 24, South 17 to 21, Southwest 11 to 15 and Pacific Coast 12 to 16.

Wholesale volume increased moderately in the week and was well above that of the corresponding week a year ago. There was a sharp decline in the number of buyers registered in many wholesale centers last week but the total compared favorably with that of the similar 1946 week. Deliveries continued to improve and were well above the 1946 level.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 18, 1947, increased by 17% above the same period of last year. This compares with an increase of 24% in the preceding week. For the four weeks ended Jan. 18, 1947, sales increased by 37% and for the year to date by 28%.

Retail trade here in New York the past week held to approximately the same percentage of gain as in the preceding week. Price and improvement in quality of merchandise became major issues in the wholesale markets.

Dry goods wholesalers, who were among the substantial numbers of buyers arriving here, expressed concern over "too high" prices. Cotton textile sellers in the primary market reported substantial activity for second quarter deliveries. Converters said spot prices for rayons continued at a high level, with quotations on gray goods for immediate delivery two and three times the OPA ceiling prices.

The price issue also forged to the front in the food trades. The index of wholesale food prices, however, continued to move slightly higher despite the downward trend on some items such as butter and canned fruit juices.

Clearances moved furniture at retail, with more liberal credit provisions sought.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Jan. 18, 1947, increased 19% above the same period last year. This compared with an increase of 30% in the preceding week. For the four weeks ended Jan. 18, 1947, sales rose 39% and for the year to date increased to 29%.

Meetings to Promote Safety Campaign

For the first time in the history of the trucking industry, owners and drivers will gather in simultaneous meetings in every state to discuss highway courtesy and safety. The date for the meetings, to be held on Jan. 30 was announced by Ted V. Rodgers, President of the American Trucking Association Inc.

One of the features of the meetings will be a coast-to-coast broadcast of a special message from President Rodgers, arranged through the co-operation of Electric Auto-Lite Co., manufacturers of batteries and other parts and accessories for the industry. Mr. Rodgers will deliver his message over the company's Dick Haymes program, CBS 9:00 to 9:30 EST. The broadcast will be heard at all of the mass meetings over loud-speaker equipment tuned in to the program.

Hamilton Fed. Sav. Loan Reports Increased Assets

The Hamilton Federal Savings and Loan Association of Brooklyn reports total assets of $5,846,902 on Dec. 31, 1946, as compared with $5,166,283 at the end of 1945. The association also reported a share capital gain of $589,955, resulting in an all-time high total in share capital of $5,226,556. Gross income for the year was $217,382, and net income amounted to $140,959. The Association gained 2,047 new accounts, totaling $589,955 during 1946, bringing total membership to 13,187 accounts.

Mortgage loan investments on Dec. 31, 1946 totaled $4,987,541, consisting of $1,064,487 of G. I. loans and $3,923,054 of conventional loans. The number of new mortgagors increased by 294, and the mortgage portfolio showed a net increase of $1,895,944 for the 12-month period. James V. Mahoney, President, in his report to shareholders, said that the volume of new loans during the past year, represented the greatest increase in the Association's history.

Moody's Bond Prices and Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES
(Based on Average Yields)

1946-47 Daily Averages	U. S. Govt. Bonds	Avge. Corpo-rate*	Corporate by Earnings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Jan. 28	122.33	117.60	121.88	120.43	117.40	110.88	113.31	118.80	120.63
27	122.30	117.40	121.88	120.22	117.40	110.88	113.31	118.60	120.63
25	122.33	117.60	121.88	120.43	117.40	110.88	113.31	118.80	120.63
24	122.39	117.60	121.88	120.43	117.40	110.88	113.31	118.80	120.63
23	122.36	117.40	121.88	120.43	117.40	110.70	113.12	118.80	120.63
22	122.36	117.40	121.88	120.43	117.20	110.70	113.12	118.80	120.63
21	122.27	117.40	121.88	120.03	117.40	110.30	113.12	118.80	120.84
20	122.27	117.40	122.09	120.22	117.40	110.70	113.12	118.80	120.84
18	122.24	117.40	121.88	120.43	117.40	110.70	113.31	118.60	120.84
17	122.24	117.40	121.88	120.22	117.40	110.70	113.12	118.60	120.84
16	122.24	117.40	121.67	120.02	117.40	110.70	113.12	118.60	120.63
15	122.20	117.20	121.67	120.02	117.40	110.52	113.12	118.40	120.63
14	122.16	117.20	121.67	120.02	117.20	110.52	113.12	118.40	120.43
13	122.14	117.20	121.67	119.82	117.40	110.52	113.12	118.40	120.43
11	122.17	117.20	121.67	120.02	117.20	110.70	113.12	118.40	120.43
10	122.17	117.20	121.67	119.82	117.20	110.52	113.12	118.40	120.43
9	122.17	117.20	121.67	119.82	117.20	110.52	113.12	118.40	120.43
8	122.14	117.20	121.46	119.82	117.20	110.52	112.93	118.00	120.20
7	122.11	117.00	121.06	119.82	117.00	110.52	112.93	118.00	120.22
6	122.08	117.00	121.25	119.61	117.00	110.34	112.75	117.80	120.22
4	122.11	116.80	121.25	119.61	116.80	110.34	112.75	118.00	120.22
3	122.14	116.80	121.25	119.61	116.80	110.15	112.75	118.00	120.02
2	122.17	116.80	121.04	119.61	116.80	110.34	112.56	118.00	120.02
1	STOCK EXCHANGE CLOSED								
Dec. 27	122.17	116.80	121.04	119.61	116.80	110.15	112.56	118.80	119.82
20	121.92	116.61	120.84	119.20	116.61	109.97	112.37	117.60	119.82
13	121.92	116.41	120.63	119.20	116.41	109.97	112.37	117.40	119.61
6	121.74	116.22	120.84	119.00	116.22	109.60	111.81	117.40	119.61
Nov. 29	121.55	116.22	121.04	118.80	116.02	109.60	111.81	117.60	119.61
22	121.80	116.41	121.04	119.00	116.02	109.79	112.00	117.60	119.82
15	122.05	116.61	121.46	119.20	116.41	110.15	112.37	117.80	120.02
8	122.17	116.61	121.25	119.20	116.22	110.34	112.37	117.60	120.02
1	122.14	116.41	121.04	119.20	116.02	110.15	112.19	117.60	119.82
Oct. 25	121.77	116.61	121.04	119.20	116.22	110.34	112.19	117.60	120.02
18	121.43	116.61	121.04	119.20	116.22	110.34	112.37	117.80	120.02
11	121.08	116.41	120.84	119.00	116.22	110.15	112.19	117.60	119.82
4	121.05	116.61	121.25	119.00	116.61	110.34	112.56	117.80	119.82
Sept. 27	121.08	116.61	121.04	119.00	116.61	110.15	112.37	117.80	119.82
Aug. 30	122.92	118.40	122.71	120.43	118.00	112.37	114.85	118.80	121.25
July 26	123.77	118.60	123.13	121.04	118.40	112.56	115.63	119.20	121.46
June 28	124.11	118.80	123.34	121.25	118.40	112.56	116.02	119.20	121.46
May 31	123.09	118.80	122.92	121.46	118.40	112.56	116.22	119.00	121.04
Apr. 26	124.33	119.00	123.34	121.25	118.40	113.12	116.41	119.41	121.04
Mar. 29	125.61	119.82	123.99	122.29	119.41	114.27	117.40	120.22	122.09
Feb. 21	126.02	120.22	123.34	121.88	119.00	114.27	116.41	120.22	122.09
Jan. 25	126.28	119.00	123.12	121.25	119.00	113.31	115.63	119.41	122.09
High 1947	122.39	117.60	122.09	120.43	117.40	110.88	113.31	118.80	120.84
Low 1947	122.08	116.80	121.04	119.61	116.80	110.15	112.56	117.80	120.02
High 1946	126.28	120.02	124.20	122.50	119.61	114.46	117.60	120.43	122.50
Low 1946	120.70	116.22	120.63	118.80	116.02	109.60	111.81	117.40	119.41
1 Year Ago									
Jan. 28, 1946	126.23	119.0	123.13	121.25	119.00	113.31	115.82	119.41	122.29
2 Years Ago									
Jan. 27, 1945	120.84	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1946-47 Daily Averages	U. S. Govt. Bonds	Avge. Corpo-rate*	Corporate by Earnings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Jan. 28	1.55	2.77	2.56	2.63	2.78	3.12	2.99	2.71	2.62
27	1.56	2.78	2.56	2.64	2.78	3.12	2.99	2.72	2.62
25	1.55	2.77	2.56	2.63	2.78	3.12	2.99	2.71	2.62
24	1.55	2.77	2.56	2.63	2.78	3.12	2.99	2.71	2.62
23	1.55	2.78	2.56	2.63	2.78	3.13	3.00	2.71	2.62
22	1.55	2.78	2.56	2.63	2.79	3.13	3.00	2.71	2.62
21	1.56	2.78	2.56	2.63	2.78	3.13	3.00	2.71	2.61
20	1.56	2.78	2.55	2.64	2.78	3.13	3.00	2.71	2.61
18	1.56	2.78	2.56	2.63	2.78	3.13	2.99	2.72	2.61
17	1.56	2.78	2.56	2.64	2.78	3.13	3.00	2.72	2.61
16	1.56	2.78	2.57	2.65	2.78	3.13	3.00	2.72	2.62
15	1.56	2.79	2.57	2.65	2.78	3.14	3.00	2.73	2.62
14	1.57	2.79	2.57	1.65	2.79	3.14	3.00	2.73	2.63
13	1.57	2.79	2.57	2.66	2.78	3.14	3.00	2.73	2.63
11	1.57	2.79	2.57	2.65	2.79	3.13	3.00	2.73	2.63
10	1.57	2.79	2.57	2.66	2.79	3.14	3.00	2.73	2.63
9	1.57	2.79	2.57	2.66	2.79	3.14	3.00	2.73	2.63
8	1.57	2.79	2.58	2.56	2.79	3.14	3.01	2.75	2.64
7	1.57	2.80	2.58	2.66	2.80	3.14	3.01	2.75	2.64
6	1.57	2.80	2.59	2.67	2.80	3.15	3.02	2.76	2.64
4	1.57	2.81	2.59	2.67	2.81	3.15	3.02	2.75	2.64
3	1.57	2.81	2.59	2.67	2.81	3.16	3.02	2.75	2.65
2	1.57	2.81	2.60	2.67	2.81	3.15	3.03	2.75	2.65
1	STOCK EXCHANGE CLOSED								
Dec. 27	1.57	2.81	2.60	2.67	2.81	3.16	3.03	2.75	2.66
20	1.59	2.82	2.61	2.69	2.82	3.17	3.04	2.77	2.66
13	1.59	2.83	2.62	2.69	2.83	3.17	3.04	2.78	2.67
6	1.60	2.84	2.61	2.70	2.84	3.19	3.07	2.78	2.67
Nov. 29	1.62	2.84	2.60	2.71	2.85	3.19	3.07	2.77	2.67
22	1.60	2.83	2.60	2.70	2.85	3.18	3.06	2.77	2.66
15	1.58	2.82	2.58	2.69	2.83	3.16	3.04	2.76	2.65
8	1.57	2.82	2.59	2.69	2.84	3.15	3.04	2.77	2.65
1	1.57	2.83	2.60	2.69	2.85	3.16	3.05	2.77	2.66
Oct. 25	1.60	2.82	2.60	2.69	2.84	3.15	3.05	2.77	2.65
18	1.63	2.82	2.60	2.69	2.84	3.15	3.04	2.76	2.65
11	1.65	2.83	2.61	2.70	2.84	3.16	3.05	2.77	2.66
4	1.65	2.82	2.59	2.70	2.82	3.15	3.03	2.76	2.66
Sept. 27	1.65	2.82	2.60	2.70	2.82	3.16	3.04	2.76	2.66
Aug. 30	1.55	2.73	2.52	2.63	2.75	3.04	2.91	2.71	2.59
July 26	1.49	2.73	2.50	2.60	2.73	3.03	2.87	2.69	2.58
June 28	1.47	2.71	2.49	2.59	2.73	3.03	2.85	2.69	2.58
May 31	1.48	2.71	2.51	2.58	2.73	3.03	2.84	2.70	2.60
Apr. 26	1.45	2.70	2.49	2.59	2.73	3.00	2.83	2.68	2.60
Mar. 29	1.36	2.66	2.46	2.54	268	2.94	2.78	2.64	2.55
Feb. 21	1.33	2.67	2.49	2.56	2.70	2.94	2.83	2.64	2.55
Jan. 25	1.31	2.70	2.50	2.59	2.70	2.99	2.87	2.68	2.55
High 1947	1.57	2.81	2.60	2.67	2.81	3.16	3.03	2.76	2.65
Low 1947	1.55	2.77	2.55	2.63	2.78	3.12	2.99	2.71	2.61
High 1946	1.68	2.84	2.62	2.71	2.85	3.19	3.07	2.78	2.68
Low 1946	1.31	2.65	2.45	2.53	2.67	2.93	2.77	2.63	2.53
1 Year Ago									
Jan. 28, 1946	1.32	2.70	2.50	2.59	2.70	2.99	2.86	2.68	2.54
2 Years Ago									
Jan. 27, 1945	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE—The list used in compiling the averages was given in the Sept. 5, 1946 issue of the "Chronicle" on page 1321.

United States Savings Bonds Issued and Redeemed Through Dec. 31, 1946

(Dollar amounts in millions—rounded and will not necessarily add to totals)

	*Amount Issued	*Amount Redeemed	†Amount Outstdg.	Percent Redeemed of Amt. Issued
Series A-D:				
Series A-1935 (matured)	$255	$242	$13	94.90
Series B-1936 (matured)	462	387	75	83.77
Series C-1937	578	151	427	26.12
Series C-1938	648	145	502	22.38
Series D-1939	1,000	197	803	19.70
Series D-1940	1,189	209	980	17.58
Series D-1941	514	78	435	15.18
Total series A-D	$4,645	$1,410	$3,235	30.36
Series E:				
Series E-1941	1,449	287	1,162	19.81
Series E-1942	6,565	2,044	4,522	31.13
Series E-1943	10,757	3,974	6,783	36.94
Series E-1944	12,583	4,661	7,922	37.04
Series E-1945	9,859	3,314	6,544	33.61
Series E-1946	‡4,041	596	‡3,445	14.75
Total series E	$45,254	$14,876	$30,377	32.87
Unclassified Redemptions:				
Series A-E	----	115	—115	
Total series A-E	$49,898	$16,401	$33,498	32.87
Series F and G:				
Series F and G-1941	1,526	166	1,360	10.88
Series F and G-1942	3,175	384	2,791	12.09
Series F and G-1943	3,350	390	2,959	11.64
Series F and G-1944	3,682	300	3,382	8.15
Series F and G-1945	3,140	143	2,997	4.55
Series F and G-1946	2,898	22	2,876	.76
Total series F and G	$17,771	$1,406	$16,366	7.91
§Total, all series	$67,670	$17,806	$49,864	26.31

*Includes accrued discount. †Current redemption values. ‡Includes $38 millions reported on public debt statement as "unclassified sales." §Includes series A and B (matured), and therefore dces not agree with totals under interest-bearing debt on Public Debt Statement.

Electric Output for Week Ended Jan. 25, 1947 20.4% Ahead of That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimates that the amount of electrical energy distributed by the electric light and power industry for the week ended Jan. 25, 1947, was 4,856,404,000 kwh., an increase of 20.4% over the corresponding week last year when electric output amounted to 4,034,365,000 kwh. The current figure also compares with 4,856,890,000 kwh. produced in the week ended Jan. 18, 1947, which was 17.2% higher than the 4,145,116,000 kwh., produced in the week ended Jan. 19, 1946. The largest increases were reported by the Central Industrial and Pacific Coast groups which showed increases of 26.7% and 26.2%, respectively over the same week in 1946.

PERCENTAGE INCREASE OVER SAME WEEK LAST YEAR

Major Geographical Division—	Week Ended— Jan. 25	Jan. 18	Jan. 11	Jan. 4	Dec. 28
New England	13.2	10.4	12.7	13.2	10.6
Middle Atlantic	10.7	10.1	10.2	10.7	10.6
Central Industrial	26.7	18.5	15.1	16.5	17.4
West Central	15.4	13.8	7.6	17.9	14.1
Southern States	22.4	22.0	23.8	26.3	26.3
Rocky Mountain	10.5	8.6	11.8	13.7	9.2
Pacific Coast	26.2	23.8	24.7	24.1	26.0
Total United States	20.4	17.2	16.6	18.3	18.2

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1946	1945	% Change Over 1945	1944	1932	1929
Oct. 5	4,478,092	4,028,286	+11.2	4,375,079	1,507,503	1,806,403
Oct. 12	4,495,220	3,934,394	+14.3	4,354,575	1,528,145	1,798,633
Oct. 19	4,539,712	3,914,738	+16.0	4,345,352	1,533,028	1,824,160
Oct. 26	4,601,767	3,937,420	+16.9	4,358,293	1,525,410	1,815,749
Nov. 2	4,628,353	3,899,293	+18.7	4,354,939	1,520,730	1,798,164
Nov. 9	4,682,085	3,948,024	+18.6	4,396,595	1,531,584	1,793,584
Nov. 16	4,699,935	3,984,608	+18.0	4,450,047	1,475,268	1,818,169
Nov. 23	4,764,718	3,841,350	+24.0	4,368,519	1,510,337	1,718,002
Nov. 30	4,448,193	4,042,915	+10.0	4.524,257	1,518,922	1,806,225
Dec. 7	4,672,712	4,096,954	+14.1	4,538,012	1,563,384	1,840,863
Dec. 14	4,777,943	4,154,061	+15.0	4,563,079	1,554,473	1,860,021
Dec. 21	4,940,453	4,239,376	+16.5	4,616,975	1,414,710	1,637,683
Dec. 28	4,442,443	3,758,942	+18.2	4,225,814	1,619,265	1,542,000

Week Ended—	1947	1946	% Change Over 1946	1945	1932	1929
Jan. 4	4,573,807	3,865,362	+18.3	4.427,281	1,602,482	1,733,810
Jan. 11	4,852,513	4,163,206	+16.6	4,614,334	1,598,201	1,736,721
Jan. 18	4,856,890	4,145,116	+17.2	4,588,214	1,588,967	1,717,315
Jan. 25	4,856,404	4,034,365	+20.4	4,576,713	1,528,853	1,728,208

Fairchild Index Reports Retail Prices Continued To Advance in December

The upward trend in retail prices continued unabated in December. Despite the promotional sales, prices on Jan. 2 according to the Fairchild Publications' Retail Price Index advanced for the tenth consecutive month, reaching a new high in the life of the Index. The advices in the matter issued Jan. 18 stated that "quotations during December showed one of the largest monthly gains, an advance of 1.4% above the previous month and a gain of 6.3% above the corresponding period a year ago. Prices have advanced 5.2% since July 1, 1946." The further advices from Fairchild Publications state:

"Once again each of the major groups advanced during the month, with the largest increase in infants' wear and men's apparel. Women's apparel showed the smallest advance. Men's apparel and infants' wear as well as home-furnishings recorded the greatest gains as compared with a year ago or as with July 1.

"With the exception of women's hosiery, which remained unchanged, and furs, which continued a sharp decline, every commodity including the Index advanced. The gains during the month for many commodities were among the sharpest in the life of the Index. Commodities showing sharp advances included silk piece goods, women's and men's shoes, women's corsets, men's underwear, infants' hose, underwear and shoes. These same items also showed marked gains above a year ago. Fur prices recorded one of the greatest monthly declines, a loss of 5.1%.

"The advance in retail prices should continue for several months longer. This will be a reflection of the higher wholesale prices. Retail prices will continue to be marked up on standard merchandise while of substandard and off-season merchandise will be reduced, according to A. W. Zelomek, economist under whose supervision the Index is compiled. Despite the recent advance in retail prices, they are still lagging as compared with wholesale levels."

Mervin B. France Heads Society for Savings

At the annual meeting of the Society for Savings in the City of Cleveland, held Jan. 17, Mervin B. France, first Vice-President, was elected as the eleventh President of that 98-year-old institution which is known nationally as the oldest and largest mutual savings organization west of the Alleghenies. The announcement was made by Henry S. Sherman, President since 1934, who was elected Chairman of the board of trustees to succeed Samuel Scovil. Mr. Scovil becomes honorary Chairman after 37 years of service as Trustee and later as Chairman of the board.

According to Mr. Sherman, Mr. France at 45 is one of the youngest Presidents ever elected by the Society although the late Ambassador Myron T. Herrick was elected to the same office at age 40. At that time the Society, which as a lender of funds does business in many states and as a savings institution has 165,000 depositors, had total deposits of about one-tenth those today. Total deposits today exceed $201,000,000 and total resources are more than $217,000,000.

Mr. France is prominently identified with the work of the American Bankers Association, the National Association of Mutual Savings Banks, the Investment Bankers Association of America, and the Ohio Bankers Association.

Weekly Lumber Shipments 3.2% Above Production

According to the National Lumber Manufacturers Ass'n, lumber shipments of 410 mills reporting to the National Lumber Trade Barometer were 3.2% above production for the week ending Jan. 18, 1947. In the same week new orders of these mills were 15.2% above production. Unfilled order files of the reporting mills, amounted to 59% of stocks. For reporting softwood mills, unfilled orders are equivalent to 23 days' production at the current rate and gross stocks are equivalent to 38 days' production.

For the year-to-date, shipments of reporting indentical mills were 22.1% above production; orders were 32.2% above production.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 33.2% above; shipments were 23.4% above; orders were 17.9% above. Compared to the corresponding week in 1946, production of reporting mills was 16.8% above, shipments were 0.2% below; and new orders were 6.7% above.

Moody's Daily Commodity Index

Tuesday, Jan. 21	373.1
Wednesday, Jan. 22	373.1
Thursday, Jan. 23	372.5
Friday, Jan. 24	376.6
Saturday, Jan. 25	376.2
Monday, Jan. 27	378.7
Tuesday, Jan. 28	378.1
Two weeks ago, Jan. 14	374.6
Month ago, Dec. 28	378.2
Year ago, Jan. 28	266.6
1946 High, Dec. 24	380.6
Low, Jan. 2	364.7
1947 High, Jan. 3	380.1
Low, Jan. 20	371.5

Trading on New York Exchanges

The Securities and Exchange Commission made public on Jan. 22 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Jan. 4, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Jan. 4 (in round-lot transaction) total 1,734,420 shares, which amount was 16.05% of the total transactions on the Exchange of 5,402,210 shares. This compares with member trading during the week ended Dec. 28 of 1,622,770 shares, or 14.78% of the total trading of 5,490,310 shares.

On the New York Curb Exchange, member trading during the week ended Jan. 4 amounted to 476,425 shares, or 15.68% of the total volume on that Exchange of 1,519,465 shares. During the week ended Dec. 28 trading for the account of Curb members of 421,835 shares was 12.87% of the total trading of 1,638,390 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED JAN. 4, 1947

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	137,320	
‡Other sales	5,264,890	
Total sales	5,402,210	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	565,560	
Short sales	83,010	
‡Other sales	493,740	
Total sales	576,750	10.57
2. Other transactions initiated on the floor—		
Total purchases	108,870	
Short sales	7,000	
‡Other sales	117,570	
Total sales	124,570	2.16
3. Other transactions initiated off the floor—		
Total purchases	189,030	
Short sales	15,940	
‡Other sales	153,700	
Total sales	169,640	3.32
4. Total—		
Total purchases	863,460	
Short sales	105,950	
‡Other sales	765,010	
Total sales	870,960	16.05

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED JAN. 4, 1947

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	10,870	
‡Other sales	1,508,595	
Total sales	1,519,465	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	167,815	
Short sales	6,995	
‡Other sales	131,110	
Total sales	138,105	10.06
2. Other transactions initiated on the floor—		
Total purchases	18,850	
Short sales	300	
‡Other sales	18,450	
Total sales	18,750	1.24
3. Other transactions initiated off the floor—		
Total purchases	95,875	
Short sales	1,180	
‡Other sales	35,850	
Total sales	37,030	4.38
4. Total—		
Total purchases	282,540	
Short sales	8,475	
‡Other sales	185,410	
Total sales	193,885	15.68
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	71,532	
Total purchases	71,532	
Total sales	60,573	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Weekly Coal and Coke Production Statistics

The total production of soft coal in the week ended Jan. 18, 1947, as estimated by the United States Bureau of Mines, was 13,225,000 net tons, a decrease of 525,000 tons, or 3.8%, from the preceding week. Production in the corresponding week last year amounted to 12,864,000 tons. The total output for the calendar year to Jan. 18, 1947, was estimated at 33,775,000 net tons, an increase of 2.2% over the 33,044,000 tons produced from Jan. 1 to Jan. 19, 1946.

Production of Pennsylvania anthracite for the week ended Jan. 18, 1947, as estimated by the Bureau of Mines, was 1,166,000 tons, a decrease of 49,000 tons, or 4.0%, from the preceding week. When compared with the output in the corresponding week of 1946 there was an increase of 36,000 tons, or 3.2%. From Jan. 1 to Jan. 18, 1947, a total of 2,885,000 tons of anthracite was produced, as against 2,940,000 tons for the period from Jan. 1 to Jan. 19, 1946.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Jan. 18, 1947, showed an increase of 8,800 tons when compared with the output for the week ended Jan. 11, 1947; and was 34,500 tons more than for the corresponding week of 1946.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE

(In Net Tons)

Bituminous coal & lignite—	Week Ended— Jan. 18, 1947	*Jan. 11, 1947	Jan. 19, 1946	Jan. 1 to Date— †Jan. 18, 1947	Jan. 19, 1946
Total, including mine fuel	13,225,000	13,750,000	12,864,000	33,775,000	33,044,000
Daily average	2,204,000	2,292,000	2,144,000	2,237,000	2,052,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

Penn. Anthracite—	Week Ended— ‡Jan. 18, 1947	§Jan. 11, 1947	Jan. 19, 1946	Calendar Year to Date— §Jan. 18, 1947	Jan. 19, 1946	Jan. 23, 1937
*Total incl. coll. fuel	1,166,000	1,215,000	1,130,000	2,885,000	2,940,000	3,184,000
†Commercial produc.	1,121,000	1,168,000	1,086,000	2,774,000	2,827,000	3,025,000
Beehive Coke—						
¶United States total	126,500	117,700	92,000	306,000	250,900	208,900

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuels. ‡Subject to revision. §Revised. ¶Estimated from weekly carloadings reported by 10 railroads.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual return from the operators.)

State—	Week Ended— Jan. 11, 1947	Jan. 4, 1947	Jan. 12, 1946
Alabama	394,000	337,000	356,000
Alaska	7,000	7,000	6,000
Arkansas	46,000	35,000	35,000
Colorado	203,000	151,000	168,000
Georgia and North Carolina	1,000	1,000	1,000
Illinois	1,547,000	1,222,000	1,477,000
Indiana	621,000	497,000	536,000
Iowa	37,000	30,000	46,000
Kansas and Missouri	126,000	99,000	98,000
Kentucky—Eastern	1,244,000	1,147,000	772,000
Kentucky—Western	422,000	377,000	382,000
Maryland	63,000	50,000	37,000
Michigan	2,000	2,000	3,000
Montana (bituminous and lignite)	98,000	88,000	91,000
New Mexico	37,000	33,000	32,000
North and South Dakota (lignite)	77,000	72,000	77,000
Ohio	843,000	675,000	720,000
Oklahoma	80,000	62,000	57,000
Pennsylvania (bituminous)	3,125,000	2,500,000	2,660,000
Tennessee	166,000	140,000	126,000
Texas (bituminous and lignite)	2,000	2,000	2,000
Utah	180,000	144,000	146,000
Virginia	460,000	383,000	307,000
Washington	26,000	20,000	31,000
†West Virginia—Southern	2,693,000	2,142,000	2,201,000
‡West Virginia—Northern	1,017,000	948,000	1,017,000
Wyoming	232,000	185,000	215,000
§Other Western States	1,000	1,000	1,000
Total bituminous and lignite	13,750,000	11,350,000	11,600,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay Counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon.

National Fertilizer Association Commodity Price Index Still Declining

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on Jan. 27, fell to 189.0 for the week ended Jan. 25, 1947, from the revised figure of 189.8 in the preceding week. This is the third consecutive week that there has been a decline and the index is now lower than at any time since Nov. 9, 1946, when it was 181.3. A month ago the index stood at 189.9 and a year ago at 141.8, all based on the 1935-1939 average as 100. The Association's report continued as follows:

During the past week six of the composite groups declined while one advanced. The foods group declined slightly; lower prices for butter, cocoa, and meat more than offset higher prices for bellies and sugar. In the farm products group lower prices for cotton, wheat, and steers were offset by higher prices for grains, rye, hogs, and eggs, and the index for the composite group remained unchanged. The index for the miscellaneous commodities group declined, chiefly because of lower prices for cottonseed meal and linseed meal. The index for the textiles group fell slightly. The sharpest drop for any of the composite groups was in the building materials group; lower prices for oak flooring caused the index to decline 2% from the level of the previous week. The index for fertilizer materials declined slightly. An increase in the price of sodium phosphate caused a rise in the chemicals and drugs index.

A revision of the fertilizer materials index has just been completed and was put into effect during the latest week.

During the week 20 price series in the index declined and 15 advanced; in the preceding week 20 declined and 21 advanced; in the second preceding week 14 declined and 24 advanced.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Jan. 25, 1947	Preceding Week Jan. 18, 1947	Month Ago Dec. 28, 1946	Year Ago Jan. 26, 1946
25.3	Foods	214.0	†214.5	214.3	141.3
	Fats and Oils	266.3	262.6	259.9	146.6
	Cottonseed Oil	347.6	330.5	319.1	163.1
23.0	Farm Products	226.1	226.1	229.1	168.8
	Cotton	294.6	296.6	322.8	237.8
	Grains	198.0	199.0	198.0	169.7
	Livestock	227.1	226.4	225.9	157.8
17.3	Fuels	157.6	157.6	157.6	129.1
10.8	Miscellaneous Commodities	151.3	152.5	157.0	133.5
8.2	Textiles	212.9	213.6	216.3	159.8
7.1	Metals	142.3	142.4	139.2	110.2
6.1	Building Materials	212.9	r216.8	207.0	160.4
1.3	Chemicals and Drugs	153.8	153.3	152.9	127.0
.3	Fertilizer Materials	125.6	125.8	124.0	116.4
.3	Fertilizers	131.2	131.2	129.6	119.8
.3	Farm Machinery	120.8	120.8	120.8	105.2
100.0	All groups combined	189.0	r189.8	189.9	141.8

*Indexes on 1926-1928 base were: Jan. 25, 1947, 147.2; Jan. 18, 1947, r147.9, and Jan. 26, 1946, 110.5

r Revised. †Correction.

NYSE Reports Short Int. On Jan. 15, lower

The New York Stock Exchange reported on Jan. 18, that the short interest as of the close of business on the Jan. 15, 1947, settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 798,081 shares, compared with 893,178 shares on Dec. 13, 1946, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the Jan. 15, 1947, settlement date, the total short interest in all odd-lot dealers' accounts was 63,715 shares, compared with 42,682 shares on Dec. 13, 1946.

The report added:

Of the 1,335 individual stock issues listed on the Exchange on Jan. 15, 1947, there were 46 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

The following table compiled by us shows the amount of short interest during the past year:

1946—	
Jan. 15	1,270,098
Feb. 15	1,181,222
Mar. 15	1,015,772
Apr. 15	994,375
May 15	1,022,399
June 15	867,891
July 15	849,698
Aug. 15	732,649
Sept. 13	627,964
Oct. 15	757,215
Nov. 15	927,002
Dec. 13	893,178
1947—	
Jan. 15	798,081

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Jan. 15 a summary of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange for the week ended Jan. 11, 1947, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Jan. 11, 1947

	Total For Week
Odd-Lot Sales by Dealers— (Customers' purchases)	
Number of orders	27,883
Number of shares	795,111
Dollar value	$31,189,163
Odd-lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	373
*Customers' other sales	21,541
Customers' total sales	21,914
Number of Shares:	
Customers' short sales	15,022
*Customers' other sales	587,809
Customers' total sales	602,831
Dollar value	$22,768,646
Round-lot Sales by Dealers—	
Number of Shares:	
Short sales	0
†Other sales	151,120
Total sales	151,120
Round-lot Purchases by Dealers—	
Number of shares	320,760

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Cadmus Managing Dir. of Inst. of Internal Auditors

Effective Feb. 1, Bradford Cadmus becomes Managing Director of The Institute of Internal Auditors, Inc. Mr. Cadmus will be the active administrative director of The Institute under the executive officers and the Board of Directors. Mr. Cadmus was Assistant Comptroller of Standard Brands, which position he resigned to become Managing Director of The Institute.

Daily Average Crude Oil Production for Week Ended Jan. 18, 1947 Increased 93,050 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Jan. 18, 1947, was 4,623,950 barrels, an increase of 93,050 barrels per day over the preceding week and a gain of 18,000 barrels per day over the corresponding week of last year. The current figure, however, was 16,050 barrels below the daily average figure of 4,640,000 barrels estimated by the United States Bureau of Mines as the requirement for the month of January, 1947. Daily production for the four weeks ended Jan. 18, 1947, averaged 4,629,200 barrels. The Institute's statement further shows:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,776,000 barrels of crude oil daily and produced 14,653,000 barrels of gasoline; 2,358,000 barrels of kerosine; 5,495,000 barrels of distillate fuel, and 8,156,000 barrels of residual fuel oil during the week ended Jan. 18, 1947; and had in storage at the end of that week 98,013,000 barrels of finished and unfinished gasoline; 15,544,000 barrels of kerosine; 52,726,000 barrels of distillate fuel, and 50,539,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements January	State Allowables Begin. Jan. 1	Actual Production Week Ended Jan. 18, 1947	Change from Previous Week	4 Weeks Ended Jan. 18, 1947	Week Ended Jan. 19, 1946
**New York-Penna.	48,200		49,900	+ 600	48,450	47,700
Florida			250	----	250	100
**West Virginia	8,400		7,850	+ 450	7,600	8,100
**Ohio—Southeast	7,600		5,600	----	5,350	4,300
Ohio—Other			2,450	+ 350	2,250	3,200
Indiana	19,000		17,200	— 50	17,700	14,050
Illinois	209,000		194,700	— 650	196,800	207,300
Kentucky	28,000		27,650	— 2,000	29,300	28,900
Michigan	46,000		42,250	— 450	42,250	44,100
Nebraska	800		†700	+ 150	650	750
Kansas	260,000	270,000	†257,050	+67,150	246,400	261,500
Oklahoma	375,000	362,400	†363,650	+ 7,850	363,900	391,850
Texas—						
District I			19,100	----	19,000	----
District II			133,100	----	133,750	----
District III			412,150	----	416,250	----
District IV			206,500	----	207,400	----
District V			33,700	----	34,050	----
East Texas			301,000	----	306,900	----
Other Dist. VI			99,450	----	99,400	----
District VII-B			34,000	----	34,200	----
District VII-C			27,600	----	27,650	----
District VIII			464,700	----	478,450	----
District IX			118,250	----	118,150	----
District X			82,050	----	81,700	----
Total Texas	2,030,000	‡1,922,422	1,931,600	----	1,956,900	2,000,800
North Louisiana			94,750	----	94,350	79,950
Coastal Louisiana			313,650	----	312,350	288,850
Total Louisiana	382,000	446,426	408,400	----	406,700	368,800
Arkansas	76,000	81,909	72,150	— 750	73,100	77,500
Mississippi	62,000		84,550	— 3,450	85,250	56,600
Alabama	2,000		600	+ 100	850	600
New Mexico—So. East	98,000	109,000	103,000	----	102,800	98,000
New Mexico—Other			450	+ 50	450	450
Wyoming	93,000		112,700	+11,500	104,500	100,750
Montana	24,000		21,000	— 1,600	21,700	19,500
Colorado	33,000		38,850	+ 2,700	38,050	23,600
California	838,000	§842,000	881,400	+11,100	878,000	847,500
Total United States	4,640,000		4,623,950	+93,050	4,629,200	4,605,950
**Pennsylvania Grade (included above)			63,350	+ 1,050	61,400	60,100

*These are Bureau of Mines calculations of the requirements of domestic crude oil based upon certain premises outlined in its detailed forecasts. They include the condensate that is moved in crude pipelines. The A. P. I. figures are crude oil only. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude inventories must be deducted, as pointed out by the Bureau, from its estimated requirements to determine the amount of new crude to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Jan. 16, 1947.

‡This is the net basic allowable as of Jan. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 9 to 13 days, the entire state was ordered shut down for 9 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 9 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL, AND RESIDUAL FUEL OIL, WEEK ENDED JAN. 18, 1947

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refin'g Capac. Report'g	Crude Runs to Stills Daily Av.	Crude Runs to Stills % Operated	§Gasoline Product'n at Ref. Inc. Nat. Blended	‡Finished and Unfin. Gasoline Stocks	‡Stocks of Kerosine	‡Stks. of Gas Oil & Dist. Fuel Oil	‡Stks of Resid. Fuel Oil
East Coast	99.5	704	83.9	1,903	21,117	7,259	18,444	7,135
Appalachian—								
District No. 1	76.3	105	73.4	313	2,544	372	510	273
District No. 2	84.7	66	106.5	240	979	72	90	193
Ind., Ill., Ky.	87.4	802	92.2	2,755	18,756	1,464	4,843	3,475
Okla., Kans., Mo.	78.3	399	85.1	1,403	9,360	732	2,044	1,124
Inland Texas	59.8	211	63.9	988	3,840	279	442	712
Texas Gulf Coast	89.2	1,139	92.9	3,439	15,035	2,977	10,053	6,936
Louisiana Gulf Coast	97.4	324	100.9	1,052	5,579	1,302	3,681	1,957
No. La. & Arkansas	55.9	61	48.4	174	1,749	359	622	120
Rocky Mountain—								
New Mexico	19.0	11	84.6	36	110	15	33	41
Other Rocky Mt.	70.9	129	78.2	419	2,240	83	411	532
California	85.5	825	83.0	1,931	16,704	630	11,553	28,041
Total U. S. B. of M. basis Jan. 18, 1947	85.8	4,776	85.9	14,653	*98,013	15,544	52,726	50,539
Total U. S. B. of M. basis Jan. 11, 1947	85.8	4,778	86.0	14,928	96,547	15,790	54,788	51,423
Total U. S. B. of M. Jan. 19, 1946		4,575		13,370	†101,109	9,307	31,428	37,371

*Includes unfinished gasoline stocks of 7,954,000 barrels. †Includes unfinished gasoline stocks of 8,361,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §In addition, there were produced 2,358,000 barrels of kerosine, 5,495,000 barrels of gas oil and distillate fuel oil and 8,156,000 barrels of residual fuel oil during the week ended Jan. 18, 1947, as compared with 2,001,000 barrels, 5,820,000 barrels and 7,801,000 barrels, respectively, in the preceding week and 2,217,000 barrels, 5,342,000 barrels and 8,646,000 barrels, respectively, in the week ended Jan. 19, 1946.

Non-Ferrous Metals — Continued Weakness in Silver Causes Further Drastic Price Decline

"E. & M. J. Metal and Mineral Markets," in its issue of Jan. 23, states: "So far as price changes were concerned, the action that took place in silver during the last week left an impression on all of the non-ferrous metals. The sharp reduction in the price to 70¾¢ an ounce troy occurred in a thin market without greatly stimulating consumer interest. Since Dec. 4, 1946, the New York Official price of silver has declined a total of 19⅜c. an ounce. Foreign copper sold in good volume at a fractional gain for the period. Canadian authorities finally raised prices of copper, lead, zinc, and antimony to the Canadian home trade. Antimony in Canada is now 29.50c. per pound." The publication further went on to say in part as follows:

Copper

Most operators look for a squeeze in copper to occur here after the Government disposes of its holdings of foreign metal toward the end of the first quarter. At the beginning of the year the supply available for possible distribution by OMR was estimated at 155,000 tons. Some 55,000 tons of foreign copper have been earmarked for January shipment to consumers. Temporary waiving of the import duty can be accomplished only through the slow process of Congressional action, the industry believes. Domestic production is expected to increase, and, if consumers would limit their purchases to actual needs, the tonnages of foreign copper necessary to round out second-quarter domestic requirements could be reduced appreciably. The price situation in the domestic market was unchanged. Foreign copper averaged a shade higher than in the preceding week.

Canada raised the price to Canadian consumers from the wartime level of 11.55c. per pound to 16.625c., effective yesterday.

Lead

Though the lead situation remains extremely tight, producers believe that January deliveries will be larger than in recent months. From present indications, the tonnage sold for January shipment to consumers, including lead released by the Government, is expected to amount to 60,000 tons, the best showing since February last year. Demand for lead shows no signs of slackening. Sales for the last week totaled 11,571 tons.

Canadian consumers, effective Jan. 22, will have to pay 10.625c. per pound for lead, against the former price of 5c.

The Lead Industries Association has asked authorities in Washington for a retention of import duties on lead pigments.

Stocks of lead at smelters and refining plants in the United States on Nov. 1, 1946, and Dec. 1, 1946, in tons, according to the American Bureau of Metals Statistics:

	Dec. 1	Nov. 1
In ore, matte, and in process at smelters	108,929	111,457
In base bullion:		
In smelters & refineries	10,414	10,803
In transit to refineries	4,452	3,937
In process at refineries	13,872	15,857
Refined pig lead	38,792	33,315
Antimonial lead	9,470	9,677
Total stocks	185,929	185,046

Zinc

Interest centered in action taken by the Canadian authorities in finally raising the home price of zinc to the basis of 10¼c., Toronto and Montreal. The former wartime price to Canadian consumers was 5.15c.

The domestic situation was unchanged, Prime Western continuing at 10½c., East St. Louis. The American Zinc Institute, at hearings before the Committee for Reciprocity Information, opposed reductions in import duties and requested that 1930 tariff rates be restored. American Metal Co. submitted a brief in opposition to the import duty on zinc. In the event that some duty is imposed, the company argued that a fair differential between slab zinc and ore should obtain.

Antimony

National Lead Co. announced last week that spot antimony formerly distributed ex warehouse Jersey City will be shipped from its plant in Perth Amboy, N. J. Pending final determination of handling charges, the spot quotation for the New York area is more or less nominal. It was established at 29.562c. per pound by adding freight charges to the f.o.b. Laredo, Texas, quotation of 28.625c. per pound for 99.5% antimony, packed in cases.

Tin

The British Ministry of Supply announced on Jan. 20 that its buying prices for Malayan and Nigerian tin will remain unchanged until further notice. Tin is being purchased on the basis of £370 per long ton, Penang and Singapore. The settlement basis for Nigerian concentrates is £375 10s. British trade authorities estimate world's production of tin for 1947 at 130,000 to 142,000 long tons.

There were no new developments in regard to the renewal of the Bolivian tin contracts. Negotiations are expected to begin soon. It is known that the Bolivian producers expect to obtain around 76c. per pound for tin contained, owing to rising costs.

The market here was unchanged. Straits quality tin for shipment was nominally as follows, in cents per pound:

	Jan.	Feb.	March
Jan. 16	70.000	70.000	70.000
Jan. 17	70.000	70.000	70.000
Jan. 18	70.000	70.000	70.000
Jan. 20	70.000	70.000	70.000
Jan. 21	70.000	70.000	70.000
Jan. 22	70.000	70.000	70.000

Chinese, or 99% tin, 69.125c.

Quicksilver

The Metallurgical Co., Ltd., doing business in London and the Scandinavian countries, has been named sales agent for Mercurio Europeo for the United States. The firm is not well known in domestic quicksilver circles, and prospective buyers have been asked to contact the London office for price information. It is known, however, that the Cartel's asking price for the present is $67.50 per flask, in bond, New York, equivalent to roughly $86.50 duty paid. Those who had been counting on a firmer price from that direction were disappointed. The market here on spot metal continued at $88 to $92 per flask. Demand was moderate.

Silver

A further drastic price reduction occurred in silver during the last week, establishing the New York Official quotation at 70¾c. an ounce on Jan. 20, the lowest price named here since June 28, 1946. It was the largest loss sustained in a single day since Dec. 8, 1920. Absence of consumer buying and growing pressure to dispose of metal still overhanging the market from the period when higher prices appeared to be imminent (first half of 1946) caused silver merchants to bring down the price to a level that is expected to result in improved consumer buying. Supply of free metal has exceeded demand for more than two months.

Output of refined silver in the United States amounted to 6,561,000 oz. troy in November, against 5,639,000 oz. in October, the American Bureau of Statistics reports. Production of silver from ore and bullion of foreign origin increased from 2,699,000 oz. in October to 4,000,000 oz. in November. Refineries in this country produced 45,368,000 oz. of silver in the Jan.-Nov. period of 1946, of which approximately 18,449,000 oz. was domestic metal and 26,919,000 oz. was foreign.

The record of production, according to the Bureau, for the eleven months, in troy ounces, follows:

1946:	Domestic Origin	Foreign Origin
January	2,153,000	3,654,000
February	1,495,000	2,501,000
March	513,000	1,535,000
April	344,000	1,126,000
May	409,000	1,089,000
June	1,063,000	1,739,000
July	1,395,000	2,293,000
August	2,583,000	2,783,000
September	2,993,000	3,500,000
October	2,940,000	2,699,000
November	2,561,000	4,000,000

Imports of ore and base bullion in November amounted to 2,534,000 oz., against 975,000 oz. in October. Imports of refined bullion in November totaled 4,210,000 oz., against 3,772,000 oz. in October.

Exports of refined bullion in November amounted to 323,000 oz., against 104,000 oz. in October, the Bureau reports.

DAILY PRICES OF METALS ("E. & M. J." QUOTATIONS)

	Electrolytic Copper Dom. Refy.	Electrolytic Copper Exp. Refy.	Straits Tin, New York	Lead New York	Lead St. Louis	Zinc St. Louis
Jan. 16	19.225	20.025	70 000	13.000	12.800	10.500
Jan. 17	19.225	20.000	70.000	13.000	12.800	10.500
Jan. 18	19.225	19.925	70 000	13.000	12.800	10.500
Jan. 20	19.225	19.925	70.000	13.000	12.800	10.500
Jan. 21	19.225	20.025	70.000	13.000	12.800	10.500
Jan. 22	19.225	19.925	70.000	13.000	12.800	10.500
Average	19.225	19.971	70.000	13.000	12.800	10.500

Average prices for calendar wee kended Jan. 18 are: Domestic copper f.o.b. refinery, 19.225¢; export copper, f.o.b. refinery 19.954¢; Straits tin, 70.000¢; New York lead, 13.000¢; St. Louis lead, 12.800¢; St. Louis zinc, 10.500¢ and silver, 79.650¢.

The above quotations are "E. & M. J. M. & M. M's" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound.

Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only.

In the trade, domestic copper prices are quoted on a delivered basis: that is, delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.275c. per pound above the refinery basis, effective Jan. 2, 1947.

Effective March 14, the export quotation for copper reflects prices obtaining in the open market and is based on sales in the foreign market reduced to the f.o.b. refinery equivalent, Atlantic seaboard. On f.a.s. transactions we deduct 0.075c., for lighterage, etc., to arrive at the f.o.b. refinery quotation.

Quotations for copper are for the ordinary forms of wirebars and ingot bars. For standard ingots an extra 0.075c. per pound is charged; for slabs 0.175c. up, and for cakes 0.225c. up, depending on weight and dimension; for billets an extra 0.95c. up, depending on dimensions and quality. Cathodes in standard sizes are sold at a discount of 0.125c per pound.

Quotations for zinc are for ordinary Prime Western brands. Contract prices for High-grade zinc delivered in the East and Middle West in nearly all instances command a premium of 1c. per pound over the current market for Prime Western but not less than 1c. over the "E. & M. J." average for Prime Western for the previous month.

Quotations for lead reflect prices obtained for common lead only.

Revenue Freight Car Loadings During Week Ended Jan. 18, 1946 Decreased 2,885 Cars

Loading of revenue freight for the week ended Jan. 18, 1947 totaled 828,060 cars, the Association of American Railroads announced on Jan. 23. This was an increase of 78,617 cars or 10.5% above the corresponding week in 1946, and an increase of 50,488 cars or 6.5% above the same week in 1945.

Loading of revenue freight for the week of Jan. 18, decreased 2,885 cars or 0.3% below the preceding week.

Miscellaneous freight loading totaled 372,311 cars, an increase of 9,685 cars above the preceding week, and an increase of 43,351 cars above the corresponding week in 1946.

Loading of merchandise less than carload lot freight totaled 116,318 cars, an increase of 2,138 cars above the preceding week, but a decrease of 1,071 cars below the corresponding week in 1946.

Coal loading amounted to 194,669 cars, a decrease of 8,797 cars below the preceding week, but an increase of 9,975 cars above the corresponding week in 1946.

Grain and grain products loading totaled 57,955 cars, an increase of 1,762 cars above the preceding week and an increase of 3,031 cars above the corresponding week in 1946. In the Western Districts alone, grain and grain products loading for the week of Jan. 18 totaled 39,873 cars, an increase of 2,587 cars above the preceding week and an increase of 3,274 cars above the corresponding week in 1946.

Livestocks loading amounted to 18,071 cars, a decrease of 3,428 cars below the preceding week but an increase of 7,036 cars above the corresponding week in 1946. In the Western Districts alone loading of livestock for the week of Jan. 18 totaled 13,726 cars a decrease of 2,661 cars below the preceding week, but an increase of 5,955 cars above the corresponding week in 1946.

Forest products loading totaled 41,703 cars, a decrease of 4,942 cars below the preceding week but an increase of 8,806 cars above the corresponding week in 1946.

Ore loading amounted to 12,737 cars an increase of 578 cars above the preceding week and an increase of 3,264 cars above the corresponding week in 1946.

Coke loading amounted to 14,296 cars, a decrease of 61 cars below the preceding week but an increase of 4,225 cars above the corresponding week in 1946.

All districts reported increases compared with the corresponding week in 1946, and all reported increases compared with same week in 1945 except the Southwestern.

	1947	1946	1945
Week of Jan. 4	687,428	652,978	683,398
Week of Jan. 11	830,945	772,888	783,060
Week of Jan. 18	828,060	749,443	777,572
Total	2,346,433	2,175,309	2,244,030

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Jan. 18, 1947. During this period 98 roads reported gains over the week ended Jan. 19, 1946.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED JAN 18

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1947	1946	1945	1947	1946
Eastern District—					
Ann Arbor	392	361	291	1,736	1,701
Bangor & Aroostook	2,547	2,870	2,096	464	419
Boston & Maine	7,446	7,488	6,051	12,997	13,388
Chicago, Indianapolis & Louisville	1,436	1,146	1,250	2,361	1,874
Central Indiana	32	47	36	48	29
Central Vermont	957	1,184	961	1,972	2,244
Delaware & Hudson	5,079	4,324	4,111	11,232	11,724
Delaware, Lackawanna & Western	7,421	7,669	6,724	9,108	8,551
Detroit & Mackinac	332	235	179	302	178
Detroit, Toledo & Ironton	2,975	2,037	1,689	2,234	1,595
Detroit & Toledo Shore Line	464	320	250	4,416	3,368
Erie	11,660	11,436	11,802	15,993	14,816
Grand Trunk Western	4,402	3,147	3,941	8,395	8,287
Lehigh & Hudson River	137	145	128	2,846	2,278
Lehigh & New England	1,396	1,111	1,585	1,523	1,381
Lehigh Valley	8,559	8,296	6,757	8,442	7,678
Maine Central	2,861	2,887	2,078	4,244	4,230
Monongahela	6,700	6,814	5,788	264	285
Montour	3,285	2,640	2,496	26	23
New York Central Lines	49,431	45,354	44,856	54,459	50,563
N. Y., N. H. & Hartford	9,962	10,782	8,769	14,475	14,700
New York, Ontario & Western	808	787	787	2,555	2,096
New York, Chicago & St. Louis	6,609	5,730	6,631	15,440	13,966
N. Y., Susquehanna & Western	452	456	414	1,237	2,352
Pittsburgh & Lake Erie	6,694	6,851	7,806	9,209	8,214
Pere Marquette	6,101	4,795	4,794	9,058	7,259
Pittsburg & Shawmut	1,103	966	846	16	12
Pittsburg, Shawmut & Northern	270	243	289	94	272
Pittsburgh & West Virginia	817	975	1,012	2,157	1,997
Rutland	416	362	305	1,298	1,201
Wabash	6,340	5,705	6,203	12,090	11,896
Wheeling & Lake Erie	5,701	5,024	5,627	3,904	3,518
Total	162,785	152,187	146,552	214,595	202,095
Allegheny District—					
Akron, Canton & Youngstown	651	572	803	1,542	1,164
Baltimore & Ohio	39,550	41,195	40,688	24,414	24,146
Bessemer & Lake Erie	3,033	1,897	2,433	1,956	1,008
Cambria & Indiana	1,030	1,685	1,359	5	9
Central R. R. of New Jersey	6,235	5,884	5,398	17,408	16,293
Cornwall	417	469	301	44	38
Cumberland & Pennsylvania	358	342	208	14	12
Ligonier Valley	65	30	103	14	23
Long Island	1,291	1,594	1,442	4,096	4,300
Penn-Reading Seashore Lines	1,633	1,497	1,620	1,899	2,140
Pennsylvania System	81,615	74,684	74,871	58,112	56,514
Reading Co.	14,555	13,931	12,586	25,711	26,058
Union (Pittsburgh)	19,045	8,443	19,531	5,214	2,564
Western Maryland	4,299	4,271	3,626	10,633	11,903
Total	173,777	156,494	164,969	151,062	146,172
Pocahontas District—					
Chesapeake & Ohio	35,077	30,769	28,370	12,459	11,132
Norfolk & Western	25,964	20,922	21,026	6,955	6,512
Virginian	5,707	5,147	4,648	1,793	1,256
Total	66,748	56,838	54,044	21,207	18,900
Southern District—					
Alabama, Tennessee & Northern	280	306	409	228	276
Atl. & W. P.—W. R. R. of Ala.	771	711	791	2,006	1,874
Atlantic Coast Line	16,717	13,088	14,676	10,743	10,359
Central of Georgia	3,636	3,861	3,982	4,396	4,597
Charleston & Western Carolina	413	317	402	1,689	1,447
Clinchfield	2,168	1,730	1,686	4,922	3,299
Columbus & Greenville	340	309	350	340	251
Durham & Southern	108	51	135	795	598
Florida East Coast	3,551	3,307	3,557	1,883	1,623
Gainesville Midland	66	44	40	127	141
Georgia	972	903	1,079	2,822	2,198
Georgia & Florida	420	358	445	793	695
Gulf, Mobile & Ohio	4,496	4,356	4,781	3,979	4,044
Illinois Central System	27,258	25,914	26,534	14,714	14,133
Louisville & Nashville	27,426	25,926	26,815	9,926	10,127
Macon, Dublin & Savannah	216	215	185	946	917
Mississippi Central	275	240	260	410	389
Nashville, Chattanooga & St. L.	3,306	2,797	3,269	4,179	3,950
Norfolk Southern	1,313	1,108	923	1,903	1,345
Piedmont Northern	439	378	407	1,824	1,418
Richmond, Fred. & Potomac	455	420	433	9,768	8,339
Seaboard Air Line	12,986	10,190	10,711	9,244	7,875
Southern System	25,355	23,150	23,720	25,746	23,169
Tennessee Central	762	563	669	829	846
Winston-Salem Southbound	156	129	147	936	904
Total	133,885	120,371	126,406	115,148	105,414
Northwestern District—					
Chicago & North Western	16,397	16,043	14,811	15,487	13,914
Chicago Great Western	2,594	2,836	2,700	3,495	3,024
Chicago, Milw., St. P. & Pac.	23,002	21,731	22,280	11,921	11,423
Chicago, St. Paul, Minn. & Omaha	4,440	4,043	3,384	4,441	4,331
Duluth, Missabe & Iron Range	1,243	1,132	1,214	394	253
Duluth, South Shore & Atlantic	633	672	643	601	522
Elgin, Joliet & Eastern	9,486	6,624	9,069	11,894	10,528
Ft. Dodge, Des Moines & South	548	455	332	153	140
Great Northern	11,610	11,622	11,242	4,658	4,700
Green Bay & Western	446	484	456	878	1,071
Lake Superior & Ishpeming	357	310	290	57	69
Minneapolis & St. Louis	2,954	2,387	1,964	2,594	2,503
Minn., St. Paul & S. S. M.	5,244	5,585	4,756	3,336	3,436
Northern Pacific	9,978	9,566	9,677	4,670	4,799
Spokane International	125	99	256	523	445
Spokane, Portland & Seattle	1,968	2,124	2,322	2,472	2,490
Total	90,665	85,713	85,396	67,574	63,648
Central Western District—					
Atch., Top. & Santa Fe System	27,662	22,406	24,115	10,457	9,728
Alton	3,236	2,673	3,454	3,309	3,210
Bingham & Garfield	166	268	375	113	28
Chicago, Burlington & Quincy	21,975	21,160	20,335	11,824	11,348
Chicago & Illinois Midland	3,526	3,314	3,237	830	888
Chicago, Rock Island & Pacific	14,360	12,756	12,527	13,215	12,079
Chicago & Eastern Illinois	2,985	2,984	2,801	3,406	3,100
Colorado & Southern	745	647	721	1,709	1,536
Denver & Rio Grande Western	3,796	3,293	3,860	4,855	4,405
Denver & Salt Lake	943	868	772	53	51
Fort Worth & Denver City	1,218	820	758	1,421	1,148
Illinois Terminal	2,378	2,146	2,103	1,639	1,523
Missouri-Illinois	1,012	826	876	464	454
Nevada Northern	1,452	1,320	1,465	143	141
North Western Pacific	895	591	674	661	658
Peoria & Pekin Union	16	37	12	0	0
Southern Pacific (Pacific)	28,293	27,255	29,468	10,432	10,082
Toledo, Peoria & Western	24	0	300	130	0
Union Pacific System	18,026	16,490	17,859	12,952	11,884
Utah	1,059	881	509	6	9
Western Pacific	1,846	1,823	1,715	2,966	3,404
Total	135,613	122,558	127,936	80,585	75,676
Southwestern District—					
Burlington-Rock Island	209	255	368	472	455
Gulf Coast Lines	5,439	4,333	7,032	2,449	2,294
International-Great Northern	2,115	1,646	2,485	3,614	3,200
‡K. O. & G.-M. V.-O. C.-A.-A.	1,401	1,282	1,240	1,294	1,687
Kansas City Southern	3,133	2,525	4,615	2,907	3,031
Louisiana & Arkansas	2,213	2,010	3,475	2,539	2,180
Litchfield & Madison	404	293	337	1,588	1,239
Missouri & Arkansas	0	154	127	0	354
Missouri-Kansas-Texas Lines	5,125	4,868	6,664	4,198	4,003
Missouri Pacific	18,296	15,310	17,019	15,180	14,012
Quanah Acme & Pacific	207	82	54	220	135
St. Louis-San Francisco	10,387	9,050	9,372	7,483	7,526
St. Louis-Southwestern	2,800	2,326	3,369	4,998	4,791
Texas & New Orleans	8,503	7,665	11,169	5,468	5,196
Texas & Pacific	4,239	3,347	4,819	6,722	6,006
Wichita Falls & Southern	90	71	92	58	63
Weatherford M. W. & N. W.	26	65	32	18	11
Total	64,587	55,282	72,269	59,838	56,183

‡Includes Kansas, Oklahoma & Gulf Ry., Midland Valley Ry. and Oklahoma City-Ada-Atoka Ry.

NOTE—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORT—ORDERS, PRODUCTION, MILL ACTIVITY

Period	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
1946—Week Ended					
Oct. 5	223,117	172,354	619,581	100	95
Oct. 12	158,176	169,988	605,059	99	95
Oct. 19	155,589	161,534	598,569	98	96
Oct. 26	155,140	175,440	572,188	101	96
Nov. 2	205.422	174,752	601,787	100	96
Nov. 9	185,047	175,906	613,752	102	96
Nov. 16	138,100	170,411	580,331	101	96
Nov. 23	145,507	170,533	554,982	100	96
Nov. 30	153,574	162,353	545,042	94	96
Dec. 7	207,137	172,417	578,742	99	96
Dec. 14	167,937	175,640	571,179	102	96
Dec. 21	144,083	172,275	543,675	102	96
Dec. 28	99,555	109,210	532,773	66	96
Period 1947—Week Ended					
Jan. 4	196,927	142,338	588,406	85	85
Jan. 11	171,420	178.043	580.026	102	94
Jan. 18	173,851	178,556	577,269	103	97

NOTES—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

November Retail Sales at New High

Heavy Christmas buying caused November, 1946 retail sales to reach a new high of $9,000,000,000, one-fourth above November a year ago, the Office of Business Economics, Department of Commerce, announced on Jan. 7. The increase in dollar sales of retail stores from October to November this year was contra-seasonal on the basis of monthly changes in pre-war years, says the Department, which added:

"November sales were nearly 5% above October and 4% above August of this year, the previous high month, after allowance for seasonal factors and the difference in the number of trading days. Sales of non-durable goods stores in November were 19% above a year ago and about 5% above October, 1946, after seasonal adjustment. All major groups of stores in this category recorded increases from October to November.

"Food store sales rose sharply from October to a new high in November and were up 30% compared with November, 1945 due to substantial price increases. November sales of stores in the general merchandise group increased 25% compared with November, 1945. Sales of filling stations and drug stores were up about 20%; apparel stores, 9%; and eating and drinking places, 6%. Sales of durable goods stores continued their upward trend in November. Sales of these stores were 3% above October and 60% higher than November, 1945.

"The automotive group, including motor vehicle dealers and parts and accessories stores, continued to record spectacular gains over 1945—with November sales 112% above a year ago. Home furnishings store sales increased 53% and sales of the building materials and hardware group 36% from sales a year ago. After seasonal adjustment November sales in all of these groups were from 3 to 5% above October.

"Jewelry store sales in November continued to show the slackening in the rate of increase over the previous year that was indicated in October. November sales of these stores were 5% above a year ago and, after seasonal adjustment, about the same as in the previous month."

Market Transactions In Government Liens During December

During the month of December, 1946, market transactions in direct and guaranteed securities of the government for Treasury investment and other accounts resulted in net sales of $20,300,000, Secretary Snyder announced on Jan. 17.

The following tabulation shows the Treasury's transactions in government securities for the last two years:

1945—	
January	$67,475,000 sold
February	48,131,000 sold
March	2,940,000 sold
April	55,600,000 sold
May	34,400,000 sold
June	56,414,050 sold
July	17,000,000 sold
August	150,000 sold
September	12,526,000 sold
October	300,000 purchased
November	No sales or purchases
December	No sales or purchases
1946—	
January	$8,137,000 sold
February	700,000 sold
March	No sales or purchases
April	3,300,000 purchased
May	385,000 purchased
June	69,800,000 sold
July	157,800,000 sold
August	41,211,700 sold
September	74,053,450 sold
October	122,954,250 sold
November	57,572,000 sold
December	20,300,000 sold

"Practically On Its Own?"

"These changes [relaxation of controls] signify that in moderate-price range of homes for sale, private industry is practically on its own again.

"Most of the responsibility borne by the government under a war-depleted economy during the past year has now, under improved conditions, been returned to the established avenues of private industry."—Housing Expediter Frank R. Creedon and National Housing Administrator Raymond M. Foley.

Herbert U. Nelson

"After all, Mr. Creedon and Mr. Foley simply say that aside from the fact that nothing costing more than $400 can be built without a Federal permit; aside from the fact that it is against the law to build a house with more than 1,500 square feet; aside from the fact that a second bathroom in a new house is a crime; aside from the fact that only the government can decide how much industrial and commercial construction we are to have; aside from all these restraints, 'private industry is practically on its own again.' "—Herbert U. Nelson, Vice-President of The National Association Real Estate Boards.

All statements that business is practically on its own—particularly if there is an implication that it is henceforth responsible for this or that — need to be closely examined as Mr. Nelson has analyzed this one.

No Depression Now—But Perhaps Later

(Continued from first page)

covered. A decade or more later, however, he received a haymaker. Merely because such has been our past experience does not mean we must go through the same trials again. Human beings have memories and they may act differently. Whether they will act differently, depends on the extent to which they are willing to face the problems confronting them and do something about them.

I have referred to the two types of economic reactions because I want to point out that we cannot ignore the possibility of a long-run readjustment even though we successfully meet the situation confronting us in 1947. If we take into consideration our construction and capital goods needs, a decade may be required before the readjustment process is completed. Complacency and inaction will contribute to a repetition of the depression of the 1930's.

In so far as 1947 is concerned, we are still in the early phases of readjusting the economy from a war to a peace-time basis. The war upset demand and supply relations from industry to industry and from region to region. Since V-J Day, and for several months ahead, we will be satisfying our non-durable consumer goods needs, but signs point to an increasing emphasis on durable goods such as construction and automobiles. Some readjustments accordingly will be made in production and employment. There is evidence in retailing that we are moving into a buyers' market in many goods. There have already been price declines in furs, jewelry and some food products. Retail mark downs and post-Christmas sales have appeared. Wholesale food prices have dropped and the Secretary of Agriculture has expressed the belief that retail food prices will level off for several months and then decline later in the year. Undoubtedly, further readjustments in some prices are imperative. Such changes are to be expected.

If industrial efficiency is increased, living costs, relative to income, can be improved further. Reduced unit costs from greater efficiency passed on to the consumer in the form of lower prices, will increase real purchasing power. This would be an important contribution in preventing a depression.

There is greater optimism today than a few months ago that 1947 can be a year of orderly readjustments. If it is, we should not lose sight of the fact that the possiblities of a severe post-war depression may confront us in the more distant future. A "new era" psychology may develop, as it did after the last war, to blind us to the danger signals present. The growing rigidities in our economy may make more difficult the long-run war-to-peace adjustments. Our problem has not been made easier by the early withdrawal of war-time controls. Private enterprise was handed the job of restoring order to our badly disarranged economy. Our vast funds of spendable dollars are an instrument for good or bad, depending on the use to which and when they are put. We have, today, three times as many spendable dollars as we had in 1939. Shortages of capital goods and an ample supply of funds may contribute in the future to an excessive investment boom such as we experienced in the 1920's.

What can we do to insure a long-run prosperity and avoid that future potential depression? The government can utilize its taxing and spending power. Price readjustments within the economy itself can be made and undoubtedly will be made. We can develop a psychological attitude that does not blind us to the facts of economic life. Finally, and perhaps most important of all, cooperation between management and labor is essential. In my judgment, the next decade will be the real test for free collective bargaining in America and I am confident that there are enough far-sighted persons on both sides to insure a realistic cooperation based on the separate interests of each group within the framework of the public interest.

Items About Banks and Trust Companies

(Continued from page 652)

The Bank of Bluffs, Bluffs, Ill. became a member of the Federal Reserve System on Jan. 13, it was announced by the Federal Reserve Bank of St. Louis, which said:

"The new member started as a private bank in 1893, and was chartered as a State bank on Sept. 23, 1920. It has a capital of $50,000, surplus of $10,000 and total resources of $1,035,178. Its officers are: J. A. Knoeppel, President; C. R. Wills, Vice-President and Cashier, and Vera H. McCaleb, Assistant Cashier.

The board of directors of the Boatmen's National Bank of St. Louis announced the election on Jan. 15 of Tom K. Smith as Chairman of the Board; Harold T. Jolley as President and Albert Wagenfuehr as Chairman of the Executive Committee.

Following the annual meeting of the board of directors of Mercantile-Commerce Bank and Trust Company, St. Louis, held on January 13, it was announced that W. L. Hemingway, President of the bank since 1933, had been advanced to the position of Chairman of the board from which post he will continue his active duties with the bank. Mr. Hemingway served as President of the American Bankers Association in 1942. He was recently elected a member of the board of directors of the Chamber of Commerce of the United States. At the same meeting, Gale F. Johnston, Vice-President of Metropolitan Life Insurance Company of New York, was elected President and will assume his new duties February 1.

The election of J. Howard Ferguson to the Executive Vice-Presidency of The United States National Bank of Denver, Colo., on Jan. 14 by Thomas A. Dines, President of the bank, following the Janu y meeting at the board of direct rs.

Mr. Ferguson joined the bank in September, 1945, as Vice-President, following many years' experience in banking in New York City. He attended the University of Nebraska, where he was graduated in May, 1924, with a Bachelor of Science in Business Administration. Between 1924 and 1929, he worked in various capacities with the General Electric Company at Harrison, N. J., and with the National Bank of Commerce and the French American Banking Corporation in New York City. In 1929 he went to the Commercial National Bank and Trust Company of New York as Assistant Cashier, and later held the offices of Assistant Vice-President and Vice-President with that bank, where he remained until going to Denver. Since his connection with The United States National Bank, Mr. Ferguson has been in charge of credit and operations affairs.

Other appointments of officers at the directors' meeting of The United States National Bank included that of Rollo Jacobs, formerly Assistant Vice-President, to Cashier; Neil F. Roberts, formerly Assistant Cashier, to Assistant Vice-President; William Raukohl to Assistant Cashier; and M. F. Hill to the newly created position of Auditor. Floyd M. Wilson, of Lamar, Colo., Chairman of the board of the National Alfalfa Dehydrating and Milling Company and a director of the First National Bank of Lamar, Colo., was elected to the board of directors of The United States National Bank. T. A. Dines is Chairman of the board and President of the bank.

The progress made by the Anglo California National Bank during 1946 was reported in detail on Jan. 14 by Allard A. Calkins, President, at the annual meeting of shareholders. The total operating earnings of the bank for the year were $8,620,154 as compared with $7,468,010 for 1945. After deducting current operating expenses, including taxes, the net current operating earnings were $2,437,260, equivalent to $3.25 per share on the 750,000 outstanding common shares. The 1946 net operating earnings were slightly less than those for 1945, as a result of increased expenses, particularly salaries and taxes. Nonrecurring earnings, it is announced, amounted to $2,269,961, bringing total earnings and profits to $4,707,221 which, after provision for losses, write-downs and non-recurring expenses, resulted in net earnings and profits of $3,860,719, as compared with $2,789,821 for 1945. At year-end 1946, book value per common share was $33.85, and unallocated reserves were equivalent to $1.98 per share, or a total of $35.83 per share.

At the end of 1946, the Anglo Bank had total deposits of $442,676,952 as compared with $481,553,686 on Dec. 31, 1945, a decline of $38,876,734. The decrease was caused entirely by withdrawal of United States Government deposits, the total of which was reduced from $76,156,915 at the end of 1945 to $10,290,189 at the end of 1946, in accord with the government withdrawal program. These United States Government deposits represented chiefly funds of the United States held on temporary deposit and arising from the sale for its account of its securities. All other classes of deposits increased a total of $26,989,993. A marked increase is noted in loans and discounts, which rose during the year from $60,308,842 to $94,457,673. Cash and securities totaled $373,136,719 at year-end and resources $483,551,078. As of Dec. 31, 1946, Anglo Bank's capital, surplus and undivided profits, not counting reserves, aggregated $25,385,060.

During 1946 the bank established a branch at Fresno, thus bringing the total number of offices to 23, serving 13 northern and central California communities.

At the meeting Otis R. Johnson, President of the Union Lumber Company, and Herman Wobber, associated with the Twentieth Century-Fox Film Corporation and Wobber Brothers, were elected members of the board of directors. All officers were reelected for the ensuing year.

At the annual meeting of shareholders of Bank of America, all directors were re-elected, and at the directors' organization meeting which followed, all officers of the bank were reappointed. In his annual report, President L. M. Giannini said that the record developments in the bank during the year just closed were shaped chiefly by the economic conditions in California after cessation of extraordinary government spending, and by the keystone policy of conducting Bank of America as a utility for all the people. Deposit accounts, the report revealed, were equal to 383 accounts for each 1,000 people in the state and included 1,328,340 checking and 2,276,630 savings accounts. Stockholders now number 155,482. California's growing importance in world trade was indicated by figures of the bank's International Banking department showing a 259% increase in the issuance of letters of credit, and a 279% increase of letters of credit through Bank of America by foreign banks.

Transfer of $2,000,000 from undivided profits to surplus and election of John T. Tenneson, prominent fish packer, and three management representatives as members of the board of directors were voted on Jan. 14 by the National Bank of Commerce of Seattle, Wash. at the annual meeting of stockholders. Made possible by continued satisfactory earnings, the addition to surplus comes in accordance with the policy of the bank to serve the financing needs in communities where it has branches and to participate increasingly in providing the funds necessary for expanding industry generally.

Directors, at their annual meeting, elected Ralph J. Stowell a Vice-President, and announced other promotions and transfers. Mr. Tenneson was elected a director of the Seattle Branch of the Federal Reserve Bank of San Francisco last March, and is now Chairman of the Seattle board.

Of the three representatives of management elected to the National Bank of Commerce directorships, one is Carl L. Phillips. Promoted last September to the newly created office of First Vice-President, he had been a Vice-President since 1937, and joined the Commerce organization as a messenger in 1912. Arthur W. Faragher, who was elected a Senior Vice-President last September, is another new director. Specializing in national accounts since 1937, he previously was a Vice-President and manager of the Central Branch, Mr. Faragher joined the Commerce group in 1926 as Vice-President at the Marine Central Bank, resigning as Assistant Treasurer of the Milwaukee Railroad. Maxwell Carlson has also become a member of the bank's board. He has been associated with the bank since his graduation from Dartmouth College, first being employed July 1, 1929. He was elected Vice-President in charge of operations a year ago, and now also has major loan supervision responsibilities. Mr. Stowell, who is Manager of the Central Branch, has been in the Commerce organization since 1927 following his graduation from the University of Washington in 1927. He was elected Assistant Vice-President and assigned to the Central Branch in Seattle in 1941, became Manager of the Ballard Branch at its opening in December, 1944, and returned to Central as Manager a year ago.

Total resources of Barclays Bank Ltd. as of Dec. 31, 1946, are reported at £1,230,815,657, representing a further increase and an all-time high in the history of the institution according to cable advices received by the New York Representatives of the bank at 120 Broadway, New York City. Deposits have also reached a record figure, namely, £1,171,726,108, representing an increase of £164 million, compared with a year ago. Investments are shown at £278,619,773 of which £267,114,764 are securities of or guaranteed by the British Government. Advances to customers have increased by approximately £31 million and are reported at £197,930,938. A noticeable change is that in bills discounted which have increased from £95,508,899 to £156,015,890 indicating increased use by British commerce and industries of the bank's facilities. Other asset figures are given as:

Cash in hand and with the Bank of England, £98,964,528; Balances with other banks and cheques in course of collection, £47,625,900; Money at call and short notice, £67,270,600.

Barclays Bank Ltd., one of the "Big Five" English Banks, recently declared dividends at the rates of 10% on the "A" stock and 14% on the "B" and "C" stock, which rates are identical with those paid for many years past.

The directors of Westminster Bank Ltd., London, announced the following appointments as from Jan. 1: W. T. Ford, a Joint General Manager, to be Deputy Chief General Manager, and A. D. Chesterfield, an Assistant General Manager, to be a Joint General Manager.