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We Must Be Strong To Avoid War: President Truman

President, in Kansas City address, stresses strong military forces, natural resources, and prosperous economy to prevent aggression. Criticizes reduced appropriations for Interior and Agricultural Departments and calls for subsidized farm program. In Ottawa address he points to century and a half of American - Canadian peace and cooperation as example to world.

President Truman

President Harry S. Truman, in an address at Kansas City on June 7, announced that "as citizens of the strongest nation in the world," it is our obligation to "to lead the peoples of the earth toward the goal of lasting peace," and reiterated his firm adherence to the United Nations. At the same time he urged the maintenance of a strong and unified military establishment and a prosperous economy, with conservation and development of natural resources along with a continuation of a program of soil conservation and agricultural subsidies. He took occasion to protest against reduced Congressional appropria-

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Free Enterprise Must Develop Own Emotional Appeal

By DR. WALTER SULZBACH*

Pointing out that Marx was better psychologist than economist, Dr. Sulzbach asserts real liberals now must overcome successful authoritarian slogans and emotional appeal with their own positive "religion" to "sell" their superior cause. Concludes if advocates of free enterprise understand the psychology of political programs and social movements, they can still conquer state tyranny.

Free Enterprise Losing Ground

Free enterprise has been losing ground everywhere since the 1870's. The United States and Canada are almost the only important countries that have not officially adopted some kind of socialistic economic policy. But even in North America free enterprice is on the defensive. It finds few effective advocates, and where its supporters are politicians they are ever conscious of the interventionistic demands of their electorate. Though the Republican party pays lip service to free enterprise it silently endorses a great part of the New Deal legislation. For Britain, Winston Churchill's Conservatives have quite recently declared that as far as they are concerned the so-

Walter Sulzbach

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**Dr. Sulzbach is author of "Capitalistic Warmongers — A Modern Superstition"; has recently completed a study "German Experience with Social Insurance" for National Industrial Conference Board. He is a lecturer at New York University.—Editor.*

Outstanding Developments in Electric Industry

By GROVER C. NEFF*

President, Edison Electric Institute

Mr. Neff outlines as developments: (1) lower unit costs of electricity to producer and consumer; (2) a productive capacity to meet public demands; (3) expansion of comprehensive policy of rural electrification; (4) improved public opinion toward utiliprises. Points out improved service and denounces discriminating utility taxes.

A Fast Growing Industry

The growth of demand for electric service outraces the estimates of even its own boosters. We are part of an industry that has not yet fathomed the limits of its usefulness. The December, 1946 peak load for the nation at large and the kilowatt-hour output of that month were well above the highest corresponding figures during the war period, and the present demand continues to run considerably ahead of last year.

Grover C. Neff

Several factors are contributing to this sharp growth of peak load. Industrial activity is at a high level. But many manufacturing establishments are operating only

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*Presidential address of Mr. Neff at the Fifteenth Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 3, 1947.

As We See It

EDITORIAL

The Truman Doctrine

In Kansas City last week the President made another obvious attempt to lay out in broad outline next year's political campaign as he would like to have it fought. It remains to be seen whether he can carry his party with him, and thus make his program the program of the Democratic party. At the moment it is rather more a sort of overall "Truman Doctrine" than anything else. Whether it becomes something more than that will doubtless depend largely upon the reaction of the public meanwhile. It appears profitable, therefore, to analyze what the President is saying in some detail despite the obvious fact that much of it, if, indeed, not all of it, is the now long familiar and oft-repeated balderdash which has from the first characterized New Deal pronouncements and New Deal propaganda.

The President begins his analysis by again insisting that we must remain "strong." It is, he says, the only safe policy, and a policy essential to any reasonable hope of continuing peace. As a broad generalization this assertion of the President is quite generally

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Our Broadened Responsibilities

By THOMAS I. PARKINSON*

President, The Equitable Life Assurance Society of U. S.

Insurance executive praises accomplishments of electric power industry and compares their present problems with that of life insurance companies. Sees need of continual large investment in power companies, but points out present interest rates are too low to expect large absorption by insurance and savings institutions. Scores Federal fiscal policy and pegging of interest rates, and blames Treasury for excessive inflationary money supply. Sees recession ahead, but no severe depression.

We are much alike, as indeed are all important businesses in this modern world. You, I am told, have 37 million customers. We have nearly twice that many policyholders and, in all, we boast of 165 million policies outstanding on the lives of the people of this country, representing the obligations of the life insurance companies to them and their beneficiaries.

T. I. Parkinson

While our problems are similar, they are not always exactly alike. I remember some years ago, that Floyd Carlisle called together a group of us life insurance executives, and having entertained us handsomely, proceeded in his dignified and somewhat solemn way to tell us of the problems that he was confronted with in the good old Consolidated Edison. Those problems were pretty much on the side of refinancing, and that's a tender subject with us. Later, in reporting to another group the occasion to which I have just referred, he said it was a great disappointment to him, that having brought together that great aggregation of life insurance brass, he got out of them not one damned idea.

Well, you know, when your interest is in refinancing at a lower coupon rate, you can't expect us to be enthusiastic to help you solve your problem. Yours, of course, is capital at a lower cost. Ours is investment at a higher yield. We both have the problem of devising a good product, and of selling it. We in the life insurance business think we have a good product. We put a very great deal of time and energy into selling it, and we find that we have not only to sell it, in this year, and this month, but we have to sell it again next year, and indeed, again next month. In other words, our selling problem is a continuous one. We know it.

Accomplishments of Electric Industry

You have a similar problem, not merely to have a good product, as you have, but to sell it, and I want to make a few observations this morning with respect to the difficulty of selling your product, ways and means of selling it more effectively, and the consequences to you.

Even though your product is good, you have to keep people aware of the fact that it is good and that is not an easy job. You have the advantage, which may sometimes be a disadvantage, that your product is so universally used, and so easily and automatically turned on and off. Those of us who lived before 1890, and

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*An address by Mr. Parkinson before the 15th Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 5, 1947.

Don't Dilute Capitalism!

By EMIL SCHRAM*

President, New York Stock Exchange

Stock Exchange executive protests against diluting capitalism with applications of socialist philosophies. Holds checks and balances provided by free enterprise system are better means of securing and maintaining economic stability and progress than planned economy of communism. Lays down precepts for innoculating capitalism against dilution, and distinguishes between policing and meddling by government. Decries fears of depression and insists taxes should be levied only for revenue.

We are in a situation today where we have to face facts. The United States and Canada are the last citadels of democratic capitalism. And even here the competitive enterprise system has been diluted to some extent by ideas inflicted upon us by socialistic philosophers. We have not, of course, diluted our capitalism as much as the British have, nor have we had to compromise with Communism. As compared with other countries, Americans and Canadians enjoy a reasonably free economy.

Emil Schram

It is a basic part of the Communistic ideology, originating with Karl Marx, that capitalism contains within itself the seeds of its own destruction. The Soviet Politburo is teaching the people of Russia to believe that ruinous, terrific depressions soon will spread misery in America to the extent that our people will revolt and demand a different system.

The London "Economist" recently said that the Soviet political picture at this time might be entitled, "waiting for the American slump." This picture would show the aging Stalin "waiting in the Kremlin—just a shade impatiently—for an American slump in his time." The rulers of Russia, for public consumption at least, pin their hopes on the alleged weaknesses of our system more than on any boasted strength of their own.

This propaganda, in one form or another, I am sorry to say, tends to make some people of capitalistic countries lack faith in the American system of enterprise and tremble at the imperfections which uninformed foreign fanatics hope it involves. When potential weaknesses appear, the public often insists that the government take prompt steps.

All such steps involve a tampering with the delicate system of economic and social checks and balances. And when any of these checks and balances of the enterprise system are circumscribed, our economic system, which is intended to operate automatically, loses some of its fundamental strength. Diluted capitalism, therefore, should not allow itself to become apologetic in competition with militant Communism, which is the most missionary system in the world, a proselyting system which never fails to exploit itself and which never admits its glaring defect. It is the philosophy of Communism to go into all the world and spread the gospel. Communism teaches that the world cannot remain half communistic and half capitalistic. The Soviet leaders tell the Russians that the communistic system must die in Russia or the capitalistic system must die in America.

How to Innoculate Capitalism

This is bigoted politics, bigoted economics, and bigoted nationalism. There are, it seems to me,

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*An address by Mr. Schram before the District of Columbia Bankers Association Convention at Bedford Springs, Pa., June 7, 1947.

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Why American Enterprise Keeps Ticking

By VIRGIL JORDAN *
President, National Industrial Conference Board

Dr. Jordan calls attention to growing indifference to drift from economic freedom in this country, despite monumental tomes written to extol free enterprise. Decries disappearance of both domestic and international free markets and attacks state-developd labor union monopoly. Says current collectivism by remote control will lead eventually to out-and-out Socialism. Denies free enterprise cannot be made to work and contends business profits are illusory and we are beginning to consume our capital.

There is a suggestion of curiosity or surprise in the title you assigned for these comments and, whether intended or not, it is surely justified. Two years after Communist Russia won the war against her Nazi ally, with some slight assistance from America, this competitive capitalist enterprise economy of ours is still ticking energetically to keep the various collectivisms that cover most of the rest of the world from collapsing completely, and to provide the doles on which their impoverished peoples are living while they await the collapse of private capitalism which their politicians prophesy for their entertainment and encouragement. It is a strange and not altogether happy spectacle, this picture of America in the midst of the modern collectivist One-World of beggar and robber nations who depend upon the productive power of her individual competitive enterprise though neither believes in the other or has much love for it. Considering what has been happening here during the past 15 years, our part of the picture is perhaps the more puzzling, and as an old hand at the role of Jeremiah, I find myself wondering, too, what makes this enterprise economy keep ticking so strongly. The resounding ticks of the statistics of current production, trade, profits, employment and income are reassuring, but are we sure the clock is telling the right time, and if we open the case and have a look at the works, what will we see?

Dr. Virgil Jordan

Whether we are concerned with the political time or the economic time, I suspect it is later than any of us think when we look at the American clock, and if we examine its works realistically it will appear that some of the finest jewels of the movement have become badly worn, the mainspring considerably weakened, and the balance-wheel a bit wobbly, because of the abuse or indifference with which it has been treated during the past decade or two. I have not the least doubt that we can put it in good shape if we want to and are willing to pay the price; but it will not be a simple or easy job, and we had better start soon.

I suppose that the American economy today is practically at the highest peak of production on record in relation to the amount of labor time and effort, capital, tools and other resources being put into it. In saying this I do not except the war period, because most of the measures of output and input during that time were so distorted that they cannot be compared with the present or the past and their significance is doubtful. The high current levels of production, consumption, income and business earnings have been a great handicap to the spokesmen, interpreters and prophets of free enterprise who have been viewing with alarm the governmental and labor policies of the past decade and are still active or vocal in that profession. Most of the things they have been saying about the effects of these policies have been heavily discounted or even cancelled out by the apparent continuous increase of employment, wages, business profits and general prosperity, and the fact that the great mass of the people seem to be better off. The postwar depression and the earlier catastrophes that were forecast as the inescapable penalties of these policies have so far failed to appear, and this may explain the nearly complete indifference most Americans, including many in the business community, have shown toward efforts to arouse their fear or resentment about the perils to economic or political freedom these policies have implied.

Current Economic Picture Misleading

Nevertheless, the current picture of the position of the American economy is in many important respects seriously misleading and even largely illusory, and the dangers that face it are still real and perhaps greater than they have been in the past. Subtle and far-reaching changes have occurred in it and in the people who operate it or compose it, and though they may be slow and unseen their effects will ultimately appear unless they can be retarded or removed. It has drifted much closer to the condition of the collectivist economies in the rest of the world than most of us imagine, and it is very difficult to define or describe accurately or realistically the character of the

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*An address by Dr. Jordan before the Fifteenth Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 4, 1947.

Future of Electric Industry

By L. E. OSBORNE*
Vice-President, Westinghouse Electric Corp.

Asserting electric power industry is in period of greatest expansion, Mr. Osborne predicts output of 300 billion kilowatthours annually in next five years. Sees as problems ahead: (1) higher operating costs without corresponding increase in production; (2) provision for expanding use of electricity; (3) further technical improvement and trained personnel; and (4) better employee relationships. Deplores declining interest of engineers in electrical industry.

Naturally, as a representative of the electrical manufacturing industry, I am interested in the electric power industry and its welfare. No one could be more anxious for this industry to prosper than I. And on the basis of past performance, and tremendous possibilities ahead, the future looks exceptionally bright—at least from the viewpoint of one who is not within the utility industry but is closely allied with it.

L. E. Osborne

Let's look for a moment at the record of this indstry—say, over the past 10 years.

Since 1937, installed generating capacity has increased 8½ million kilowatts. Almost 7 million customers were added to your systems. And while generating facilities were expanded only something like 25%, over 75% more kilowatthours are being delivered to customers.

I don't need to dwell on the performance of the utility industry in the war. Everybody knows that electric power was the one major commodity which was never seriously in short supply and which did not require rationing. Probably the most remarkable thing about the electric power industry's war record is that the vastly increased loads imposed by the war were handled with a very small increase in facilities.

The ready availability—and dependability—of electricity has come to be accepted as commonplace. An executive of a large metropolitan utility not long ago told me that on the modern parts of their system they had only about five customers out of every 1,000 whose electric service was interrupted at any time in a given year. On that basis, this executive pointed out, any one of his customers could expect his lights to go off once in every 200 years. I don't know how much satisfaction that's going to give a man who wont be around 200 years to check up on his lights . . . but it does indicate that electric service seems close to the ultimate as far as the average consumer is concerned.

Few people realize how much electric power has contributed to the emancipation of American labor. Some statistician has determined that a manual laborer, wielding a pick or grinding a stone, can produce about one-fiftieth of a horsepower continuously for an eight-hour day. I mention this only to point out that by 1950 there should be 7½ horsepower of electrical equipment per worker in American industry. To give these figures a twist, they mean that the average American workman will have at his command the equivalent of about 400 slaves of Pharaoh's time.

The Future

Now what about the future of electric power? I believe it has a future that would create envy in many other industries.

Electric power is a growing industry. Its potentialities are great. All about are new fields in which new uses for electric power can be promoted. Even what we might call old fields haven't been exhausted. The national average residential use of electric power has approximately doubled in the past 12 years—but some areas have a residential power consumption which more than triples the national average. This gives an idea of what still can be done in the residential field.

The war brought many new industrial uses of electric power which are only beginning to be

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*An address by Mr. Osborne before the Fifteenth Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 3, 1947.

BUSINESS BUZZ

"We Fasten Our Letters With Clips, Miss Brown—Not Chewing Gum!"

Federal Fiscal Policy And Debt Management

By AUBREY G. LANSTON*
Vice-President, First Boston Corp.

Mr. Lanston analyzes views regarding national debt management and criticizes Treasury's policy of maintaining pegged interest rates. Says aim is to keep government bond prices stable, regardless of need to restore competitive equity between borrowers and lenders of money. Reveals "trading" activities of Treasury with its trust fund investments.

Recently I read a very interesting book entitled "Cycles." Later I had the pleasure of listening to the author comment briefly on his studies and theories. One of his observations was that casual analyses of future prospects produced such a high degree of error that it seemed plausible to question whether they were worthwhile. He pointed out that it was possible to discover a rhythmic flow in all sorts of things that was sufficiently regular to warrant the conclusion that the basic rhythms were predictable, and that while man might mitigate major trends, he could not alter their course. With charts, he illustrated the regular rhythms in the growth of a crocus, the propagation of foxes, the trends of various industries, the economic lives of nations, and even the emotional ups and downs of some employees of the Pennsylvania Railroad. This gentleman called attention to the ostensible fact that the various rhythms that comprise our historical business trends are now combining to produce a trend which could be correlated only with a deep, severe depression. I doubt, however, that many of us would be willing to operate our businesses on the probabilities or possibilities of historical rhythmic repetitions. I believe we would prefer to rely on casual objective thinking. If we were to accept this author's somewhat fatalistic concept of life, there would appear to be very little to be gained from much of human effort. For my part, I believe that success or failure to obtain proper labor legislation, tax legislation, and management of the public debt will contribute a great deal to the determination of whether we will experience a moderate business recession, or whether such a recession will prove to be simply

A. G. Lanston

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*An address by Mr. Lanston before the Convention of the District of Columbia Bankers Association, Bedford Springs, Pa., June 5, 1947.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures
Paper Output

Two major pieces of legislation of vital concern to business, industry and the public have finally been approved by Congress the past week and now await President Truman's acceptance or rejection.

The first in order is the tax bill calling for cuts in personal income taxes which would, according to estimates, add somewhere in the neighborhood of $4,000,000,000 to the purchasing power of consumers. This necessary relief from the heavy burden of wartime taxes would be effected by percentage reductions in individual income tax rates, amounting to 30% for smallest incomes, 20% for those of moderate and larger size and 15% and 10.5% for very large incomes, thus, in the opinion of its advocates, making for the most equitable distribution of benefits possible.

While the House approved the tax bill in its final form by more than a 2-to-1 margin necessary to make the bill a law over a possible Presidential veto, Senate support of the measure was not as strong, the vote being 48 to 28, thus leaving the fate of tax reduction to the President's discretion.

With respect to the second measure, the Taft-Hartley labor bill, approval by both houses of Congress, was arrived at late last week and it finally reached the White House on Monday of the present week for President Truman's consideration. Its fate is less uncertain than that of the tax bill, since the vote was large enough to permit of its becoming a law over a possible veto by the President. Late reports state that Mr. Truman will withhold action on both measures until his return from Canada on Friday, next.

In support of tax reduction, proponents of the measure hold that current government statistics reveal signs of a business recession which left unchecked might lead to serious difficulties, while a cut in taxes would provide fresh incentive for venture capital and place new purchasing power in the hands of consumers.

Those espousing the negative position contend that should the tax bill become a law, surpluses that would otherwise be available to take care of foreign commitments would be used for tax reduction and would thus destroy the effectiveness of the Administration's foreign policy.

COURSE OF THE STOCK MARKET

The stock market the past week assumed a spirit of caution which was reflected in slow trading and a drop in volume to 517,000 shares on one day, the smallest, according to reports, in close on to a year. For a time prices rose to their highest levels since early the past month, but subsequently a lower trend altered previous gains. At the close, however, sufficient recovery set in and resulted in fractionally higher averages for the week.

ON THE INDUSTRIAL FRONT

With the improvement in the supply of may raw materials and the settlement of most labor strikes, manufacturing operations continued high in the week. Holiday closings of many industries cut the total volume of production somewhat from the previous week's level. With regard to the Nation's work force, employment remained relatively steady the past week. This in itself is a healthy sign, and with supply being far from demand in durable goods this high level of employment should hold up well into the future.

NORTH AMERICAN CO. OPTIMISTIC OVER BUSINESS OUTLOOK

In the first quarterly report of the North American Company for 1947 Edward L. Shea, President, touching upon the future outlook for business had the following to say:

"During the first quarter of 1947, our business has reflected a high rate of activity in general industry.

"We do not wish to attempt to forecast business conditions. There has been considerable discussion, in public and in private, of a recession in business, or even of a depression. We would like to make one contribution to this discussion however:

"From the point of view of our own experience in furnishing electricity for industrial and commercial purposes, we see little to justify a pessimistic outlook with regard to the course of business in the near future. In fact, our figures seem to indicate that a slowing up in some branches of industry is offset by continued progress in other lines."

AUTOMOTIVE TRADE PROSPECTS BRIGHTEN

Pointing to "encouraging prospects" in the forging steel field, Ward's Automotive Reports, estimated car and truck output in the United States and Canada last week at 98,643 units. This compared with a revised figure for two weeks ago of 79,315 units. A year ago the total was 43,175 and in the like period of 1941 it was 133,645.

The current week's figure was made up of 72,858 cars and 20,585

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Observations . . . .

By A. WILFRED MAY

POLITICS AND WORLD BANKING

WASHINGTON—Today's universal dominance of *political* factors over economic processes is nowhere more strongly highlighted than at the World Bank. As far as its basic policy goes, this is clearly evidenced by President McCloy's announcement here this week that the purpose of the fact-finding mission which the Bank is sending to Poland is to take into account "political conditions bearing on the economic"; and his indication that the Polish-Russian political relationship must be importantly weighed. While the Articles of Agreement provide that the "proceeds of any loan . . . are used without regard to political or other non-economic influences or considerations," in the present state of world affairs such economic purism can be nothing more than an economic gesture.

A. Wilfred May

Influencing the operations within the Institution itself the motivation of political interest crops up at various stages. For example, consider the technically-directed Loan Department, which analyzes the applicant country's general economic condition, its definite objectives, and provision for administrative controls. Even in this very special sphere political motivation at least *seeps* down from the upper-stratum Board of Governors; operating in a way somewhat similar to the conformity of some staff journalists to the unexpressed, but well-understood, views of their respective publishing heads.

Political judgment enters into the technical operations of the Loan Department in connection with its obligation to appraise the increased exports likely to result from the prospective Loan's proceeds. For such dollar-productivity can be affected by a great variety of political factors ranging all the way to future changes in internal regimes.

Very elaborate provisions exist for the *policing* of loans after they have been granted, to prevent the haphazard and indefinite administration of credits—as by Greece with past Export-Import Bank monies. Under the aegis of the Treasurer's Department of the Bank such functions are termed "supervision of the end use of Loan proceeds." For "teeth" of enforcement the Bank must needs depend on the threat of the future withholding of further future credits; but it must be realized that such action really constitutes economic warfare—an extreme step whose use is prone traditionally to be shunned because of its proximity to military warfare. Such "teeth" constituted by the threat to withhold future loans are likewise weak, because the borrowers acquire the funds during one to three years, whereas the *quid pro quo* of their repayment contract runs for twenty-seven years thereafter.

LARGE-SCALE BAILING-OUT OF THE BONDHOLDER

From all the current talk about *Dollar Shortage*, one might think that this constitutes something new. Actually, of course, our export surpluses, and Europe's deficiencies of goods shipments to pay therefor, have existed ever since First World War times. The "chips" which Uncle Sam has shelled out to take the place of import shortages have successively taken the form of War Debts, private foreign loans in the 1920's, continuous purchases of gold during the 1930's; and now grants through UNRRA, Lendlease, Army relief work, the Export-Import Bank, direct loans and Congressional Relief Appropriation.

In the long-run, the World Bank investor thus must be bailed out by politico-eleemosynary institutions. With realism the prospective buyer of the Bank's bonds must decide for himself (a) whether bailing-out by another institution will ever be necessary; and (b) if the process is deemed necessary, whether he can confidently rely on its again being done.

A direct tie-up with U. S. domestic politics is the ultimate dependence of the Bank upon the success of the embryonic International Trade Organization—or in the event of that body's definite scuttling, upon our politics-determined tariff policies.

TIGHTROPE-WALKING

The articles of the Bank provide that before granting a loan it must be satisfied that the borrower would be unable to obtain the credit (under reasonable conditions) from other sources.

The resultant acquisition of loans that cannot stand on their own feet as "hard-boiled" business risks, and the leaving of "the cream" to private lenders will at least tend to fill up the Institution's portfolio with the less desirable paper. Again, contemplated willingness to sell out loans from the portfolio where possible, is another manifestation of the *social*, rather than the *investment*, foundation of the Bank. Chairman McCloy seems to describe his dilemma perfectly in terms of walking a tight-rope between, on one side, granting socially-useful doubtful credits, and on the other safeguarding the capital contributed by the purchasers of his debentures.

Travers & Bartsch to Be Formed in New York

Walter E. Travers, member of the New York Stock Exchange, and Thomas W. Bartsch, member of the New York Stock and Curb Exchanges, will form Travers & Bartsch, with offices at 120 Broadway, New York City, effective June 19th. Mr. Travers has been doing business as an individual floor broker. Mr. Bartsch was a partner in W. R. K. Taylor & Co.

Four With Dean Witter Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Walter A. Anderson, Tim McLaughlin, Donald Truesdell, and Eduard S. Walden have become associated with Dean Witter & Co., 632 So. Spring Street. All formerly were with Cruttenden & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

One of the most ingenuous propaganda devices being applied to the Republicans these days, and effectively, is that they must hold to a bipartisan policy on foreign affairs. Politics, they are smugly assured by our heavy Eastern journalistic thinkers, must stop at the water's edge.

The plain meaning of this is that politics in our country is just a game to be played by the respective parties for their own selfish gain, having little or no relation to the wishes of the people and that the rules of the game require that it be confined to the home grounds. It is not the science of government, as we had been taught to believe, a process by which people voted

Carlisle Bargeron

for men who believed about things as they did, and against those whose ideas and performances they disliked.

This cannot be the case if the "politics must stop at the water's edge" rule is to apply, because then there are no rival or differing politicians for whom people who dislike what is going on in foreign affairs can vote. And that, frankly, is just exactly what the propagandists of the bipartisan policy want.

It was put pretty plainly and arrogantly by one global minded editor the other day. Urging Truman to veto the tax bill because we can't tell what our "obligations" to Europe will be next year, he called upon the Republicans not to make an issue of this business, because it was something the people could not understand. Therefore, the idea is for the two parties to stand together and the people will have no choice but to take it and like it. That is bipartisanship.

Henry Wallace won't go for it and if you think he is giving the Administration the jitters these days, rest assured that he is giving the Republicans the same. The crowds Henry is drawing, with paying audiences at that, have got them lifting their eyes and creasing their foreheads in both camps. With the Administration it is the thought of what Henry is doing to them. With the Republicans, it has got them to wondering if they hadn't better get off of this bipartisan stuff and get back to being natural.

There is scarcely one of them, including Vandenberg, who isn't fed up to the neck about giving money to Greece and Turkey to stop Communism and giving it to Communist ridden countries to help it thrive, about the hog wild plans of habilitating and rehabilitating the earth, about the screams of anguish concerning the potency of the atom bomb, one of which we are told, would destroy us, and the spending of billions on an Army and Navy, apparently to be destroyed at the same time. They are dubious about the grandiose research plans of the Army and Navy, of their having consigned thousands and thousands of planes to the junk heaps only a relatively short while ago, and now spending millions on new planes when the models of fighting planes in war change almost overnight. The researchers must have unlimited funds, we are told, because we must be prepared against a mighty and terrible foe, 90% of whose citizens, so advanced are they in science, that they can't drive an automobile.

The Republicans are terribly tired of all this but who are they to gainsay the military in such an atmosphere as we are living?

Henry is finding a place in this general disgust and bewilderment. It is not believed that he is developing a following, in that people agree with his bunk about "understanding" Russia, or of lifting up the underprivileged peoples of the world. But in a way he is appealing to their disgust over things, of their desire to wipe out our losses, admit we've been fools again, and let it go at that. The global minders call it the isolationist spirit. Anyway, Henry is appealing to them, offering them something. He is not what they want to hear, but the best thing available.

At least, this is the way the Republican politicos in Washington are pretty generally coming to figure it. And the more they figure it this way, the more they ask themselves why they should go on playing on the bipartisan basis.

It isn't any desire on the part of any group except the Commies and left-wingers, who are organizing the crowds for Henry, and Henry himself, to "understand" Russia or to appease her. It is just a feeling that there is not much we can do about it. With relatively little difficulty, we could certainly run Stalin back to his own borders and then by remaining in the intrigues and bribery of Eastern European politics for the rest of our lives, hold him there. So what?

But nobody here, even in the military, contemplates for a moment doing that. All that is contemplated is to use the situation for spending billions abroad and billions at home for the maintenance of a backbreaking military establishment and for "scientific research."

Any "forceful" action that is likely to be taken in the meantime, will be such as the outcry Truman made when Stalin pulled his coup in Hungary, coupled with the announcement that we were going to cut off funds to that country, only to be followed quickly by the decision, oh, we might as well go ahead giving them the money, maybe we can make Stalin look foolish that way.

Rhythmic Cycles in the Stock Market

By FREDERICK R. MACAULAY*

Consulting Economist, National Securities & Research Corp.

Dr. Macaulay reviews various cycle theories, past and present, and comments on Charles J. Collins' article on "Master Market Cycles" as published in "The Chronicle" of May 22. Concludes that, unless Mr. Collins' formula works much better in the years to come than when applied to period preceding one used in his tabulation, it will not be helpful to either speculator or investor.

Most economists believe that "business cycles" occur because each phase of the "cycle" is accompanied by conditions that, sooner or later, bring on the next phase of the cycle. The theory is sharply separated from the "rhythmic" theories by its emphasis on internal causation and by an absence of any suggestion that the actual course of business cycles will, cycle after cycle, and decade after decade, tend to follow any mathematically rigid periodic series (such, for example, as a sine curve). The proponents of the "rhythmic" theories present rigid mathematical cycles as norms.

Dr. F. R. Macaulay

Sun Spot Cycles

A tendency to base these "rhythmic" cycles on, or at least relate them to, astronomical periodicities soon appeared. By the third quarter of the 19th Century, Professor W. Stanley Jevons was attempting to relate the sun-spot cycle to economic crises; and a few years later (1875) to "the prices of corn and other agricultural commodities." In a short time sun-spot cycles were budding everywhere — and explaining everything. In March 1879, Henry Jeula published (apparently facetiously) in the "Journal of the London Statistical Society" an article on sun spots and the Oxford-Cambridge boat races. To quote from his acticle: "A cycle is believed to consist, as nearly as can at present be ascertained, of about 11 years, of which the 1st, 2nd, 10th and 11th form the minimum sun-spot group, the 3rd, 4th, 8th and 9th the intermediate group; and the 5th, 6th and 7th the maximum group. Of 12 races rowed in the minimum group, Oxford won 66%; of 10 races rowed in the maximum group, Cambridge won 60%; while of 16 races, rowed in the intermediate sun-spot group of years, each university won exactly half."

Benner's Prophecies

In 1875, Samuel Benner, "An Ohio Farmer," published his interesting little book entitled "Benner's Prophecies of Future Ups and Downs in Prices." Benner's cycles are mathematically exact. From them, one is supposed to be able to predict not only prices but also years of prosperity or depression and years of "panic" not merely a decade but also a century ahead—if one so desires. Benner, writing in 1875, makes detailed year by year predictions as far ahead as 1897.

While some of Benner's cycles seem to have disappeared from the literature of the subject, others, such as his 54-year cycle "in general trade," appear in such a recent book as that of Dewey and Dakin.

In his section on theory, Benner offers, as causes, a multitude of astronomical phenomena ranging from sun spots to the dates of the equinoxes of the various planets, especially the equinoxes of Jupiter. While most of Benner's astronomical suggestions have been discarded by modern cycle theorists, we find, in relatively recent times, Professor Henry L. Moore, in a discussion of the causes of the business cycle, stressing the importance of the position of the planet Venus.

Various Kinds of Cycles

At the present time, the planets have largely been returned to the astronomers—and the astrologers. The sun has resumed the dominant position it had in the mind of Jevons. But we now have suggestions of solar cycles of various kinds—cycles that are related not merely to temperature and moisture but also to cycles in the amount of ozone in the air, cycles in atmospheric electricity, etc. And finally for the original sun-spot cycle has been substituted a large family of sun-spot cycles. Dewey and Dakin ("Cycles—the Science of Prediction," page 153) quote a partial list of 25, beginning with a "fundamental" whose period is 312 years and ending with the 24th harmonic whose period is 13.00 years. It is worth noting here that the "periodogram" accompanying this table of harmonics shows that (at least up to 100 years period) the 14th harmonic, which has a period of 22.28 years, is outstandingly more important than any other. I do not remember ever finding this harmonic related to any "human" cycle.

Cycle Relationships

Now there is no doubt that there are important relations between certain solar cycles and certain terrestrial ones — as a clear-cut example, between the original sun-spot cycle and the terrestrial magnetism cycle. But the attempt to discover solar cycles that will fit, and supposedly explain, a large number of (often questionably regular) "social" cycles of varying lengths seems to me possibly traceable to a feeling that, unless the "social" cycle is due to some "external" cause, it could hardly have the mathematically exact characteristics that the searcher after solar cycles does not wish to relinquish.

The readers of this bulletin are

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*Reprinted with permission from "Investment Timing," June 5, 1947, published by the National Securities & Research Corporation, New York City.

Restoration of Monetary Order

By W. RANDOLPH BURGESS*
Vice-Chairman, National City Bank of New York
American Representative at Montreux Congress of International Chamber of Commerce

Dr. Burgess declares monetary order is not aim to be considered by itself, but is bound up with other economic factors, as follows: (1) production; (2) budgetary control; (3) sound central bank policy; (4) balance of foreign payments; and (5) foreign credit. Holds most important weapon for avoiding monetary inflation is preserving central banks' independence from political pressure. Outlines constructive foreign lending policy.

MONTREUX, SWITZERLAND, JUNE 6—Monetary order is not something separate and distinct from other economic factors. It is rather the product of a sound economy. There are indeed certain, specifically monetary actions which have to be taken but they can never, by themselves, alone, produce monetary order. They are useful only when they are built upon a solid base of wise action in several economic areas. To make this point graphically, we may say that monetary order rests on five pillars:

W. R. Burgess

(1) The first such pillar is **production**, for there can be no order unless there is a correct balance between goods and money. Our problem today is inflation, and its chief cause in most countries is the lack of adequate production of goods.

*An address by Dr. Burgess before International Chamber of Commerce, Montreux, Switzerland, June 6, 1947.

(2) The second pillar is **budgetary control.** When the budget is unbalanced, and especially when the government is dependent on the printing of money or borrowing from the central bank, there is a constant increase in the volume of money. Until this increase is stopped monetary order is impossible.

(3) The next pillar is **sound central bank policy** in maintaining restraint on credit expansion (both governmental and private), in absorbing excess currency circulation, and in keeping the currency at a steady gold value.

(4) The fourth pillar is a **balance of foreign payments.** It is not sufficient for a country to produce, it must over a period export enough goods and services to pay for its imports. In addition there must be international understandings for the reduction of trade barriers.

(5) the fifth and last pillar is **foreign credit.** There are some countries which can achieve monetary order only with outside monetary help. For this help to be effective the other four pillars must be firmly set. Foreign

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Financing Industrial Development in Europe

By DR. MICHAEL A. HEILPERIN*
Economic Adviser, Bristol Myers Co.

Pointing out need for foreign capital to finance development of devastated areas, Dr. Heilperin holds European rehabilitation is international problem. Lists as sources of foreign funds: (1) government loans; (2) private investment; and (3) international agencies. Contends private investment is best, but sees unfavorable setting for it in exchange controls and economic nationalism. Calls for a Code of Fair Practices in international investment.

No new industrial enterprise can begin unless those who start it have adequate financial means (capital) at their disposal. This supply of capital serves to purchase the raw materials and equipment, land and buildings, labor and technical skills, which are necessary for the implementation of the project. This is true of every new venture regardless of its size and nature, and regardless of whether it is a domestic or a foreign investment. If we take a country as a whole, new industrial projects are only possible if the inhabitants of the country dispose of resources in excess of their current consumption and maintenance requirements. This is a common phase of economics borne out by the experience of everyday life. However, an under-developed country in process of developing its industrial equipment and production, requires not only capital but also the capacity to purchase abroad. It must be able to finance for an extended period of time import and surpluses that result from the speeding-up of economic development. The establishment of new industries, the development of hitherto unexploited resources, and the expansion of existing productive facilities, all result in increased requirements of raw material imports, of foreign-made equipment and of services of skilled technicians brought in from foreign lands. These requirements have to be met *before* the economic growth can be translated into a larger volume of exports. An import surplus is a characteristic feature of countries that are carrying out large development programs. As will presently be shown, the resulting deficiency of foreign purchasing power can best be met by the influx of foreign capital into the developing country.

Michael A. Heilperin

*Address by Mr. Heilperin at International Chamber of Commerce meeting, Montreux, Switzerland, June 5, 1947.

An International Problem

The need for investment funds and the need for foreign purchasing power, to which reference has just been made, can be met by national as well as by interna-

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Business Recession and Real Estate Values

By RAYMOND RODGERS*
Professor of Banking, New York University

Dr. Rodgers, in maintaining price readjustments from wartime to peacetime basis are overdue, says housing shortage is overrated, and is due mainly to higher individual incomes and high construction costs. Says real estate values are helped by increased supply of capital and credit. Sees possibility of higher interest rates reducing real estate values and looks for accelerated public housing. Predicts unearned increment in real estate holding will disappear and though values may be higher than prewar, they will decline.

A period of widespread and far-reaching price adjustment has begun in this country. This adjustment is overdue. It has been delayed, particularly as regards food, by the enormous purchases of UNRRA and our own government for foreign relief. In addition, heavy purchases by our Army and Navy, excessive inventory accumulation, and restriction of output by labor trouble have further delayed the inevitable postwar adjustment of the abnormal prices of wartime to the realities of peacetime. The question of how these adjustments will affect the prices of real estate is probably of more direct interest to more Americans than any other single economic question. Not being a prophet, I am unable to give you a positive answer to this question. (And, it may be just as well, that such is the case!)

Raymond Rodgers

Although I am not the seventh son of a seventh son and do not have the gift of prophecy, I can, at least, enumerate the upward pressures against real estate values and the downward pressures and indicate the probable effects a recession will have on them. In doing this, I shall deliberately hit only the high spots. This is a professional audience and I shall not waste your time by explaining the obvious or elucidating details which are common knowledge.

Housing Shortage Overrated

Well, let us take first the shortage of housing which we hear so much about. Like Mark Twain's death, it is very much overrated. During the war period when housing construction was supposed to be at a standstill, there were built 2,290,731 family units, 1,658,007 single-person units and 81,136 stop-gap facilities, giving a grand total of 4,029,875 housing accommodations converted or built before VJ day in 1945. (Of course, some of these cannot be used because of population shifts.) And, as you know, there has been some building since 1945.

Our shortage is more **relative** than **absolute.** Relative to swollen industrial payrolls, soaring agricultural product prices, and heavy profits in many lines, there is a shortage. This must be admitted. But, as I have said on another occasion, unemployment can cure the housing shortage much quicker than the construction industry!

*An address by Dr. Rodgers before the New Jersey Chapter, American Institute of Real Estate Appraisers Conference, Elizabeth, N. J., June 6, 1947.

Higher income levels have enabled (1) people who formerly had to suffer roommates, to enjoy the luxury of single occupancy, (2) people who had rooms, to have apartments, (3) those who had apartments to have, or at least demand, larger ones and places in the country, (4) newlyweds, and their number is large, unless forced to do so, to refuse to double-up with the old folks, and (5) above all, caused a great deal of hoarding of housing, especially, of apartments. By this I mean that shortage feeds upon shortage and creates further shortage by forcing people to hoard in self-defense. Thus, a naval officer may now find it necessary to hold onto an apartment in New York City and one in San Francisco, whereas when apartments were plentiful, he could get a furnished one anytime and thus used only one and that one only while he was in port. He doesn't dare to rely on that these days, so he ties up **two** places even though he is not occupying either of them except for short stretches of time. People used to sub-let their apartments when they went to the country for the Summer. They don't dare to do that nowadays for fear that they may not be able to regain occupancy in the fall. A man looking for a new place doesn't dare to give up the old one until the new one is signed, sealed and delivered! These are simple things and you all know them, but they are part of the stuff of which the housing shortage is made. When we once get ahead just a few thousand units, it will be amazing how many units, now being held for protection, will come on the market.

Another factor tending to keep up prices—but not as much as people think— is the record high cost of present construction which has caused building activity to approach a deadlock. The declining value of the dollar reflected in these higher construction costs has also affected the values of existing property. Also, more people than is generally realized have bought real estate because of the mistaken idea that it is a hedge against inflation.

The expectation of relaxation of rent controls and the prospect of their early abolition also have a buoyant effect.

Probably the greatest support to real estate prices other than shortages has been given by the greatly increased supply of credit and capital. The volume of funds seeking investment has been very great. Mortgage amortization provisions, which became common in the '30s, have reduced or retired many mortgages. A war-swollen supply of funds, widespread amortization and practically no privately financed housing during the war years, contributed to the increase in values through loan write-ups based on reappraisals.

Some of my real estate friends insist that mortgage reductions through amortization have been so great that there is no danger of housing being dumped on the market at the first sign of a depression, as in the past. In this connection, may I say that the fellow who couldn't, or wouldn't, make his mortgage payments never dumped his place on the

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Dealer-Broker Investment Recommendations and Literature

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

Aviation Bulletin — Operating results for first sixteen lines reporting in March—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y. Bulletin also contains comment and general market opinion.

Motors—Study of the industry and discussion of recent trends and probable output — Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Railroad Developments — Current developments in the industry —Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

* * *

American Telephone & Telegraph Co.—Memorandum — Bond & Goodwin, Inc., 63 Wall Street, New York 5, N. Y.

Also available is a memo on **General Machinery Corporation.**

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

Also available are memoranda on **Lanova Corp.** and **Taylor Wharton Iron & Steel; Purolator Products; Upson Corp.; United Artists; Vacuum Concrete; Barcalo Mfg.**

Atchison, Topeka & Santa Fe Railway Co. — Research memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Cities Service Co. — Detailed memorandum — Bear, Stearns & Co., 135 South La Salle Street, Chicago 3, Ill.

Consolidated Dearborn — Current developments in **"Review and Preview"** which also contains a brief discussion of current business trends—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Consolidated Rock Products Co. —Detailed study—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Deep Rock Oil Corporation — Memorandum — Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Fashion Park, Inc.—Analysis—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are analyses of **Tennessee Products and Consolidate Dearborn.**

Finch Telecommunications — Analysis—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Fire and Casualty Insurance Stocks earnings comparison for 1946—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Gulf States Utilities Company—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

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

Howell Electric Motors Company—Dsicussion of prospects in current issue of **"Railroad and Other Quotations"**—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

Long Bell Lumber Company—Brochure containing complete analysis from 1935-1946 available on request to investment securities dealers, bankers and financial institutions—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

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

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

Also available is an offering circular on **Stern & Stern Textiles Inc.** and an analysis of **Rome Cable Corp.**

Republic Steel—Circular—Newburger & Hano, 61 Broadway, New York 6, N. Y.

Southwestern Public Service—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Bird & Son, Inc.** and **Eastern Corporation.**

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

Wheeler, Osgood Company — Discussion of future outlook—Sills, Minton & Company, Inc., 209 South La Salle Street, Chicago 4, Ill.

Wilcox-Gay Corporation — Detailed memorandum — Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Also available is a memorandum on **York Corrugating.**

Wilson & Company, Inc.—Memorandum—Bennett & Palmer, 165 Broadway, New York 6, N. Y.

What's Ahead for Business?

By ARTHUR D. WHITESIDE*
President, Dun and Bradstreet, Inc.

Mr. Whiteside makes comparisons of previous periods of boom and depression with present conditions and sees no serious recession or financial crises impending. Says country is gradually moving from an abnormal seller's market to a partially buyer's market which is a sign of health and not of weakness, and holds it is absolutely inexcusable not to look forward to greatest prosperity we have ever known.

It is hardly necessary to remind you that most of us here today are New Yorkers and that what is said and done in New York has an influence on the thinking of the entire country, not because we as individuals are important, but because New York is the dominant economic centre of this country.

A. D. Whiteside

And at the present time New York is giving a very definite impression to the rest of the country that business here is afraid of the immediate future.

In the circumstances, it is not out of place to recall that we did not lose the war, that we did not have 8,000,000 to 10,000,000 people unemployed in the year following the war, as many who should have known better predicted, and we did have good business last year, and better business last fall and the first quarter of this year than we have ever had before, and that we are still having good business with a very few exceptions.

In the summer and early fall of 1946, it was generally felt that we would be deeply concerned if all lines of business continued to expand with rising or at peak prices during the year 1947. It was evident that that pace could not continue without a serious setback, either late in '47 or in '48, because several industries had no reconversion problem and the capacity to produce more than could be consumed. Even with that condition existing, in some instances the prices of their products, when they reached the consumer, continued to advance, some with justification and some without.

What is occurring now is exactly what was expected, that is, a spotty softening in several lines which was inevitable.

At no time in our experience in business, at least during the last 75 years, have all industries at the same time made money with the possible exception of 1944, '45 and '46, certainly not during 1925-1929, so it may be that what is occurring now is normal, and what is normal is considered a depression because it happens to follow a condition which has been uniquely abnormal.

If we examine the current situation in business, we will find other conditions which while entirely normal are inherent weaknesses of some significance. There are weaknesses today in the economic condition of this country, and there have always been weaknesses and there always will be weaknesses, but on the other hand, there are sound conditions which appear to substantially outweigh those of an unfavorable nature.

But in speaking of conditions at the present time and in referring to those of the future, we should make clear what we are talking about—are we talking about (a) a depression compared with 1929, (b) a recession com-

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*An address by Mr. Whiteside at a luncheon of the New York Board of Trade, Inc., New York City, June 11, 1947.

Hanrahan to Continue As SEC Commissioner

The U. S. Senate confirmed on June 5 the nomination of Edmond M. Hanrahan for reappointment as a member of the Securities and Exchange Commission for the term expiring June 5, 1952. The nomination was approved by the Senate Banking Committee on May 27. It was sent to the Senate on May 21.

With Sidlo, Simons Co.

DENVER, COLO.—Raymond T. McCarthy, Jr. has been added to the staff of Sidlo, Simons, Roberts & Company, First National Bank Building.

NSTA Notes

NSTA ADVERTISING NOTES

A letter is now in preparation which will go forward to our entire membership pertaining to a Post-Convention NSTA special issue of the "Commercial & Financial Chronicle." It will be published Aug. 28, with forms closing Aug. 21.

This, our official annual convention number, should be received with much enthusiasm by our entire membership as it will not only include special articles and pictures taken at the convention to be held in Boston, Aug. 10 to 14, but will cover the proceedings thereof and articles of interest to the investment and trading fraternity.

Your Advertising Committee is calling upon the membership to take the same space as last year if possible, and sign up where they have not already done so through Messrs. Beck, Reilly, Murphy and Strickland, representatives of the "Commercial & Financial Chronicle." To date we have over $4,000 in signed contracts and we are anxious to build this amount considerably in view of the fact we, the NSTA, participate in a major way in the gross advertising receipts of this special issue.

All members are invited to communicate with your Chairman with any suggestions or criticism that might be helpful in assisting our annual issue to a most profitable conclusion.

Harold B. Smith, Chairman,
NSTA Advertising Committee,
Collin, Norton & Co.,
30 Pine Street,
New York 5, New York.

NATIONAL SECURITY TRADERS ASSOCIATION

The Boston Securities Traders Association is announcing its first plans for the NSTA Convention to be held in Boston Aug. 10-14. In this connection the Boston Association is distributing to all NSTA members a brochure prepared by the Massachusetts Development and Industrial Commission showing points of interest in Massachusetts.

Programmed for the Convention are an old-fashioned clam bake, with clams, lobsters, corns, etc. Ample time has been reserved for visits to the financial section and historical shrines.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago is issuing the last call for the 21st Annual Field Day to be held Saturday, June 14, at the Acacia Country Club. Events begin at 8:30 a.m.. Dinner at 7:30 p. m.

Golfers will tee off from 8:30 on. Special prizes will be awarded for low gross and low net for guests; and for members, 1st, 2nd and 3rd low gross; 1st, 2nd and 3rd low net; 1st blind bogey; 2nd blind bogey, 1st low putt, and two specials. Golf is in charge of H. B. Oldershaw, of Blyth & Co., Inc., assisted by Gilbert E. Egbert, McMaster Hutchinson & Co., and Joseph M. Lee, of Strauss Bros.

Baseball, games beginning at 3:30 p.m., is in charge of Elmer Erzberger, Smith, Burris & Co., assisted by Fred Cloyes, of Geyer & Co., and Chas. Scheuer, of Valiquet & Co.

Horseshoes in charge of William Gratza, Blair & Co., Inc.

Is Steel Capacity Excessive?

By DAVID F. AUSTIN*

Vice-President and Director, U. S. Steel Corp.

Holding nation's steel capacity is not only in excess of normal consumption, but also in excess of current demand (exclusive of inventory rehabilitation needs), U. S. Steel executive points out present expansion of industry is along specialized lines. Contends prices of steel products are lowest of all basic products and predicts declining profits of steel producers in current year.

Our examination of steel capacity in this country indicates it to be in excess of normal per capita consumption. An examination of the distribution pattern indicates that we are attempting, simultaneously, to perform two separate tasks . . . first, to reestablish the inventories necessary to safeguard our production lines, and, second, to furnish, day by day, the steel to keep those lines operating.

David F. Austin

It is my studied conclusion that the Steel Industry's present capacity is not only in excess of normal consumption, but also is in excess of the steel required to supply even the current demand (exclusive of that needed for rehabilitation of inventory). If you are interested in a personal opinion, I forecast that, if production remains at 90% of capacity or better—and I am hopeful that it will—this inventory problem will be solved, and a balance between supply and demand, in most steel products, will be reached by the end of this year. This balance has already been reached on certain Stainless Steel and Alloy products and on certain sizes of Cold Drawn Bars.

This forecast presumes a year of full production, free of work stoppages and slowdowns, is based on prewar standards of labor efficiency, and is predicated on the presumption that Government directives governing steel for export will remain at current levels. A variation of a single component will, obviously, destroy the value of this prediction.

When you men, individually and collectively, start to buy in amounts which will not further increase your current inventories, then you will know that our task at long last is confined to satisfying current production demand. Then, and then only, will we both know that demand and supply have at last been balanced.

The Industry foresaw, and continues to be aware of, increased demand for certain steel products, and is expanding finishing facilities to meet this demand.

However, this statement should be qualified with a word of caution, for it is important to understand that new facilities being installed by certain companies do not actually increase capacity. Many new units merely replace obsolete and worn-out equipment currently being used, or balance steel finishing capacity.

As many of you know, facilities for the manufacture of flat rolled steel are being expanded rapidly. When all of these planned facilities are completed, and in operation, sheet and strip shipments will rise from the previous all-time high of 16 million tons shipped in 1941, to an amount slightly in excess of 19 million tons. It is my belief that in spite of annoying delays, all of these facilities, comprising an increase in finishing capacity of nearly 3 million tons, will be in operation before the close of 1948.

Within two years, new facilities and new processees in tin mill production will increase capacity from 4 million tons to 5 million tons.

Additional facilities are also being completed which will further expand the production of wire and wire products, as well as many other items which make up the Industry's product assortment.

When these new finishing facilities are actually in operation, and when we have filled the inventories' pipe line, the capacity for these products, in my opinion, will be in excess of demand, as forecast for the next decade.

* * *

Many of you have read in the press, or heard statements on the radio to the effect that steel prices are about to be lowered, or should be lowered. This is a subject in which we are both vitally interested.

Foremost among those purchased items on which the cost of steel depends are labor, freight, scrap, coal, tin, lead, zinc, copper, palm oil, and other such goods and services. Regardless of what you may have read or heard, based on the cost of the commodities mentioned, I find no sound business reason for lower steel prices at this time. Steel, at present price levels, is, and will continued to be, the lowest priced basic product.

For comparison, let us look at the prices of some other metals. Since OPA price controls were removed, the prices of important non-ferrous metals have been increased as follows:

Tin up 28c per pound.
Copper up 9½c per pound.
Lead up 8c per ound.
Zinc up 2½c per pound.

These increases which range up to 100% are in sharp contrast with the 20% advance in steel.

The general price advance at the turn of the year puts the average published price of steel products as compiled by well-known trade papers close to 3c per pound. This is about ½c per pound above the average of wartime OPA ceiling prices and is about ½c per pound higher than the average price of ten years ago.

In contrast, it is interesting to note that it was reported at the recent meeting of the American Iron and Steel Institute, "The basic wage rates and average hourly earnings are now at the highest level ever reached in this industry. They stand close to 80% above the figures of ten years ago."

Profits fulfill two functions. They make possible the continued rental of stockholders' money invested in plants and equipment, and, in addition, provide for expansion and for the cost of rehabilitation and replacement of equipment beyond that portion covered by allowable depreciation charges. As a profit maker, steel has been and continues to occupy a position near the bottom on any list of representative earners.

A comparison of first quarter earnings of 27 companies representing a cross-section of American industry with the major producing companies of the Steel Industry indicates Steel Industry earnings to be substantially be-

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*From an address by Mr. Austin before Convention of the National Association of Purchasing Agents, New York City, June 2, 1947.

Illinois Brevities

With nearly 300 first-year, second-year and "senior" students attending, the third annual session of the school of banking sponsored by the Central States Conference got under way in Madison, Wis., last week. This will be the first session to graduate a class. Bankers attending the school are from all parts of the Central West, and the "student body" now includes a record 174 freshmen, 73 members of last year's freshman class and 44 of the original 47 students of 1945.

Herbert V. Prochnow, a Vice-President of the First National Bank of Chicago, is director of the school. The faculty, which numbered 22 two years ago, now includes more than 100 banking figures, corporation executives and government officials. Among the classroom lectures last week were:

K. K. Du Vall, President of the First National Bank of Appleton, Wis., said there was nothing to worry about in the rise of commercial bank loans to the present volume, but added that the prospect of a continued and substantial monetization of the Federal debt was a cause for worry.

Cyril B. Upham, Deputy Controller of the Currency, said the branch banking trend is continuing its growth where permissable. He declared also that the volume of term loans is declining, because banks realize they have made too many loans of this type.

Arthur J. O'Hara, Vice-President in charge of the investment research department of the Northern Trust Co. of Chicago, forecast an eventual firming of interest rates on corporate bonds. He said this will follow the eventual basing of corporate bond prices on credit ratings of individual companies, rather than in relation to the prices of government bonds.

* * *

The latest efforts of Sears, Roebuck & Co. to get out of the real estate business and convert its store buildings into cash resulted last week in the sale of two Chicago store buildings and a warehouse to a pension trust set up for its own employees. Sears obtained a long-term lease on the properties from the Continental Illinois National Bank & Trust Co., trustee of the "Supplemental Savings and Retirement Plan of Sears, Roebuck & Co. Employees."

About $2,500,000 was involved in the transaction. The big merchandising firm already had sold three other Chicago store buildings to the pension trust, and now has divested itself of outright ownership of about 20 buildings. The plan itself was set up three years ago to supplement Sears' profit sharing plan, in which participation is limited to the first $5,000 of the employee's income. The supplemental plan permits higher-bracket employees to make retirement deposits out of income in excess of that amount.

* * *

The city purchase and unification plan for Chicago's bankrupt street car and elevated lines last week was embroiled in a dispute over just how much present bondholders are going to get in the final payoff. The Chicago Transit Authority, which now has only the sale of a $100,000,000 issue of revenue bonds standing between it and ownership of the lines, estimated there would be some declines from the payoffs originally estimated. The Surface Lines, however, insisted that a year's operating loss plus the piling up of interest on first mortgage bonds, had cut much more deeply into the payoff for other securities.

* * *

Edward Eagle Brown, Board Chairman of the First National Bank of Chicago, said that public support must be engendered for a program to refund short-term debt, with its artificially low interest rates, and shift the national debt from the banks to large private or institutional investors.

* * *

Roland A. Benge, Vice-President of the Detroit Bank, said the cost of housing to the home buyer has been increased by the low interest rates and long-term amortizations on mortgages. He said the borrower is being encouraged to perpetuate his indebtedness. These factors, he added, multiply the purchasing power in the hands of the buyer which has a "very definite inflationary effect."

The Illinois Central Railroad's net income for 1947 should climb to $12,000,000 on the expected gross of $225,000,000, Wayne A. Johnston, President, said at the annual meeting. In 1946, the road earned $7,462,575 on a gross of $211,117,845. However, net income in the first four months of 1947 rose to $5,712,772, an increase of $3,557,333 from the similar period of 1946, while gross revenues in the period amounted to $78,963,545, up $10,572,681.

Mr. Johnston based his prediction on estimated total loadings of 2,075,000 cars this year, about the same as last year's total, plus an increase in revenues of about $27,250,000 resulting from the freight rate increase. The IC President's estimate did not take into account any wage increases that may be granted this year.

* * *

John M. Budd, 39, became the youngest Class I railway president in the country June 1 when he took over chief executive duties for the Chicago & Eastern Illinois Railroad. Holly Stover, who retired from the Presidency, became Board Chairman. Mr. Budd, son of Ralph Budd, President of the Burlington Railroad, was assistant general manager, lines East, of the Great Northern Railway.

Public Utility Securities

Gulf States Utilities

Despite continued litigation over one phase of the dissolution plan of Engineers Public Service (the call premium on the preferred stocks), the company is proceeding with the offering of subscription rights for Gulf States Utilities common, on a share-for-share basis at a price of $11.50. The rights which expire on June 20 have been quoted recently around 2½ and Gulf States Utilities "when issued" around 13¼-¾.

While the offering prospectus does not clearly forecast the dividend policy, Chairman Hanlon has indicated that dividends will probably be initiated about Dec. 15 at the annual rate of $1. On this basis the stock currently yields about 7½%. Earnings for the calendar year 1946 were $1.54, on which basis the stock is selling at about 8½ times earnings. In the three months ending March 31 the balance after charges was $270,115 compared with $254,702 last year, a gain of 6%. Revenues for this period were about 19% over last year, apparently indicating current rapid growth.

Unlike the principal southern operating companies in other systems, Gulf's operations, while almost entirely integrated, are spread over a 350-mile-long belt extending from Deanville, Texas to Holden, Louisiana. Electricity is retailed to 271 communities and surrounding territory with an estimated population of nearly 600,000, including the cities of Beaumont, Port Arthur, Baton Rouge and Lake Charles. This is important oil territory and about 16% of the company's revenues is obtained from sale of electricity or steam directly to the oil industry for refining, pipe-line pumping, well pumping and drilling. Other important industries are synthetic rubber, chemicals, lumber, salt, and cattle raising, while farm products include rice, cotton, sugar cane and produce.

Revenues in the year 1946 were 92% electric, 5% gas and 3% water (ice properties have been disposed of). Electric revenues were approximately 30% residential and rural, 24% commercial, 36% industrial and 10% miscellaneous and wholesale (the latter figure including substantial steam sales to combination steam-electric customers). The electric business is divided about half and half between Texas and Louisiana, while the gas business is entirely in the latter state. The company's business has grown rapidly in recent years, revenues increasing about 68% during 1940-45 although 1946 showed a decline of about 5%.

The company produces about 89% of its power requirements, the balance being purchased. Average revenues per kwh of residential and rural sales in the 12 months ended Nov. 30, 1946 were about 3 39¢. While this figure is slightly above the national average it would seem to compare favorably with similar companies serving a widespread area (including rural territory).

Following write-offs in accord with Federal Power Commission requirements (the company operates on an interstate basis), electric plant is carried in the balance sheet at original cost of $64,024,896 and other utility plant at a cost of $4,852,985. Depreciation reserve is $13,576,190 or about 20% of cost.

Net operating income in 1946 was equivalent to about 8.1% on net plant account (including 5% allowance for working capital but excluding plant acquisition adjustments). Of course this does not necessarily represent the return on the rate base, since the local rate authorities may not recognize "original cost." In the state of Texas rates are subject principally to municipal regulation. A state law limits the rate of return to 8%, while the District Court has authority to forbid extortionate or unreasonable rates. The Louisiana Public Service Commission has instituted a state-wide investigation of utility rates which is not yet completed. Rate reductions amounting to $592,000 per annum were made by the company early in 1946.

With Stone, Moore & Co.

Special to THE FINANCIAL CHRONICLE

DENVER, COLO.—William M. Wilson has joined the staff of Stone, Moore & Company, U. S. National Bank Building.

With M. F. Leighton & Co.

Special to THE FINANCIAL CHRONICLE

ST. PAUL, MINN. — Elbert A. La Hue has become connected with M. F. Leighton & Co., Pioneer Building.

Electric Rates—A Challenge

By G. M. GADSBY*
President, Utah Power & Light Co.

Prominent utility executive points out declining trend in electric rates despite increasing costs and other inflationary factors. Holds there'll be no decrease in labor, material costs and taxes in next two or three years, and should these operating items increase or load factors become less favorable an increase or reshaping of rate structures may be required. Suggests a system of customer refunds or dividends to maintain increase in service demands rather than lowering rates. Sees some opportunities for operating economies and advocates rate simplification to improve public relations and intensify electricity use.

The future itself is a challenge. A challenge to our nation to maintain its high standard of living surrounded by a world in want. A challenge to the private electrical operating company to maintain itself against the pressure of the exponents of a planned economy and local demands for continued heavy Federal spending for more and more Federal power projects. The daily press rings with the appeals of State Governors lobbying in Washington for increased local expenditures. In this challenging world the place of rates for electric service does not presently loom large but he who runs may read and the caution flag should be kept at the masthead until the variableness, strength and direction of the economic winds can be more accurately foretold.

Geo. M. Gadsby

Many years ago at one of the meetings of the Pennsylvania Electric Association Mr. Samuel Wyer, then director of the Smithsonian Institute, in discussing some of the current problems confronting our industry admonished the taking of four steps before reaching any important decision. These are:

"Get the facts, record the facts, face the facts, ACT."

That sound advice is pertinent today.

Few of us correctly appraised the rapidity of load growth as it has developed since V-J Day. In connection with refunding and recapitalization plans our company's commercial and statistical departments had occasion to make up five year estimates for use in hearings before the Securities and Exchange Commission. Those estimates anticipated some slackening in demands for service during a reconversion period of at least a year and then the resumption of growth on about the trends of the 1935-1940 period. Even on this basis we encountered difficulty in persuading the experts on the Securities and Exchange Commission staff that we were not overly optimistic. Experience has shown that those estimates were ultra conservative. Throught the whole country the load growth and increase in revenues has been phenomenal.

Let us keep in mind however the experience of the industry as summed up 25 years ago by the statement that the engineers are constantly improving equipment and increasing efficiency with the State and Federal regulators continually on their heels just as ingeniously finding ways and means for taking away the resultant increases in net income. However great the strides which have been made in the technology of electric service in the past few years, the regulators with new theories of valuation and depreciation accounting have advanced backwards on the operating statement at an even greater rate.

Decreased Rates in Face of Inflation

In considering the possibility of maintaining present rate levels or making further reductions in the face of increases in costs in every component of our plant and operating accounts it behooves us to start anew in getting and recording the facts then facing the for action. We may be proud that our industry almost alone has come through the war and inflationary period to date with a record of decreasing unit prices. But now it may well be that we are

(Continued on page 29)

*An address by Mr. Gadsby at the Fifteenth Annual Meeting of the Edison Electric Institute, Atlantic City, N. J., June 5, 1947.

SEC Asks for Comments on Proposed Amendment of the Securities & Exchange Acts

Chairman Caffrey releases letter sent to "various interested individuals and groups" on overall program, and outlines tentative proposals for amending the registration and prospectus requirements of Securities Act.

On June 6, Chairman James J. Caffrey, Chairman of the Securities and Exchange Commission, released the following letter, dated June 4, which was "addressed to various individuals and groups who have expressed an interest in the current program for amendment of the Securities Act of 1933 and the Securities and Exchange Act of 1934."

"Gentlemen:

"As you know, the Commission announced earlier this year the resumption of the program, interrupted by the war, for joint study of the provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 with groups of persons interested in the operation of those Acts. At that time, the Commission appointed a committee of members of its staff to give special attention to that study. Since then, that Committee, and from time to time the Commission, have met with various organizations and individuals most directly affected by those Acts. The purpose of these discussions has been to ascertain from as many and as diversified groups as practicable their views on what amendments, if any, would be likely to improve the effectiveness of those Acts in achieving their original objectives. The principal subjects of these discussions so far have been the registration and prospectus requirements of the Securities Act.

James J. Caffrey

"The discussions have revealed no disagreement with the fundamental disclosure objective of the Securities Act. They have brought into relief, however, the problem of reconciling, in the practical operation of the Act, two correlative aspects of that objective: the first, that accurate information be disseminated to investors as early as possible, and the second, that no investor be required to commit himself finally to the purchase of a security until he has had a fair opportunity to consider an adequate statement of such information. On the one hand, the Act as it now stands prohibits offers during the 'cooling' period, and this, it is claimed, has tended to discourage the early dissemination of information. On the other hand, it allows sales to be completed in the post-effective period simultaneously with the first receipt by the purchaser of the prospectus containing an accurate complete statement of information about the security. It has been claimed that these characteristics of the existing law have combined to curtail unduly the purchaser's opportunity, before he is committed, to consider the full information about the security the Congress intended should be available

(Continued on page 30)

Senator Byrd Scores Campaign Against Cuts In Federal Spending

Puts some blame on President who "gave green light to bureaucrats to campaign against economy."

Senator Harry F. Byrd (D., Va.), long an advocate of more economy in Government, on June 8, in a press interview, reported by the Associated Press, accused Federal "bureaucrats," under encouragement by President Truman, for the most violent pressure campaign against budget paring in 14 years. He said the President "gave the green light to the bureaucrats for the campaign against economy."

Harry F. Byrd

"Government bureaus," Senator Byrd stated, "are using every kind of device, including the radio, the use of the franking privilege and the wholesale and excessive dismissal of employees, in an attempt to pressure Congress against any cuts," Mr. Byrd said in the interview. "Never in my 14 years in the Senate have I seen such pressure brought to bear on Congress by the 1,141 Federal bureaus."

Senator Byrd's statement was made without reference to the President's speech in Kansas City the previous evening in which the latter assailed the cuts voted by the House for the Interior and Agriculture Departments.

N. Y. Chamber of Commerce Urges Changes in SEC Acts to Ease Flow of Capital for Industry

Special Committee, headed by Fairman R. Dick, urges simplification of registration procedure, further simplification and clarification of prospectuses, and solicitation of orders for new issues before effective date of registration. Urges facilitating dealings in securities.

The Chamber of Commerce of the State of New York released on June 10, the resolutions and report of its Special Committee on Investment and Securities, in which it recommended changes in the Securities Act of 1933 and the Securities and Exchange Act of 1934. The Committee is headed by Fairman R. Dick, as Chairman. Other members, all of whom signed the report, are William R. Coe, Jr., Benjamin Strong, Chauncey L. Waddell and Francis Minot Weld.

Fairman R. Dick

The text of the report follows:

To the Chamber of Commerce:

The Special Committee on Investment and Securities offers the following resolutions:

Resolved, That the Chamber of Commerce of the State of New York urges changes in the Securities Act of 1933 and the Securities Exchange Act of 1934 which will simplify the registration procedure of security issues; which will simplify and clarify the prospectus and its use; which will aid in dissemination of information on new security issues; and which will permit the solicitation of orders for new issues of securities prior to the effective date of registration, and which will facilitate dealing in securities, all to the end of encouraging the flow of capital into productive enterprises; and, be it further

Resolved, That this report be sent to the President, the members of the House Committee on Foreign and Interstate Commerce, the members of the Securities and Exchange Commission, and others concerned.

Th Investment Bankers Association of America, the National Association of Securities Dealers, Inc., the New York Stock Exchange and other organizations have been studying the security laws with a view to suggesting certain amendments. It has been obvious for some time that certain amendments should be made in order to aid the free flow of capital into productive enterprises. Such amendments would be of great benefit to the national welfare.

In the membership of this Chamber are representatives of numerous branches of commerce and industry, and allied vocations. The shortcomings of the Securities Act with which most of its members have the most difficulty, relate to (1) the difficult, costly and long drawn out registration procedure and the delays incident thereto, and (2) the problem of making available to investors timely and adequate information on new issues of securities about to be offered.

The present registration procedure is cumbersome. The prospectus is filled with so much data and detailed technical information as to be not readily comprehensible to the avearge investor. One of the purposes of the Act was to provide an opportunity for information and details of a proposed issue of securities to be disseminated to investors between the date of filing for registration of such an issue and the effective date of registration. The provisions of the Act, however, in effect prohibit the solicitation of orders for such securities during this period. It is difficult to provide for dissemination of information without placing a dealer at the risk of having solicited illegally an order during the waiting period.

To remedy this situation, the law should be modified to permit solicitation of orders during this period. Dealers should be permitted to approach their customers and to provide them with such information as may be available, subject always to the so-called fraud provisions of the Act. However, no binding contract of sale should be permitted prior to furnishing the buyer the registration statement in complete and final form.

Your Special Committee on Investment and Securities realizes there are many other obstacles to the efficient operation of the security industry. The Special Committee, however, is confining this report to matters which most directly concern the investor.

Respectfully submitted,

Fairman R. Dick, *Chairman*
William R. Coe, Jr.
Benjamin Strong
Chauncey L. Waddell
Francis Minot Weld
Special Committee on Investment and Securities

New York, May 20, 1947.

Underwriters Disappointed at SEC Proposal to Amend Act

First reactions of underwriters to SEC proposal though generally considered to be headed in the "right" direction, still are felt to contain certain very undesirable features.

Underwriters in the New York financial community have received with mixed feelings these suggestions drawn up by the staff of the Securities & Exchange Commission and made public last Friday by James J. Caffrey, Chairman of the Commission, on ways sections of the Securities Act of 1933 pertaining to the use of the prospectus in new underwritings might be amended (Text of SEC memorandum on this matter published elsewhere in this issue) to the satisfaction, it is hoped, of everyone.

Representatives of the underwriting industry, committees of the National Association of Securities Dealers and the Investment Bankers Association have been in conference with SEC commissioners and staff members off and on for several months in an effort to eliminate undesirable features frrom the present regulations pertaining to the use of the prospectus. The NASD alone presented five separate plans of its own to the SEC in a give-and-take action to compromise points of difference between the positions taken by the SEC and the underwriting industry.

From what can be gathered from first reactions of the underwriters to the SEC proposal, the suggestions now being offered by the SEC for study, though considered to be headed in the "right" direction, still are felt to contain certain questionable, in fact, very undesirable features and fall short of expectations generally. The underwriters say they can not accept the suggestions in present form and that they are inclined to look upon the Securities Act of 1933 as it is now written as preferable to what is proposed, and so it looks as though Mr. Caffrey, who has asked for the comments of the industry and of other interested parties on the proposal, is himself going to get a lot of suggestions, new suggestions, from others.

Some of the underwriters anyhow are still hoping the present sessions of Congress will be able to act on amendments to the '33 Act affecting the use of the prospectus. However, Mr. Caffrey has made it plain he does not intend to submit any recommendations to Congress in this direction until he feels he can get industry support for the recommendations. Additional conferences between the industry and the SEC would, according to the underwriters, thus seem to be necessary. The Board of Governors of the NASD at its meeting this week was scheduled to study the SEC suggestions. It was expected as the meeting got under way, however, that the Board would not offer any new counter-proposal of its own but would merely instruct the committee which has been studying the subject to continue negotiations.

Among other things, underwriters are wondering whether the SEC recommendations regarding an "out clause" wouldn't put the underwriting group at a disadvantage to dealers outside the group. If customers of dealers outside the group are to be allowed two days in which to change their minds regarding purchase following reception of the prospectus whereas the customers of the "selling" group are not, obviously, they feel, the clause would have the effect of putting the entire selling group at a disadvantage with regard to the possible purchasers of new issues.

Davis, Hunter, Scott Forming in Detroit

DETROIT, MICH.—Davis, Hunter, Scott & Co. is being formed with offices in the Penobscot Building. Principals are W. Fred Davis and Walter J. Scott, formerly partners in Chapin & Co., which has been dissolved.

Hanser & Co. to Be Formed in St. Louis

ST. LOUIS, MO.—Effective July 1st, the firm name of Zoernig, Hanser & Co. will be changed to Hanser & Co., Inc. Officers of the new firm, which will be located in the Ambassador Building, will be Harold Hanser, President and Treasurer; and Walter Bappert, Vice-President and Secretary.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

New York City bank stocks enjoyed a steadily sustained rising market from the lows of 1942 until Jan. 14, 1945 when they reached the highs of the bull market, some 19 weeks ahead of the 212.50 high of the Dow-Jones Industrials. Since then they have been declining for a period of nearly 17 months.

The record, as measured by the "American Banker" Index, is as follows:

For Specific Dates			Range for Year High	Low
April 29, 1942	22.9	(low)	---	---
Dec. 31, 1942	29.0		29.9	22.9
Dec. 31, 1943	38.0		38.2	29.2
Dec. 30, 1944	45.8		46.8	37.8
Dec. 31, 1945	50.7		51.8	43.3
Jan. 19, 1946	52.1	(High)	---	---
Dec. 31, 1946	44.3		52.1	41.7
Jan. 6, 1947	44.8	(1947 High)	---	---
April 15, 1947	38.3	(1947 Low)	---	---
May 5, 1947	40.2	(Recent High)	---	---
June 6, 1947	39.2		44.8	38.3

At current levels all leading New York City bank stocks, with the exception of First National, can be bought at a discount from conservatively stated book values. And as was pointed out in this column two weeks ago, the average dividend yield is at the attractively high level of 4.6%. At this point it is opportune to remark that one of Wall Street's veteran bank stock dealers called to the attention of the writer an inaccuracy in the tabulation then presented, to wit: Commercial National Bank & Trust Co. increased its annual dividend rate in 1947 to $2 per share from the previous $1.60 shown in the table. The dividend yield, therefore, is 4.8% instead of 3.9%. We apologize for this oversight.

The bank stock market remains dull and fluctuations are within a narrow range. It is difficult to explain the apathy, other than to say that it is psychological and the result of fears and doubts of a more or less undefined nature, yet which lead investors to view the banking outlook somewhat pessimistically. Taxes, however, may also be a factor in the situation. The "American Banker's" editor recently commented on this phase of the question as follows:

"If President Truman should sign the bill reducing income taxes, it would be helpful to stocks generally, and it would be particularly helpful to stocks with steady dividend records, such as banks.

"Under present tax schedules many individuals with sizable incomes have not been particularly interested in bank stocks because they have not been eager to add to income because of the large portion of the increase which is absorbed by income taxes. If the bill is signed, with a 20% reduction in these taxes many investors will be more anxious to buy stocks which return a steady income.

"In recent years, bank stocks have been to some extent too dependent on institutional investors, and an increase in individual buyers would be helpful to the market and probably beneficial to the banks."

Another reason frequently advanced for lack of interest in bank stocks is the rising trend in the cost of bank operation, due to higher payroll charges. This feature, however, is not peculiar to banking, for all classes of business and industry are faced with this problem. The answer to this situation is, obviously, higher volume, greater efficiency and improved economy. Bank management is fully aware of this and, with varying degrees of success, is striving for results.

First quarter earnings in 1947 averaged some 15% below first quarter earnings in 1946 for leading New York City banks; but 1946 first quarter figures were exceptionally good. It is believed, therefore, that subsequent quarterly earnings in 1947 will compare less unfavorably with 1946. Earning assets of the banks are at a very high level, though lower than a year ago, and the 1947 average position will be lower than for 1946. But the character has changed, and in a way helpful to earnings, as indicated by the published figures of the Federal Reserve Board, as follows:

(Figures in Millions of Dollars)

Date	Commercial Loans	Total Loans	U. S. G. Notes & Ctfs.	U. S. G. Bonds	Total Investments	Total Loans & Investments
5/29/46	2,910	5,900	5,210	9,777	16,015	21,915
5/28/47	3,925	5,808	1,846	9,512	12,411	18,219
Change	+$1,015	—$92	—$3,364	—$265	—$3,604	—$3,696
Change	+34.9%	—1.6%	—64.6%	—2.7%	—22.5%	—16.9%

Total earning assets of New York member banks are currently 16.9% below the level of a year ago; but the shrinkage in the major categories has been uneven, and in one important category, commercial loans, there has been a gain instead of a loss.

The per cent classification of earning assets for these two dates compares as follows:

Percent of Total Loans & Investments

	5/29/46	5/28/47
Commercial Loans	13.3%	21.5%
Total Loans	27.0	31.5
U. S. G. Notes & Ctfs.	23.7	11.4
U. S. G. Bonds	44.5	52.0
Total Inventments	73.0	68.5

The most significant change is the increase of 34.9% in commercial loans, which now constitute 21.5% of total loans and investments compared with 13.3% of a year ago. Next is the two-third drop in short-term government notes, etc., which pay an extremely low rate of interest, while the higher paying government bonds have declined only 2.7%, and now constitute 52% instead of 44.5% of the total, while short-term government paper has fallen from 23.7% to 11.4%. Thus, the whole composition of earning assets has changed in such a way as to produce an appreciably higher average rate of return to the banks. Whether or not this will be sufficient to offset the reduced income derived from some classes of assets and the higher payroll costs, remains to be seen.

Commercial loans have been declining slowly from their recent peaks during the past few weeks. This, however, is believed to be but a seasonal decline and may well be reversed after midsummer, provided that the much advertised "recession" does not bite too deeply into our economy. With this "recession," or adjustment, out of the way, several years of high industrial activity are generally conceded by most economists and other qualified observers. Under such conditions the banks should prosper with the rest of business.

No Depression, Says Jesse Jones

Former Commerce and RFC head gives six specific reasons why business activity will continue. Urges Reconstruction Finance Corporation be continued.

Jesse Jones, former Federal Loan Administrator and Secretary of Commerce, and a prominent financier, appeared on June 9 before the House Banking and Currency Committee and stated his belief that no depression was impending.

Jesse H. Jones

"I see no possibility of a depression in the near future," he declared in a statement filed with the House Banking and Currency Committee in connection with the group's study into possible extension of the Reconstruction Finance Corporation, the government's giant lending agency, beyond its June 30, 1947 expiration. "While there is considerable talk nowadays about a recession in business, I do not believe we can talk ourselves into a depression. Some reduction in price of necessities is, of course, highly desirable and would help lower the cost of living."

Mr. Jones listed the following six reasons why business should continue to prosper: (1) There is urgent necessity of construction work of every character, public and private, throughout the country. There is a shortage in homes to live in, and homes for business. There is probably not a city, town or village in the entire country which is not far behind in essential improvments, that have been neglected during the war period; (2) most public utilities have improvement or expansion programs; (3) railroad, highway construction, public schools, hospitals and civic improvements generally are far behind; (4) industry is having to replace outmoded and inefficient buildings and equipment on a substantial scale; (5) altogether, there is so very much to be done, which necessarily has been neglected for the past half dozen years, that business should be good for quite some time; and (6), our banks and financial institutions are in excellent condition and there is, of course, no lack of credit from private sources for most purposes.

Despite his prophecy of continued prosperity, Mr. Jones, who as RFC Chairman lent out billions of government money, expressed the view that this institution should not be abolished. He held, however, that "many of the powers it now has should be repealed," and added: "Since the emergency is over, I think it should revert to its original purpose of domestic emergency lending, and that its operations should be simplified by liquidating its subsidiaries into RFC proper."

Urges Revision of SEC Proxy Rules

B. A. Javits, General Counsel of the Investors League, reveals a formal request for changes, involving advance publicity of shareholders' and management's resolutions at annual meetings.

B. A. Javits, General Counsel of B. C. Forbes' Investors League, an organization made up of corporation shareholders, at a press conference on June 9, stated that several months ago he had made a formal request to the Securities and Exchange Commission for revision of the proxy rules, to foster greater democracy in industry and to give small shareholders some voice in corporate management with the least possible cost to the corporations and to themselves.

Benjamin A. Javits

The specific changes recommended by the League are: (1) That 90 days before any stockholders' meetings corporations send invitations to shareholders to offer resolutions for action at stockholders' meeting; (2) that 60 days before a stockholders' meeting the management send to stockholders suggestions it has received, with a statement of its agreement or disagreement with the proposal; (3) stockholders should be given an opportunity to decide as to which resolutions they would like to see included in the final proxy statements. If 1 per cent, or 500, whichever is lower, of the stockholders in any case approved any resolution, it should be included in the proxy statement which would be sent out 30 days before the meeting.

Col. Pope Again Heads Commerce & Ind. Assn.

Colonel Allan M. Pope on June 9 was elected President of the Commerce and Industry Association of New York, Inc., for the third successive time. Colonel Pope is also President of the First Boston Corporation. Other officers of the Association reelected by the Board of Directors are Harold F. Sheets, John K. Whitaker, Francis L. Whitmarsh, Vice-Presidents; S. D. Leidesdorf, Treasurer, and Thomas Jefferson Miley, Secretary. Mr. Sheets is Chairman of the Board of Socony-Vacuum Oil Company, Inc.; Mr. Whitaker is President of Neuss, Hesslein & Co., Inc.; Mr. Whitmarsh is President of Francis H. Leggett & Co., and Mr. Leidesdorf is head of S. D. Leidesdorf & Co. Association officers serve for one year.

Allan M. Pope

Correction

In the "Financial Chronicle" of June 5, it was reported that J. Russell Postlethwaite had become associated with Davis, Skaggs & Co. This was in error.

A British Credit To Russia?

Dr. Einzig, in noting arrival in London of Russian trade delegation, sees little likelihood of Britain granting a loan to Russia for purpose of expanding exports. Says Britain needs for home use products required by Russia, and besides, British foreign exchange position makes loan practically impossible.

LONDON, ENGLAND.—Is Britain going to grant a credit to the Soviet Union? With the impending arrival of a Russian trade delegation in London this question is now coming to the forefront. It has been known for some time that the Soviet Government has been asking for a credit, but while the original request (or rather demand) was for billions of dollars, the figure mentioned now runs only into hundreds of millions. In fact, the actual amount that is believed to have been asked for now is £55,000,000 ($220,000,000) for a period of 16 years.

Dr. Paul Einzig

While there is a general desire to expand trade with Soviet Russia, the idea of granting a credit is far from popular in many quarters. It is opposed on the ground that Britan simply cannot afford at present to grant credits abroad, owing to the exchange position; that there is no need for granting credits since the goods available for export can easily be sold for cash; and, above all, it is a mistake to export goods that are badly needed at home, without even receiving in return for them goods which are equally badly needed.

Particular stress is laid on this last argument, because the goods which Russia would like to buy and finance with the aid of a credit include electric power generating machinery. Now it is well-known that Britain's shortage of electric power is due at least as much to the lack of new machinery as to the lack of coal; and that even if the coal crisis could be solved, electric power would have to be cut next winter both for industrial and domestic consumption. In such circumstances many people ask why such badly-needed machinery should be exported at all. In some instances it is considered expedient to sacrifice industrial producing capacity and domestic comfort by exporting electric power generating plant, for the sake of obtaining, in return, goods which are needed equally badly and urgently. In the instance of Russia there would be much to be said in favor of exporting the machinery in return for timber, the lack of which is holding up reconstruction work. The idea of the Soviet Government is, however, that Russia needs the machinery at once, but cannot spare any timber, except in negligible quantities, for some years to come.

Now if Britain wanted to divert from internal requirements some badly-needed machinery, it would be easy to export to countries which are prepared to reciprocate by selling Britain essential goods. Why, then, it is asked, should the machinery be exported to a country which is not prepared to reciprocate for some years? It would mean increasing "unrequited" exports, the large amount of which constitutes a grave problem of the British balance of payments. The reduction of the producing capacity of British industries for lack of electric power would further tend to aggravate the trade deficit.

The answer of those in favor of a loan to Russia is that even if it were unsound from an economic point of view it would be advisable from a humane and political point of view. It is argued that Russia has suffered much more than any other country, and that it is the moral duty of Britain and the other Allies to assist her in the immense task of reconstruction. Moreover, it would be politically expedient to make a gesture, even at the cost of some sacrifice.

Opponents of the loan are not particularly impressed by the argument. Their reply is that the reason why Russian reconstruction is not making better progress is that Soviet Russia is still armed to the teeth and that a very large proportion of Russian industries is still engaged in armed production instead of assisting in reconstruction. In the circumstances, it is contended, any foreign credits would merely enable the Soviet Government to continue to maintain millions of men under arms. If it wants to accelerate the pace of reconstruction it can do so by adopting a less aggressive foreign policy, making possible a higher degree of demobilization.

Nor do opponents of the loan expect that the gesture implied in a British credit would create any goodwill. Judging by past experience, Moscow would not even acknowledge that a favor has been received, and from that point of view the sacrifice would be utterly wasted. The Government's willingness to consider the Russian request is regarded, therefore, as part of the policy of financial appeasement, similar to the one pursued in relation to Germany before the war. Even if it did not appease the Soviet Union, it is expected to appease to some extent the Socialist critics of Mr. Bevin's "anti-Soviet" foreign policy. This consideration is likely to play an important part in the final decision on the matter.

Francis T. Ward With International Bank

The International Bank for Reconstruction and Development announces that Francis T. Ward will be associated with the Bank on a temporary basis in a general advisory capacity to assist the Bank in connection with the issuance and marketing of the initial issue of bonds.

Francis T. Ward

Mr. Ward has been in the banking business for over 30 years and is a partner in Morgan Stanley & Co. He was formerly a Governor of the Investment Bankers Association; President of the Bond Club of New York; Governor of the New York Stock Exchange; and during the period of the first and second War Loan drives was appointed Vice-Chairman of the Victory Fund Committee for the Second Federal Reserve District, Region 8, which covered Manhattan and the Bronx.

Babson Discusses Building Stocks

By ROGER W. BABSON

Mr. Babson contends most building stocks, now at their low prices, are good because of the still unsatisfied demand for building construction. Sees prospect of lower building materials prices and a building boom.

Before the start of 1947 we all looked forward to a building boom such as we had not seen since the 1923-27 period. We know now that this anticipated boom has not materialized. Nor do we expect any such boom this year. What happened to postpone the great potential demand?

Roger W. Babson

Construction Costs

We have all read about the high cost of building materials. Those of us who have wanted to build or who have been forced to build have found this only too true. Lumber has been exorbitantly high and the green lumber now on the market is not building good houses. Materials have not only been poor, but they have been scarce. Both of these factors have delayed the expected boom.

Labor is the great detriment to the building trade. The cost of labor is high and the workmanship is far from expert. Many men who have previously had little experience are obtaining the same wages as skilled craftsmen. Present labor union practices do not encourage apprentices to enter the building trades. This quite naturally keeps the supply of skilled labor low and the rates high. When a man pays for a building, be it residential or industrial, he wants to know that he is obtaining sound material and the best possible workmanship while still keeping his price within a reasonable figure.

Buyers' Resistance

Industrial building, although up to this time hindered by government regulation, has had a postwar start. We have all seen evidences of this in the plans and construction begun by leading businesses and industries throughout the United States. Will this program follow through in the face of the much ballyhooed business recession? More likely this also will slack off and await the time when materials and labor are both cheaper and better.

How many veterans and other people displaced by the war thought of building homes when "peace" at last came? How many more had decided to buy homes? If we could compare the above countless thousands with those that actually found it feasible to build or buy, we would find a wide gap between desire and realization. In addition to excessive costs and poor workmanship, building regulations have proved discouraging. Continued strikes have contributed to the general pessimism. Only those who have been forced into building or buying to keep a roof over their heads have succumbed. This has left a group, less pressed by need and better able to await more favorable opportunities. Thus, we have seen a gradual drop in prices of older houses since about September, 1946. Not all of the newly built houses are being snapped up.

Demand Still Exists

There are today persistent requests for Federal and State housing for veterans and others. We hear of many fires and resulting deaths brought about by overcrowded conditions and careless conversion of private homes into lodging houses. Builders of apartments and houses to rent will be encouraged only when costs of building products have evened out. They wait also for a time when the cost of labor is more predictable and their work more proficient.

As for building stocks, most of them are at or near their lows for the year. Their prospects are good because of the still unsatisfied demand. They have been kept down by the failure of the building boom to progress. There has already been an indication that some manufacturers and processors of building materials may cut their prices. Should this work out, manufacturers of other construction materials may follow suit. When some of the problems facing present construction are solved, then volume construction can start. When this happens we will see a rise in the earnings of building stocks. Thus, although the building boom has been delayed, I continue to feel that it will someday come.

Railroad Securities

The New Orleans, Texas & Mexico bonds have been attracting considerable attention in the past few weeks, with recent prices ranging between 82 for the 1st 4½s, 1956, to 88½ for the 1st 5½s, 1954. This increased interest stems at least in part from the action of the St. Louis Southwestern a few weeks ago in asking for permission to clear up interest and principal in default on its publicly held debt with a view towards being dismissed from bankruptcy without reorganization. Financially New Orleans, Texas & Mexico is considered to be in position to take much the same action.

Publicly held debt of New Orleans, Texas & Mexico totals $42,970,000, consisting of the four series of 1st mortgage bonds maturing in 1954 and 1956 and $2,354,100 of Income 5s which matured in 1935. The 1946 annual report shows interest in default on publicly held debt aggregating $4,544,585 at the end of the year. Thus to cure the interest default and provide for the principal of the over due Income 5s would require somewhat less than $7 million. In comparison, net working capital at the year-end stood at close to $13.5 million and has since been increased to above $15 million. Obviously, curing of the default of interest and principal on publicly held debt would not present any major problem.

The company also has a debt to the parent company, Missouri Pacific. As of the end of last year this inter-system claim amounted to $17,222,343. Of this amount, $7,157,117 represented accumulated interest and the balance was principal. The validity of the parent company's claim is still being contested in the courts even though it was allowed for in the ICC plan of reorganization and upheld in the District Court. The ultimate outcome of this controversy is impossible to judge at this time and it may not prove feasible to take any definite steps looking towards dismissal of bankruptcy trustees until it is finally adjudicated. Nevertheless, regardless of how it is eventually settled the claim should not act as a permanent bar to removal of the properties from the jurisdiction of the court.

If the validity of the claim is finally upheld in the highest courts it should still be possible to arrive at some compromise settlement with the parent company as was done in the case of notes of St. Louis Southwestern held by its parent company, Southern Pacific. In any event ultimate disposition of this claim has little direct bearing on the status of the New Orleans, Texas & Mexico bonds held by the public. Except that there are $1,900,000 of the 1st 4½s pledged behind one of the Missouri Pacific notes, the debt to the parent company is a junior obligation.

Another interesting angle of this picture is the possibility of enactment in this session of Congress of the so-called Reed Bill or similar legislation. Such legislation would automatically return the properties to the old stockholders and would presumably bring rapid action to clear up existing defaults. It is the opinion of a large number of rail analysts that once the defaults were made up the company would experience little difficulty in supporting its present debt structure.

Optimism as to the road's future is based on the theory that the road's basic traffic position has been improved materially in the years since bankruptcy proceedings were instituted. In particular these analysts point to the substantial expansion in agricultural production in Texas. In the middle 1930s the road received very little in the way of revenue from oranges and grapefruit but by the late 1930s this traffic was accounting for more than 15% of all freight business. These new traffic sources are considered as of a permanent nature and are of additional importance in their stimulating influence on the entire economy of the territory.

The company has gradually been paying off the interest arrears on the bonds. Last year two years' interest was paid on the various series of the 1st Mortgage bonds. As of April 1, 1947 there remained accruals of two and a half years' interest on the 5s and 5½s, 1954 and as of Feb. 1 there were accruals of two years' interest on the 4½s and 5s, 1956. Complete liquidation of these arrears some time later this year appears as a strong possibility.

World Bank Group Studying Poland

Fact-finding mission leaving for on-the-spot investigation of political-economic situation relevant to pending Polish Loan application.

WASHINGTON, D. C., June 10—The International Bank for Reconstruction and Development announced today that a small fact-finding group, consisting of Elmer G. Burland, William G. Welk, Samuel Lipkowitz and H. F. Hebley, were, at the invitation of the Polish Government, about to visit Poland for the purpose of obtaining information in connection with the application of Poland, a member of the Bank, for a loan from the Bank. In accepting this invitation, the Bank has advised the Polish Government that the purpose of the visit is solely to obtain information of a general exploratory nature and carries no implication whatever as to what action the Bank may hereafter take in regard to such loan.

It was also stated that this action is in accordance with the general practice of the Bank to arrange for such visits in connection with loan applications.

Mr. Burland, who heads the group, is a loan officer of the Bank and Chief of the working party considering the Polish loan application. Mr. Welk, an economist, is Chief of the Eastern European Division of the Bank's loan department, and Mr. Lipkowitz is a commodity expert from the research department. Mr. Hebley, an international coal expert and director of research for Pittsburgh Consolidation Coal Co., is retained by the Bank through Eavenson & Auchmuty, mining engineers.

The group plans to leave for Poland on June 11 for a stay of approximately six weeks.

Stassen Approves Pending Labor Bill

In statement authorized by an associate he calls it "a good bill," and, "if administered with fairness, will not injure sound, strong labor unions," but will promote industrial peace.

Former Governor of Minnesota, Harold E. Stassen, a Republican Presidential candidate, who had been withholding support of pending labor legislation, on June 7, issued "through an authorized associate," the following statement expressing approval of the Taft - Hartley measure as passed by Congress:

Harold E. Stassen

"It is my view that considered as a whole the conference report on a new national labor policy is a good bill, a moderate bill and should be enacted into law.

"It is clearly better than no law at all.

"It is definitely better than either the original Hartley bill or the original Taft-Ball bill.

"If administered with fairness, it will not injure sound, strong labor unions, will promote industrial peace and will advance the general welfare of the workers and the people of America as a whole.

"My detailed position on labor legislation, based on our successful experience in Minnesota and a study of labor relations here and abroad for a number of years was presented in my testimony and still represents my view. But I recognize that in a free country under a representative government no one can obtain exactly the kind of legislation he would individually prefer.

"It is encouraging that of the seven measures which I then urged should be avoided, none is in the final conference bill.

"These undesirable measures were compulsory arbitration of disputes over future working conditions, compulsory labor courts with power of final decision of future working conditions, taking away the ultimate right to strike from any workers for private capital, banning maintenance of membership contracts, prohibiting industry-wide bargaining, permitting injunctions by private petition notwithstanding the Norris-La Guardia Act, granting authority to draft strikers into the armed services.

"These seven bad proposals have all been defeated and left out of the bill.

"Of the ten positive proposals which I made in my testimony, nine are included in substantial measures in the final bill, including provisions against jurisdictional strikes and secondary boycotts, for financial reports and secret ballots of workers, no union of foremen, free speech for employees and improved mediation service under a separate division, with time to mediate before a strike."

W. R. K. Taylor & Co. To Admit H. J. Laut

Henry J. Laut will become a partner in the New York Stock Exchange firm of W. R. K. Taylor & Co., 120 Broadway, New York City, effective June 18th. Mr. Laut is Manager of the firm's trading department.

Municipal Bonds in the Bank Portfolio

By I. A. LONG*
Vice-President, Mercantile-Commerce Bank & Trust Company, St. Louis, Mo.

Mr. Long outlines factors in investment merits of municipal bonds. Says municipal bond ratings are not satisfactory guide, and points out a periodic check-up of holdings is essential for safety. Recommends purchase by banks of bonds of short or medium maturity, and concludes municipals as a group are safest medium of investment, excluding U. S. Government securities.

Safety of principal and income are the prime consideration in the investment of the deposits of a bank. I believe we will all agree that State and municipal bonds on their past record rate next to United States Government Securities in this respect. While State bonds are not technically speaking, municipal bonds, I will treat them as such in this discussion.

I. A. Long

There is a vast difference in the security of municipal bonds, and any statement to the effect that they be included in the portfolio of a bank should be qualified by "provided they measure up to certain standards."

Many new methods of analyzing municipal bonds have been advanced in recent years. I do not believe there is any set formula, or yard-stick, which can be applied in the purchase of all municipal bonds. However, the following factors, given proper relative weight, may be helpful in arriving at an appraisal.

Population

(a) Character and ability of citizens. Just as the success of a corporation over a period of time will be determined to a large extent by the character and ability of the men who manage its affairs, so the credit of a municipality will depend upon the character and ability of its citizens.

(b) A sense of moral responsibility on the part of the average citizen.

(c) Trend in population, and whether the trend appears to be temporary due to unusual conditions.

Assessed Valuation

(a) Trend in the valuation of property for tax purposes.

(b) The approximate ratio of assessed valuation to actual valuation. A 10% net debt is regarded as high. However, if the property is assessed for tax purposes on an average of 50% of market value it would be reasonable.

Tax Collection Record

(a) Percentage of levy collected over a period of years. It is important to note whether the municipality collected a reasonable percentage of taxes levied during depression years.

(b) Whether budget is based on total levy, or the percentage of taxes actually collected during the previous year. The conservative procedure is to base the budget on the amount of taxes actually collected during the previous year. This permits the use of delinquent taxes, when collected, as a cushion to take care of items not anticipated in the budget.

(c) Tax rate and trend over a period of time.

(d) Whether bonds are payable from unlimited taxes. If not, whether tax limit is high enough to protect debt service. An unlimited tax for debt service is preferred if the bonds are payable from a limited tax. It is important to note whether the limit will provide adequate revenue in the event of a decline in tax collections.

Receipts and Disbursements

(a) Does municipality operate on a balanced budget?

(b) Is deficit of one year included in budget for succeeding year?

Debt Paying Record

(a) Default, if any, cause, duration and how cured.

(b) Has there been any forced refunding?

Debt Retirement

(a) Is debt being reduced by accumulation of sinking funds or payment of serial maturities. If not, does the growth of the municipality justify the increase in debt.

(b) Are sinking funds safely invested. The ideal situation is to have the municipality invest its sinking funds in its own bonds of a maturity not longer than the bonds for which it is provided.

Total Net and Overlapping Debt

(a) Ratio to assessed valuation.

(b) Indirect debt, such as revenue and special assessment bonds. It should be kept in mind that revenue bonds are payable to a large extent by the same people who pay general obligation bonds, therefore they are a contingent liability of practically every tax payer.

(c) Is the bonded debt which is payable primarily from specific revenues actually self-supporting.

(d) Amount of floating or unfunded debt.

(e) Is the overlapping debt reasonable in relation to the assessed and actual valuations?

Stability and Diversification of Enterprises in Municipality —Legality

(a) Bonds should carry the approving opinion of a nationally recognized firm of municipal attorneys.

In my opinion, one of the most important factors in determining the investment status of a municipal bond is the character of its citizens. Given the willingness to pay, with a reasonable debt load, most hazards to the payment of legally issued obligations will be overcome.

A municipality being managed by individuals is subject to the same errors of judgment and mismanagement as an individual or corporate business. Consequently, it is not surprising that a large number of municipalities launched extensive improvement programs in the late 20's based on the artificial prosperity which existed at that time. Many municipal budgets were unbalanced during subsequent years due to lower tax collections, and high debt service and operating costs.

Most of the direct obligation municipal defaults which took place in the early 30's were of short duration, and due largely to funds being tied up in closed banks. Only in a small percentage of direct obligation municipal

(Continued on page 36)

*A lecture by Mr. Long before the University of Wisconsin Graduate School of Banking, Madison, Wisconsin, June 4, 1947.

Huge Gold Fields Opened in South Africa

Early price rise of metal expected.

As manifestation of the gold boom in South Africa, two of the largest leases in the entire history of the territory have been granted this week. These consist of two mining leases in the Ondelaalsrust Area, and were given to the Free State Development and Investment Corp. Ltd. (Freddies). The announcement was made in New York City by Joseph Milne, partner of Norbert Stephen Erleigh and joint managing director of New Union Goldfields, following cabled word of the grant from Johannesburg.

Mr. Milne came from Johannesburg to New York by air (in thirty-six hours) to confer with local investment bankers regarding possible Wall Street interest in the new Orange Free State gold field operations.

The areas of these mines have the grade and consistency of the Rand, and in size compare with the Randfontein Estates and Crown Mines, the two largest producers which have 4,799 and 4,545 claims respectively. As Randfontein Estates employ something like 10,000 personnel, the opening up of the two Freddies Mines will give employment to thousands of skilled and unskilled artisans, technicians, etc., with resulting benefits to the country.

Thus the basis for South Africa's prosperity seen in great industrial activity as well as budgetary soundness during the past decade, can be appreciated. This contrast with conditions throughout the rest of the world likewise tends to the financial markets. The volume of speculative business, centered in the gold shares, recurrently is volcanic—swamping the facilities of brokerage firms, and forcing the Exchange to close down for catching-up purposes.

Mr. Milne, in an interview, declared that he fully expects an early increase in the price of gold from 178 to 200 shillings (that is, to $40) per ounce.

Eccles Urges Fixed Instalment Credit Curb

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, appeared on June 10, before the House Banking and Currency Committee in support of a bill to continue the wartime controls over consumer credit. This control now exercised under executive orders, will cease automatically with the ending of all wartime controls on June 30.

Marriner S. Eccles

The measure to continue the control has led to considerable opposition in banking and business circles, but Mr. Eccles, claiming the support of President Truman, said instalment credit regulations were essential "to produce economic stability."

"The need for regulation is not merely a temporary one," Mr. Eccles declared. "Experience has shown that the excessive expansion and subsequent contraction of consumer instalment credit contributes substantially to the rise and fall of production and employment. Its role in instability is increasing with the growing importance of consumers' durable goods in the economy. It is recognized that the development of this type of credit has gone hand in hand with and facilitated the unparalleled industrial development of the nation. Yet, it is equally significant that when competition takes the form of relaxing credit terms and is carried to extremes, it is a symptom and cause of economic unsoundness. Millions of people are encouraged to overpledge future income. This inevitably entails instability, because the excessive credit extended during a business boom accentuates the boom and has to be liquidated out of current income on the downswing, which accentuates depression. The fact that current income has to be used to pay off excessive instalment debt created during the business boom necessarily diverts that income from the channels of consumer expenditures in the depression, especially in the important sector of consumers' durable goods."

High Farm Income Bolsters Business Outlook

Rukeyser notes present great farm prosperity as contrasted with last decade's depression in those areas.

NEW YORK, June 9.—The capacity of business and employment in the United States to stay on a high plateau despite prophecies of doom has been bolstered by extraordinarily high farm income and buying power. Merryle Stanley Rukeyser, economic commentator for the New York "Journal-American" and International News Service, expressed this view today in an address before the annual convention of the Eastern Federation of Feed Merchants at the Hotel Commodore in New York.

Merryle S. Rukeyser

"The danger of greatly overdoing the rise in farm prices and creating a disequilibrium with the farmer relatively overpaid has been reduced," Mr. Rukeyser pointed out, "by the downswing of 10% in wholesale food prices since the peak attained early in March. The decline from the recent summit in prices paid to farmers was led by lower prices for dairy products, meat animals, and oil bearing crops. The net decline was mitigated by higher prices for cotton and some vegetables. Last month for the first time in eight months the relationship of farm prices to the total cost of living declined somewhat.

Change from 1930's Disturbance

"After long years in the 1930's of disturbance to the national economy resulting from relative depression in the farm areas, those who were looking at the total economic scene before the recent setback in farm prices were disturbed lest the farm take too large a slice of the national income. Farm prosperity reflects the effect of heavy domestic consumption plus unusually heavy foreign shipments. Exports of farm products have been rendered abnormally heavy by gift-loans, relief projects, and other temporary factors. Those who take a long view realize that a readjustment in farm values will be in order when the war-exhausted countries of Europe and Asia return to normal agricultural production.

"The outlook is for continued supplies of food on the same high level as last year during the late spring and summer. The prospect is for increased production for canned fish, vegetable oils, lard, butter, evaporated milk, wheat, rye, sugar and dried peas. On the other hand, production of poultry products, fresh vegetables, potatoes, and milk may be smaller.

"Looking at the totalities, the prospect is that the farmers will repeat their 1946 record in which as a result of high production and high prices the net return in agriculture was of record-breaking proportions. This has resulted in a strong underpinning for total business, and has kept the volume of total employment and trade high, despite internal readjustments in specific industries incidental to reconversion from war to peace."

Mr. Rukeyser pointed out that a shifting of crops to take advantage of market opportunities had resulted in the prospect of reduction in feed grains as compared with 1946.

Banker Predicts $15 Billions of Exports

Arthur W. Roberts, Vice-President of Continental Illinois National Bank & Trust Co. of Chicago, stresses need of bankers keeping informed on economic and political fundamentals now that U. S. is leading world banker

Lecturing at the University of Wisconsin School of Banking on June 3, Arthur W. Roberts, a Senior Vice-President of the Continental Illinois National Bank and Trust Company of Chicago, stated that during 1947 the United States will supply goods and services to foreign countries to a total in excess of $15 billions, and that our imports would approximate $7 billions.

Pointing out that since the U. S. dollar is the most important of the world currencies, having supplanted, through the disastrous losses of two world wars, the English pound sterling, Mr. Roberts said that American business men and bankers are faced with the responsibility of conducting themselves accordingly.

"Official figures place the total of foreign holdings of gold, dollar balances, securities, and other assets at above $20 billions—a very important portion of our country's banking activities," Mr. Roberts continued.

"To an extent never before encountered, American bankers must think of and live with such matters as analyzing risks in extending foreign loans, financing commercial transactions, studying the intricacies of the International Fund and Bank, the implications and consequences of multilateral and unilateral trade treaties, most favored nations agreements, tariff reductions, and the many other foreign trade influences that concern the interests of our country.

"Bankers must subscribe to or reject the principles of the International Trade Organization, and then move their thinking to import and export quotas, to foreign exchange regulations, and to probable alterations in exchange rates," Mr. Roberts said.

Urging that there is romance in foreign banking—the business dating from the Lombards of Italy in the 12th Century—Mr. Roberts stressed the need of keeping fully informed of fundamentals now that the United States is the leading banking nation of the world.

Arthur V. Crofton To Open in Chicago

CHICAGO, ILL.—Crofton, Fritz & Co., Inc. is being formed with offices in the Board of Trade Building, to engage in the securities business. Officers are A. V. Crofton, President; W. B. Fritz, Vice-President; W. V. Fritz, Secretary and Treasurer; and Edmund B. Fritz, Assistant Secretary.

Mr. Crofton was formerly a partner in Melady & Co. in New York City.

Arthur Herrmann With Stern & Co. in NYC

Arthur Herrmann has become associated with Stern & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, to head their statistical department. Mr. Herrmann formerly was connected with Pflugfelder, Bampton & Rust and Standard and Poor's as securities analyst.

Charles H. Lake With Adams, McEntee & Co.

Charles H. Lake, has become associated with Adams, McEntee & Co., Inc., 40 Wall Street, New York City. Mr. Lake was previously with the New York office of John Nuveen & Co. and prior thereto was Manager of the municipal department for the New York office of Alex. Brown & Sons.

Edward K. Diehl Is With Morgan & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Edward K. Diehl has become connected with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Diehl was formerly Assistant Vice-President of First California Co. and prior thereto had been with Bankamerica Co.

Clifton Lovenberg Now Gifford Co. Partner

PROVIDENCE, R. I.—Clifton N. Lovenberg has been admitted to partnership in Gifford & Co., Hospital Trust Building, with Philip C. Gifford. Henry Herbener has retired as a limited partner in the firm.

Kenneth Van Sickle Forms Own Inv. Firm

EMPORIA, KANS.—Kenneth Van Sickle, Inc. has been formed with offices in the Citizens Building to conduct a securities business. Officers are Kenneth A. Van Sickle, President and Harry Nickelson, Secretary-Treasurer. Mr. Van Sickle was previously Vice-President of Estes-Snyder & Co., with which Mr. Nickelson was also associated.

With Dempsey-Tegeler Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Edward J. Foss has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Foss was formerly with First California Company and Nelson Douglass & Co.

Mutual Funds

By HENRY HUNT

Just What Is a Mutual Fund?

The above caption, "Just What Is a Mutual Fund?" would make a good heading for a full page institutional ad, the first of a series, explaining to the public what a mutual fund is, what it does—in short, it's "raison d'etre."

Even in Wall Street, excluding those actually engaged in the mutual fund business, there are surprisingly few people who can tell you clearly the differences between a mutual fund and a general management closed end trust. Outside of Wall Street, not one person in ten has ever even heard of a mutual fund.

It seems to the writer that the mutual fund business needs a publicity campaign and is large enough to afford the expense. Such a campaign might be sponsored by the National Association of Investment Companies, the cost to be defrayed by an assessment on its mutual fund members, based on the size of assets controlled by each sponsor corporation.

Similar campaigns have been carried on for years by the life insurance companies, the fire insurance companies, and the savings banks. While the mutual fund business in point of assets has not reached the financial stature of the above groups, it might well consider the advisability of the old adage, "It pays to advertise."

"Mob Psychology"

Fidelity Fund of Boston makes the following interesting comments on mob psychology: "Groups of people exhibit characteristics very different from those of an individual. Anyone who has been part of a panic-stricken mob in a fire or other catastrophe has vivid recollections of the wild beast nature of a crowd driven by fear. Intelligent and gentle persons lose their usual sense of balance and are transformed into snarling animals.

"In a much less dramatic manner the stock market is an expression of mob psychology. The individual who takes his stock market raw, so to speak, by buying securities directly cannot escape at least some of the impact of the alternate vibrations of fear and hope, which sway the security buyers 'mob.' It is often a wearing and exhausting experience, subjecting the victim to much uneasiness.

"An individual often purchases a security more under the influence of enthusiasm than careful dispassionate analysis. When fear is riding the winds his attitude towards that security undergoes a radical change; he scrambles to get all the facts and 'check up.' But it is generally too late to be dispassionate; his feelings have been too much aroused. Thus an emotional purchase often winds up in an emotional sale with unpleasant results.

"We at Fidelity Fund like you to feel that you have passed on to us the responsibility and worry of dealing on your behalf with part or all of this problem. While we are just as human as you, yet a professional attitude is easier for us than for most of you because it is our life work. We want you to rest assured at all times that your funds are invested in sound securities and that the vagaries of the mob in the market place should in the long run present opportunities rather than a threat."

National Income Series Buying Stocks:

National Income Series, sponsored by **National Securities & Research Corporation,** has added the following dividend paying common stocks to its portfolio "because of attractive yields under current market conditions": Bulova Watch Co.; Chesapeake & Ohio R. R. Co.; Colgate-Palmolive-Peet Co.; Green (H. L.) Co., Inc.; Greyhound Corp.; Kresge (S. S.) Co.; Loew's Inc.; Louisville & Nashville R. R. Co.; Macy (R. H.) & Co., Inc.; McGraw Electric Co.; McLellan Stores Co.; Midwest Oil Co.; National Cylinder Gas Co.; Penney (J. C.) Co.; Texas Gulf Sulphur Co.

Manhattan Bond Fund Reports

Manhattan Bond Fund, Inc., the largest of **Hugh W. Long's** originations, reports net assets of $25,313,000 as of April 30, an increase of $1,970,000 during the past six months.

During the six months ended April 30, the following new bonds were added to the portfolio:

American Airlines, Inc. Inc. Deb. 3s, 1966.
Boston & Maine R. R. 1st Mtge. 4s, 1960.
Chicago, Milwaukee, St. P. & Pac. R. R. Co. Gen. Mtge. Income, Series "A" 4½s, 2019.
General Realty & Utilities Corp. Cumulative Inc. Deb. 4s, 1969.
Illinois Central R. R. Co. & C., St. L. & N. O. R. R. Co. Joint 1st Ref. gold 5s, 1963.
Missouri - Kansas - Texas R. R. Co. Prior Lien "A" 5s, 1962.
Missouri - Kansas - Texas R. R. Co. Prior Lien "D" 4½s, 1978.
St. Louis-San Francisco Ry. Co. 1st 4s, "A," 1997.

Notes

Distributors Group has a new leaflet on "Low-Priced Shares" and recommends their purchase for dollar averaging. They say: "Here is a stock that is certain to survive; certain to fluctuate; certain to magnify market swings, the three desirable characteristics for dollar averaging."

Union Trusteed Funds, Inc. has a new folder entitled "A Balanced Bond Fund," descriptive of "Union Bond Fund B."

Eaton & Howard Balanced Fund reports net assets on May 31 of $26,794,000, equal to $23.60 a share on 1,133,886 outstanding shares.

World Bank and Fund Jottings

By HERBERT M. BRATTER

Gutt Clarifies a Point—Asked by this correspondent to comment on how Fund administration is affected by nationalization and other internal political policies of member countries, Managing Director Camille Gutt observed:

"As such the question is not up to the point. The Fund has to examine, **in fact,** the financial, economic and monetary position of every member. Nationalizations may reflect upon that position, as a lot of other facts do, and in this regard have an indirect interest for the Fund. But as **such,** they have none."

Herbert M. Bratter

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World Bank, Gold Clause and Dollar Clause—Asked on May 28 by this correspondent certain questions concerning the gold cause and the dollar clause in the French loan agreement, the World Bank under date of June 6 has made the reply quoted below.

The questions were:

What was the matter relating to the gold clause and the Bank's 20% of capital which came up during the French negotiations?

Would a gold cause in the Bank's contracts be in the Bank's interest?

Is there in the French contract a "dollar clause" protecting the Bank against devaluation of sterling?

These questions elicited from the Bank the following reply drafted by General Counsel Chester A. McLain and approved by President John McCloy:

"In reply, we wish to call your attention to Section 9 of Article II of the French Loan Agreement, which is self-explanatory. That section is intended to protect the . . . Bank against depreciation of currencies (other than dollars) in which any part of the loan may be advanced. As the provisions of the section show, it was included in the French Loan Agreement pending an interpretation under Article IX of the Articles of Agreement of the Bank as to whether or not the provisions of Section 9 of Article II of such Articles of Agreement are applicable to currencies of members paid in on account of their subscriptions to the capital stock of the Bank during any period for which such currencies have been loaned by the Bank. The above-mentioned provisions of the French Loan Agreement are

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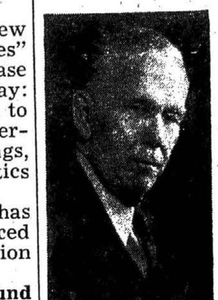
Needed: A New Program For Europe's Rehabilitation

By HON. GEORGE C. MARSHALL*
Secretary of State

Asserting world situation is very serious and Europe's economy in utter disrepair and unbalanced, Secretary Marshall urges a new policy that will not only bring relief but also revival. Proposes a joint program of European countries to give effect to action taken by U. S. Decries giving aid on a piecemeal basis.

I need not tell you, gentlemen, that the world situation is very serious. That must be apparent to all intelligent people. I think one difficulty is that the problem is one of such enormous complexity that the very mass of facts presented to the public by press and radio make it exceedingly difficult for the man in the street to reach a clear appraisement of the situation. Furthermore, the people of this country are distant from the troubled areas of the earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connection with our efforts to promote peace in the world.



George C. Marshall

In considering the requirements for the rehabilitation of Europe the physical loss of life, the visible destruction of cities, factories, mines and railroads was correctly estimated, but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of European economy. For the past ten years conditions have been highly abnormal.

The feverish preparation for war and the more feverish maintenance of the war effort engulfed all aspects of national economies. Machinery has fallen into disrepair or is entirely obsolete. Under the arbitrary and destructive Nazi rule, virtually every possible enterprise was geared into the German war machine. Long-standing commercial ties, private institutions, banks, insurance companies and shipping companies disappeared, through loss of capital, absorption through nationalization or by simple destruction.

Economic Deterioration in Europe

In many countries, confidence in the local currency has been severely shaken. The breakdown of the business structure of Eu-

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*An address by Secretary Marshall at Harvard University, Cambridge, Mass., June 5, 1947.

Why American Enterprise Keeps Ticking

(Continued from page 3)

American economy as it actually exists today.

It has been, and most of us commonly assume that it still is, an economic system based upon free, competitive, private capitalist enterprise; but what, in fact, is the real situation as regards all of these essential elements of the system? Obviously, large and widening areas of it, like the public utilities, are conducted by State regulated or publicly owned monopolies; and many other industries are taking on some of the characteristics of public utilities or tend more and more to be treated like them, especially where the determination of prices and some elements of cost are concerned. Less obviously, but as truly, in nearly all areas and in many ways the freedom and degree of market competition, the sources and supply of capital, and the strength and scope of enterprise have been steadily and substantially shaped and impaired by public or private attitudes and action. By comparison with most of the collectivisms of the current world, the American economy seems to us still to offer a large measure of freedom, a pretty active competition, a generally predominant degree of private capitalism and individual ownership, and a very vigorous spirit and practice of enterprise. But it is not what it was in any of these respects, and it is steadily and rapidly becoming less so.

When you consider the nature and cause of these changes it seems clear that they have been part, and perhaps a consequence, of a world-wide drift toward various kinds of compulsory collectivism in thought and action that has been going on for a long period. Probably the most crucial element in the character of the American economy is what we call freedom, by which we mean not merely general freedom from government regulation and control, but particularly freedom of the market. Whether or not there are cycles in freedom, as there are in prosperity, it has clearly come upon hard times. Everywhere in the world economic freedom, and with it many of its companion freedoms, has been on the wane for a generation at least, and the market for it among the peoples of the world and among all groups and classes of them is greatly depressed today. Everybody is bullish on the prospects for prosperity and all kinds of security; pie-in-the-sky preferred has soared to new peaks even in frost-bitten and hungry Britain, and we divert ourselves by making chart projections of the national income during the decade from 1950 to 1960; but freedom common is in little demand, and the traditional price of liberty has fallen very low in the political market places practically everywhere.

Economic and Political Freedom Devalued

The extent to which both economic and political freedoms have been devalued in the generation since the first World War began has paralleled the inflation of currencies in most countries. We hardly remember that all the nations assembled at Versailles to make the peace treaties ending that war were republics or democracies under representative parliamentary governments, with economic systems functioning in fairly free markets, except for traditional tariffs, some private cartels and a few unimportant public monopolies. Today there is in fact not a single fully free economy left in the world, and very few free white markets for anything. The price and supply—and for the most part the consumption, too — of nearly every important commodity and service is determined practically everywhere by public or private monopoly or by government regulation or control, or both. Nearly every country outside of North America is governed by some form of Socialist dictatorship, and in most other parts of the world political and civil liberties have wholly disappeared or have been drastically impaired.

The most significant thing about this devaluation of the idea of freedom — especially in the economic field — as a fundamental element of the American economy, is not that it has happened here as it has almost everywhere else, but that most Americans, even in business, are wholly unaware of it or indifferent to it, or take it as inevitable, or necessary, or natural. It is not merely that they attach so much more importance to the idea of security than they used to, but that they are so little interested in freedom at all that they are unconscious of the extent to which it has been curtailed, or of the probable consequences. In America experience has so strongly nourished the illusion of automatic endless abundance and progress that we have come to assume these things without question as something we can never lose, and probably would continue to take them for granted even if we were actually living like Australian bushmen or Bulgarian citizens. Economic freedom seemed to have little or no connection with them, or was taken as a matter of course like free air; as a part of the American climate. Our long periods of prosperity and phenomenal progress made the danger of losing it seem remote, or unimportant. The connection between economic freedom and political liberty was quite obscure, and the problems of preserving it were in fact so complex and hard to understand that we were bored to death when anybody undertook to explain them or told us, for instance, to read the Federalist papers.

As I have observed it during the past decade this drift away from economic freedom, and the growing indifference toward it, have seemed to proceed under a sort of emotional or intellectual anesthesia to which almost all groups among the American people, notably including business men, have been subject, and which has steadily reduced their sensitivity and reaction to expanding control of the market and the allocation and use of economic resources under public or private monopoly or governmental regulation. It may be an ominous symptom that we have talked more about free enterprise and the classified freedoms than ever before. compiled more monumental tomes to expound its merits and accomplishments, erected more statistical tombstones in its memory, and laid more literary and rhetorical wreaths on its grave. The very language of economic freedom has becme so perverted and confused that almost every proposal aimed to expand governmental power, and every piece of legislation designed to widen State control of the domestic and international market is now framed in terms of the sacred purpose of preserving or promoting free enterprise, and the devil himself quotes its scriptures with pious sentiment and apparent sincerity while millions cheer every additional curtailment of their economic freedom which is demanded by anybody in its name. So it is that the earnest, enthusiastic or anxious alike among us Americans today are traveling swiftly and for the most part cheerfully along a road from which most of the familiar landmarks have disappeared and the signposts have been removed or arranged to point in both directions at once. We measure our speed and progress by abstract, collective statistical milestones like national income estimates, but hardly anybody knows or cares which way we are moving on the road — backward toward some form of the old collective servitude, or forward toward a new kind of freedom which will come to the same thing. The new world, whatever it may turn out to be, is being born in a strange sort of twilight sleep, or hypnotic trance, in which almost nobody seems to be conscious of the extent or the consequences of curtailment of either economic freedom or their civil liberties.

Economy Cannot Keep Ticking Under Indifference

This is a fact of formidable significance for the future, for it seems clear to me that you cannot keep the kind of economy we have had in America ticking very loud or long, or ultimately at all, if the people who compose or operate it don't care about freedom, are losing their sensitivity to its restriction, or set a dwindling valuation upon it by comparison with other things like security, stability, income and the like. This applies particularly to that aspect of freedom which concerns freedom of the market, and the determination of prices of goods, services and capital, and the distribution by labor, capital and materials by free competition; and it applies especially today to the attitudes of business, labor and consumers toward these matters.

You may have some doubt, as I have, whether or not the fundamental elements and conditions of a free economy have really disappeared or have been permanently abandoned in this country, but the evidence of a tendency to embrace or accept some form of compulsory collectivism has been abundant and clear during the past decade. The growth of governmental and private monopoly power over the economic organization has been rapid, comprehensive and deep-rooted, and the atmosphere of government control is now so pervasive and familiar that most Americans can no longer imagine its removal, and have come to doubt that it should, or could, ever be done. We have been living in the iron lung of governmental control so long that there are few who could look forward to breathing the air of economic freedom with much comfort or confidence.

This has been evident enough in the history of postwar reconversion policies and in the picture of paralysis or impotence which the majority party in Congress has presented in dealing with taxes, public spending, labor problems and foreign relations. Governments never demobilize themselves, and since the New Deal decade and the war in which it culminated it has been impossible for any party seriously to attempt or even to propose to demobilize overgrown government, or to shrink its powers or functions in any substantial way. It has not been done in America any more than anywhere else in the world, and the prospects for it are doubtful. A vastly more elaborate structure of fundamental government controls than this country ever knew before still continues to operate. Prices, production, consumption, exports and imports of many important commodities are still determined by government, and no material change has been made in its comprehensive control of savings, investment, capital markets and interest rates. The majority party in Congress is unwilling or unable to bring itself to make any substantial reduction in the budget or the tax burden by which the governmental mammoth is fed, or materially to curtail the privileges and powers of the private labor monopolies that determine wages and control production and employment in most occupations.

What has happened to the fundamental freedom of the market for goods, services and capital in this country during the past decade is something broader or deeper than mere economic or political change. It is rather a reflection of shifting mass attitudes and ideas regarding economic and political procedures about life, work and government. In every aspect of thought and action one can observe the steady growth of collectivism and decline of individualism. More and more people accept, depend upon or demand group action and compulsion and resent, resist or suppress individual voluntary competitive effort. The burden of individual cost, risk and responsibliity is increasingly feared, avoided or shifted to groups. This process is evident enough not only in government fiscal and labor and agricultural policy, and in the expansion of social insurance programs, but also in international relations and in the ideas and conduct of business.

Taxpayers, Not Consumers, Bear Cost

The costs of goods and services are being increasingly collectivised and shifted from the immediate consumer and user to some more remote group, such as the general taxpayer, and the responsibility and risk to provide them removed from the individual or enterprise to some public official, agency or authority. Subway rides in New York City, school children's lunches, college educations, farmers' electric lights, doctors' and dentists' bills, houses for veterans or low income groups, are common current examples of innumerable things that are being paid for in part by somebody else beside the user, and removed from the free market where their price, supply and consumption are determined by the free competition of supply and demand. The grey twilight area between the free voluntary competitive economy and the compulsory collective economy is widening in America with the development of types of semi-public corporations and authorities who avail themselves of tax-exemption and public monopoly privilege to go into many forms of production, service and constructive activity. Farm prices and incomes are being paid partly out of the public treasury through subsidies and loans; all important economic factors of railroad operation and many elements of water, highway and air transportation are determined by public authority or labor monopoly, and the fundamentals of the financial system and the capital market are controlled by government.

Whether or not these conditions involve direct government ownership or operation, they progressively impair and distort the functioning of what remains of the free market, and steadily narrow the area of economic freedom until no one can be sure how much of it actually remains. From some points of view and in certain respects it can be said without much exaggeration that free enterprise in America has become a marginal or fringe activity during the past 15 years. It is practically impossible to say whether or not agriculture, coal mining, transportation, banking and the production of power and light in the United States are in fact conducted by private enterprise or operate in a free economy, because all parts of the economic

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Canadian Securities

By WILLIAM J. McKAY

In the disordered world of today Canada, alone at the side of this country stands out as the only other bastion of economic freedom. It is essential therefore that every effort be devoted to assist the Dominion to avoid the imposition of any further restrictions on the free flow of trade and capital.

It must not be forgotten that the present strain on the Canadian resources resulted from the Dominion's bold attempt to supplement the efforts of this country to rehabilitate the war-ravaged countries of Europe and stimulate world trade. When it is considered that the Canadian contribution for these purposes of approximately $2 billions is equivalent to an outlay on the part of this country of more than $30 billions on a comparative national income basis, the extent of Canadian effort can be more readily appreciated.

The current visit of the President to Canada will no doubt offer the opportunity to study ways and means to sustain the North American drive for a free world economy. The crux of the problem is the shortage of U. S. dollars and the inability of Britain and the rest of Europe to export on a scale commensurate to their U. S. dollar needs. Canada on the other hand has the exportable resources but lacks adequate hard currency outlets. Only this country is in a position to provide the constructive solution. In order to enable the Dominion to correct its current imbalance of trade between hard and soft currency countries, a formal arrangement on the lines of the Hyde Park Agreement could be devised to solve this problem. It would moreover permit Canada to continue her aid to Britain and Europe, and thus lighten the burden on this country. Furthermore this country would receive value for money, and in this way the available volume of U. S. dollar exchange would be increased by normal economic processes.

The announcement of such an agreement would do much to challenge the contention that the free enterprise system is doomed to failure, that economic nationalism will defeat the American effort to open up the trade channels of the world.

During this stage also of world power politics a strong Canada is of paramount importance. Vital as was the closest working harmony between this country and Canada during the war, U. S.-Canadian collaboration at the present time is even more essential. The tremendous resources, the value of the British Commonwealth connection, and the strategic situation of Canada, are factors that this country must capitalize to the fullest possible extent.

The forthcoming meeting of the President of the United States and the Prime Minister of Canada thus offers a fitting opportunity to announce to the world the economic solidarity of the North American continent, with its implications of a further cementing of the link with the British Commonwealth, and the promise of a return to universal economic sanity.

During the week there was a continuance of the drab market pattern of inactivity and dullness. The external section was almost devoid of interest but there was a moderate activity in Dominion internals. As a result of the announcement of the redemption call of the Montreal Light Heat and Power bonds with its threatening pressure on the market for free funds there was a sympathetic weakening of the internals. Despite the strain on the free dollar there were cross-current demands arising from tourist requirements and anticipation of possible constructive steps that might shortly be announced from Ottawa, which tended to correct the weakness. After a decline to a level approaching its recent lowpoint the free dollar rallied and remained steady around 8%. Stimulated by recurrent rumors concerning further relief to the gold-mining industry there was continued buoyancy in the market for gold shares. Although there is no valid case for raising the price of gold at this time there is certainly every reason for the Dominion Government to adopt measures to stimulate the domestic gold production by giving additional relief to the marginal mines which would serve to augment the Canadian U. S. dollar reserves.

E. L. Zoernig & Co. To Open in St. Louis

ST. LOUIS, MO.—E. L. Zoernig & Co., Inc. will be formed with offices in the Locust Building, effective July 1st, to act as dealers in general stocks and bonds, investment bonds, bank and insurance stocks. Officers will be E. L. Zoernig, President and Treasurer, and R. J. Zoernig, Vice-President, and Secretary. Mr. Zoernig was formerly an officer of Zoernig, Hanser & Co., Inc.

Mulligan in Newark

NEWARK, N. J.—Robert A. Mulligan is engaging in a securities business from offices at 94 Second Avenue.

Why American Enterprise Keeps Ticking

(Continued from page 17)

organization have been so pervasively penetrated by government controls and private monopoly influences upon wages, prices, production, consumption and investment. Certainly ours is indeed a thoroughly mixed economy today and, what is more significant, it is generally accepted as such even by the business community. The debates about its merits and permanence, of which we heard so much a few years ago, have largely faded out. Almost no one now questions the stability or desirability of the combination of government control and private enterprise, and the idea that it is possible and necessary to develop a social system that provides both economic freedom and security simultaneously is universal and orthodox doctrine in the United States today.

Among the symptoms of the growth of the idea of compulsory collectivism in current American economic life, within the form of a free economy, perhaps the most important and timely is the extensive and increasing participation of this country in international governmental arrangements for control of trade, investments and exchange, which require and commit us to far-reaching internal regulation of prices, employment, production and consumption by the Federal Government.

Beginning with the agricultural pooling and allocation arrangements of the war period, and running down through the Bretton Woods agreements to the currently discussed Charter of the International Trade Organization, all this structure of collective action is being tied together in the United Nations Organization, with the hope of promoting international peace and security, stability and full employment.

Though the ostensible aim is to reduce restrictions on world trade, the necessary effect is to put the control of internal as well as international economic activity more completely in the hands of government and to eliminate what remains of a free competitive market at home as well as abroad. Almost all of the governments with which these arrangements are being made are socialist or communist dictatorships and conduct all domestic or foreign business through public or private monopolies. The arrangements must inevitably compel us to do the same in the course of time if they are to be effective at all. Since it might not have been possible to bring this about so easily or so soon without such arrangements they are in effect a device to promote a kind of back-door collectivism in America, and this may be their primary or ultimate purpose on the part of foreign governments, if not of our own. So far as they can or will be put into effect they must put an end to every vestige of a free market in international trade, and they cannot be made effective or be enforced without complete government regulation of the internal economy of every country concerned, including this one; but because they are bound up with ideas of international peace, relief and reconstruction, or with the purpose of providing an antidote to communism abroad, few Americans are conscious of their implications for the preservation of a free economy at home.

State Developed Labor Union Monopoly

On the domestic side the most striking manifestation of the current collectivist drift of thought is the development and wide acceptance during the past decade of the doctrine of State-sanctioned, supported and enforced labor union monopoly power in fixing wages, production costs and prices, and controlling employment, under the name of "collective bargaining" and "union security." Whatever reasons there may be for modifying free competition in the labor market, it is self-evident that without it you cannot have a free competitive economy any more than you can have private capitalism without a free capital market. Industry or nationwide collective bargaining, the closed shop in all its forms, and other labor union monopoly practices, are plainly incompatible with a free competitive enterprise system, but all these are generally accepted as necessary, inevitable or proper by most of the American people and a large part of American business today. Under them you may have some form of collectivism, you may have plenty of political competition for public or union office; you may have more peace, security and stability, though that is doubtful; but if you have state-supported, sanctioned or compelled monopoly by labor unions or any other group in the community you may as well stop talking about a free competitive enterprise system, because it cannot exist. You do not change this by cutting the employer or the consumer into the game in any manner; you only make it more certain that sooner or later the State must step into it and treat the workers or the business or the product as a public utility by regulating the monopoly, fixing the price, the wage, the profits and the conditions of employment.

The desire for security and the drift toward collectivism evident in these policies is not confined to labor unions or leaders. The attitudes of business men toward the free market and free competition are very confused and uncertain, and it is doubtful how far American business today believes very passionately or with deep conviction in these elements of free enterprise. Skepticism on this point does not rest on the familiar and all too human yearning among business men for conditions or private arrangements which relieve the strain of too strenuous competition in a free market. The umbrella or security complex is common to all groups, but all private monopolistic arrangements, including those of labor, that are not in some way supported or enforced by government, are nearly always self-corrective in time, and the disposition of private enterprise in this country to seek, accept, approve or depend upon expanding government support or administration of the market has been evident and increasing. The American business mind is undoubtedly deeply divided, to the point of displaying a sort of split personality on all key questions of public policy that affect the free market and competition, such as price controls, subsidies, priorities, allocations, rationing, tariffs, foreign loans, government lending, buying and selling and labor policies concerning the scope of collective bargaining, the closed shop, etc. Tolerance of government intervention in markets of labor, materials and capital, as well as in domestic and foreign markets for their products, has risen rapidly among business men in the past decade of New Dealism and war.

The drift away from faith in the free voluntary competitive market economy, and in the direction of more or less compulsory collective action which is evident in these developments in international and domestic labor and business attitudes, is in large part an expression of ideas that have been the official economic doctrine of our government for more than a decade and have been almost universally, if unconsciously, absorbed by the business community and the general public. In the form in which we adopted them they were imported from England during the depression, with the late Lord Keynes as their chief salesman and promoter, though they were originally invented by Karl Marx.

Proposals for Compulsory Income Redistribution

The essence of this doctrine is that under modern conditions, in order to assure domestic and international economic stability, peace and progress, it is necessary for governments individually and collectively to conduct a continuous compulsory redistribution of income, wealth and surplus production to consumers at home and abroad by manipulation of the community's savings, investment and consumption through appropriate fiscal policies of taxation, public spending and borrowing, and government management of the financial system and the capital market. This fundamental doctrine has been given various vague and innocent names such as "national planning," "full employment," "managed economy," "compensatory fiscal policy" and the like, but its essential idea is that economic stability and expansion can be secured by government programs to underwrite and manage the market for goods and services at home and abroad by control of consumer purchasing power.

These programs are commonly offered as an indispensable way of preventing or defending the economy against Socialism or Communism, but the basic purpose and conception of this doctrine is essentially collectivist because it treats the activities, the resources, the income, savings and investments of the individuals of the community as a national pool of purchasing power, production and consumption and contemplates redistributing these resources in accordance with a predetermined purpose and plan. It is usually argued that only in this way is it possible to avoid complete public ownership of productions and resources and detailed State control of the conduct of individuals. The element of explicit compulsion in this program is perhaps painless or invisible, but it is comprehensive, pervasive and persuasive. It inevitably alters and ultimately destroys the free market and free voluntary competition. It profoundly affects the private capital market for voluntary saving and investment, and likewise the underlying incentives and the scope of enterprise. Experience in this and other countries has shown that this form of collectivism by remote control cannot be applied in the end without increasing measure of direct administration of the production, consumption and savings of the community through rationing, allocations, priorities and price and wage fixing.

In terms of the ideas and programs which have developed around this official collectivist doctrine we have in this country today a fairly well expanded labor collectivism, a professional or technical collectivism and, what is most striking and significant for the future of a free enterprise economy in America, a well advanced business collectivism also. However divergent the views of business men may be on particular measures of government regulation and control, they almost universally accept the idea that it is necessary and possible for government today to manage the general fiscal functions so as to underwrite the domestic or international market by maintaining consumer purchasing power and employment. American business generally has adopted the economic doctrine of Lord Keynes and his domestic expounders. It not only sees in their application no inconsistency with a free enterprise economy but seems convinced that they are indispensable for the preservation of such an economy in America. Indeed, we find business spokesman as well as all other groups currently making constant use of the familiar device of communist conspiracy and propaganda, which is to warn the public that unless we adopt certain measures of government control and fiscal policies that are fundamental by means of establishing a collectivist or communist or socialist system the country will go Communist, which is an end that everybody wishes to avoid.

Does Free Enterprise Work?

A typical expression of this state of mind is the familiar formula—"we believe in free enterprise; but it must be made to work," the implication being that it has not worked or does not work, and the ways which are thought necessary to make it work being in one form or another measures that establish a compulsory collectivist economy. The concept of consumer purchasing power as the open-sesame to prosperity and stability, and of government as the fairy godmother of full employment and sustained market demand, able by the use of her maginc wand of compensatory fiscal policies to produce a permanent one-way boom, all permeate the important business magazines and trade journals today, and important organizations of business men are devoted to the advancement of them. A stream of literature emanates from these sources spreading throughout the business community the belief that only central government control of this kind will work as a way of preserving and improving free enterprise.

One may wonder how business men, or anybody else, know whether it will work, for it has not yet worked anywhere in the world, and it would certainly be hard to name or imagine any other system that has produced or could produce such amazing waste and confusion, poverty and insecurity, stagnation and retrogression, as is now being exhibited day by day in a world of nations whose economies are completely planned under central government control or dictation. One wonders even more why the spokesmen and practitioners of the kind of economy that has accomplished what has been done in America should be convinced that it did not work or does not work here any more. There is in this state of mind, which is so common though often unconscious in American business today, something fanatical in its combination of blind faith in government power and fatalistic fear or despair of freedom. It reflects either a profound ignorance of past and present history, experience or principle, or the considered or cynical conclusion of speculative expediency, which is that socialism is coming in American as it has come everywhere else, and the safest or wisest or even the best thing to do is to prepare to ride it.

Whatever the explanation of the spread and acceptance of these ideas, the plain fact is that their application is making the preservation of a free enterprise economy in America more and more impossible and is promoting and speeding its ultimate collapse. They are incompatible with any of the elements in the mechanism of the American economy that have kept it ticking in the past. You cannot maintain a free market or a voluntary competitive economy when the flow of consumer purchasing power and the volume of savings, investment and consumption are being controlled by central government under a national plan. Such controls inevitably tend, and are intended, to supersede the automatic play of supply and demand and free competition in determining prices, wages, employment and investment. They establish a state-managed compulsory collective economy in which the work, income, consumption and savings of every citizen are treated as part of an immense pool of production and purchasing power to be manipulated by government according to a predetermined plan.

A Private Capitalistic Enterprise Economy

But the American enterprise economy is not merely a free voluntary competitive economy. It is also a private capitalistic enterprise economy, and every part of that description is indispensable. It rests upon private voluntary saving, investment and enterprise, and the crucial fact is that these doctrines and methods of control are directed to the core of that kind of economy. They are designed to destroy it and are rapidly accomplishing that purpose by superimposing upon it a form of compulsory collective capitalism, and by removing the incentives to private voluntary saving, investment and enterprise.

It might seem to be obvious that you cannot have any kind of capitalism without capital, but that is essentially what we are attempting today under the ideas and policies I have been describing. A fundamental part of them is the belief that the main reason why the American enterprise economy doesn't work any more is that it tends to accumulate too much capital, that over-saving and under-consumption are the chronic disease of private competitive capitalism, and the only cure for it is fiscal policies and financial controls which redistribute the income, promote consumption and enable the government to manage the savings and investment of the community.

The chief ways in which this is done are familiar to most Americans and taken for granted by them. First, of course, vast and continuously increasing programs of public spending and lending at home and abroad are used, in peace as well as in war, to distribute purchasing power, dissipate capital savings and force consumption, and this process of publicly underwriting the consumer market by socialization of income and compulsory spending is universally approved by business, labor and consumers. Secondly, heavy, steeply progressive and flexible income, estate and business taxes confiscate and pool for public use a large and increasing part of the national income, and make the accumulation of private capital by savings practically impossible. This process of socialization of income is being extended to business income, too, and in these ways more than a quarter of the national income, product, and employment and consumption is in fact already socialized or communized in America. Third, this collectivizing of income and consumption is supplemented and supported by unlimited use of government credit mainly through borrowing from banking institutions which are largely under government control. The sheer magnitude of government credit operation, combined with its control of the banking system and the private security markets, give it a practically unlimited monopoly position in the capital and money markets and enable it to determine the supply, demand, price and movement of funds for private as well as public investment and use.

Social Security and Conscription of Savings

Perhaps the most important single thing that has been done by way of applying the basic collectivist idea of controlling the economy through compensatory fiscal policy is the establishment of a national system of compulsory saving under the name of "social security." The essential consequence of this system is to provide a vast pool of funds for public spending and investment into which the individual private savings of the community are conscripted and siphoned off continuously for government use. Under this mechanism, investment in government securities has become compulsory and automatic for most of the population. Whatever other consequences it may have, it unquestionably affects the flow of private savings and capital into private investment and imposes a formidable handicap upon the survival and expansion of a private capitalist economy.

The system of compulsory collective consumption and saving involved in these policies and procedures is quite apart from such direct controls as government applies to investments and earnings in certain industries like railroads and public utilities, and when it is considered in conjunction with the more specific and comprehensive controls which government has over business management and labor, prices, wages and profits it seems clear that the decade of New Dealism and the war has left us with a kind of economy in which the form of private ownership and private capital has been preserved mainly as an empty shell from which most of the substance has evaporated. All of the obligations, risks and responsibilities of private ownership remain, but the authority and benefits thereof have become largely nominal, or imaginary. It is no rhetorical statement to say that the private capitalist enterprise economy in America today is one in which about two-thirds of the value of the private capital is under government mortgage, in which more than a quarter of its income is under government garnishment, and in which virtually a third of the employment consists of working for the government.

There is probably a critical point in every economy beyond which the accumulation and use of capital in enterprise by private voluntary competitive effort breaks down and the process of compulsory collectivization become progressive and irreversible. Economists have tried to calculate that critical point, and estimates differ; but I believe that we are perilously near to it if not past it in America today. The force of individual ingenuity, inventiveness, ambition, aspiration for profit, power, prestige—and all the elements that comprise the quality we call enterprise in the American economy—is still powerful and still responsible for making it keep on ticking so strongly. But most of the economic incentives that nourish and sustain the enterprise factor in it are being deeply eroded by the collective confiscation and forced consumption under our current fiscal policies, and the consequences go far deeper than the fortunes or future of individuals.

Illusion of Business Profits

The profits of American business enterprise as a whole have always been in large part an accounting illusion determined mostly by the cycles of activity and prices, and leaving in the long run little more than enough to replace and expand the capital used. Today even that residue is illusory or doubtful, and it is probable that the American economy—even at the present peak of its productive activity—is beginning to consume its capital, in consequence of the ideas and policies under which we have been proceeding during the past 15 years. Certainly it is not creating any, or enough to replace what it is wasting, at home and abroad, because the hope of profit, the expectation of return from private saving and investment has become so much more illusory for the individual than ever before. The color of the carrot that kept the enterprise donkey going in the American economy has faded considerably in the past decade, and for more and more people the reward has seemed less and less worth the sacrifice or the risk of effort to reach it. The idea of profit as a return for the risk of enterprise has practically disappeared, and the public conception of what is proper or permissible for that purpose has shrunk to the dimensions of a nominal interest rate on a government security. The incentives for saving, investment and enterprise have been so steadily and drastically reduced that the prospective supply of capital and competent management for the improvement and expansion of established business as well as the development of new industries has become problematical. If the American economy did not work, or doesn't any longer because of over-saving and under-consumption, we should be well on the way to recovery by now, but compulsory saving and public spending or lending are not a remedy for inadequacies of private capitalism. Their purpose and effect is to dissipate and waste what private capital accumulates and to discourage the accumulation and use of any more.

So, when you look closely at the clock of our American economy, the time is not what it seems today on the face. In terms of wear and tear and waste and loss it is much later than we think. The mainspring of this enterprise economy is not broken, but greatly weakened; the balance wheel is out of alignment as between wages and investment, consumption and saving, and the principal jewels of the movement—the free market, and free competition—have been worn out, lost or discarded. It is still ticking, but if we are to keep it ticking for much longer or more than feebly, these defects will have to be repaired pretty soon, unless the American people have really decided that they want to replace the works with a completely new imported movement. From the way they have let the American economy be monkeyed with in the past 15 years you would think they don't know the difference, even yet.

Securities Salesman's Corner

By JOHN DUTTON

Can you remember building a system of rivers, tunnels and dams out of sand when you were a boy? Then you would fill a pail with water, pour it into your sandpile and watch what happened. Remember how the water would rush against the dikes and dams; if it had sufficient force behind it there would be a break through, and if not without the least hesitation it would glide around the impediment. Nature which operates under fixed laws caused the water to circumvent that which it could not penetrate.

There come times in life when you have to go around obstacles. Many security buyers today are on the sidelines. Some are there because they are without funds, others have lost confidence. Some desire to wait for a clarification of confused economic and political conditions. Others because of unwise speculations are through buying securities for a long, long time. Such people are casualties of the past bull market. Every bull market leaves its wreckage behind it. If you think you are the only salesman who has customers locked into securities at prices far above levels prevailing today you can stop blaming yourself—your customers are as much to blame for some of those unwise speculations as anyone else—besides you have plenty of company.

The best way to overcome an unpleasant set of circumstances is to face up to them. Admit trouble and set out to correct its source. Don't try to push your head through a stone wall. Keep those accounts which are worth keeping—let the rest go.

What you can't accomplish by direct action can be achieved by using other methods. For example, let us assume that you are not doing business today with some customers that formerly had active accounts. Make a study of just where you stand with each one of these now inactive customers. Separate the sheep from the goats. Those which are worth keeping continue to telephone, write or call upon them. Scratch off the others and set about replacing them with new accounts. This is the only way you will keep volume up during the rest of this bear market and you will rebuild a very good foundation for the next resurgence of investor confidence. There is no method that has ever been discoverd yet that can eliminate the natural turnover in a salesman's clientele.

Check up and see how many of your friends and acquaintances might become your customers. Do you think there are bargains around today? Is this a better time to lay a foundation for an expanded clientele than a year ago? How about the people you have never tried to interest in securities but who might appreciate some suggestions for investment? Maybe you have been trying too hard in the WRONG PLACES to secure some new accounts. How about your Doctor, Dentist, landloard, neighborhood merchants, insurance man, car dealer, friends from church, club or school days, etc., etc. Why not make a list of the probable prospects for securities among the people YOU KNOW? Try something new for a change—do it the easy way—offer them good values such as an investment trust, a good insurance stock, or any other high-grade investment situation that has real strength behind it. Your friends won't get hurt providing you exchange value for their dollars.

Last week a dealer told us how he called upon an old friend and suggested the idea that if he had a cash reserve fund in his business at this time that he might find it wise to put this money to work in high-grade bonds yielding about 2½%. Much to his surprise he was told by his friend that he certainly came around at the right time. This cash on hand had become a problem and the possibility of putting it to work in very sound securities had often come up but nothing had been done about it. The total commission on $40,000 par value of triple A bonds was only about $100 but this was the beginning of a new account and one that could be developed in time into something worthwhile. A good salesman creates business. How about these business firms in your neighborhood that might have some cash on hand now? Maybe they too would be interested in buying some Standard Oil of N. J. 2⅜s, A.T.T. Debentures, Socony Vacuum 2½s, or Union Pacific 2½s? $100,000 in cash earns nothing —$100,000 in the best bonds in America still earns $2,500 per year, and even if this is before taxes it still isn't hay.

Women's Bond Club of N.Y.

The following officers were elected at the annual meeting of the Women's Bond Club of New York: President, Miss Lucile Tomlinson, investment company consultant; Vice-President, Mrs. Joseph Pogue, Chase National Bank; Secretary-Treasurer, Miss Ruth E. Clayton, Clayton & Wheaton. Newly elected to the Executive Board were Miss Jane Baldwin, Irving Trust Company, and Miss Ruth Hoffman, Gamwell & Company. Mrs. E. W. Axe, E. W. Axe & Co., Inc., and Miss Irene C. Sheehan, General American Investors Company, Inc., will continue as members of the Board.

La Salle Street Women Elect Officers

CHICAGO, ILL.—At the annual meeting of La Salle Street Women held on June 5, at the Cordon Club in Chicago, the following officers were elected for the fiscal year 1947-48: President, Miss Florence Page of Security Supervisors; Vice-President, Miss Mary Lincoln of Investment Bankers Association of America; Recording Secretary, Miss Colina Clow, Secretary to Dr. Melchior Palyi; Corresponding Secretary, Miss Edgarda Clark of Merrill Lynch, Pierce, Fenner & Beane; Treasurer, Miss Edith Jiencke of Gofen & Glossberg.

Outstanding Developments in Electric Industry

(Continued from first page)

one shift per day, five days per week, whereas during the war most of them operated around the clock. This has produced sharper demands on our power systems. The electrification of industry is accelerating, and its influence on the growth of demand for electric power will be felt for many years ahead. The ratio of kilowatt-hours to man-hours in manufacturing (exclusive of aluminum and magnesium production, which have a high ratio of kilowatt-hours to man-hours) has increased 11% since 1939.

Another factor is that the cost of electric service compared to the cost of living and compared to the cost of labor is much lower than before the war. The average cost to the user of each unit of residential electricity has dropped 20% since 1939. The public is turning to labor-saving devices and to central station service at a faster rate than ever before in history and is only prevented from increasing its demand still faster by the unavailability of the appliances and equipment it would like to buy.

Capacity to Serve

This rapid postwar growth of load on power systems, before the electric companies have been able to put in operation new generating capacity, although some of this was ordered about the beginning of World War II, has sharply reduced the industry's margin of spare and reserve generating capacity. The margin of generating capacity over peak load in December, 1946 was only half as large as this same margin during the heaviest demands of the war period, and in some localities on occasions the load actually caught up with the total available capacity.

The outlook for the Fall of 1947 is for somewhat narrower margins in general than obtained in December, 1946, but that the generating capacity will meet the demands of our customers throughout the nation with possibly a few minor exceptions for short periods.

The outlook for 1948 is that the gain in added capacity will exceed the expected load growth by a considerable amount, but will still leave fairly slim margins of spare and reserve capacity, particularly in some areas.

The outlook for 1949 is for a further substantial gain in the margin of reserve and spare capacity, but it is expected that it will take three or four more years beyond that date before the companies will have reestablished reserve margins such as our operating forces like to have at their immediate disposal.

The electrical manufacturers of large generating equipment, because of demands for steel products during the war, were not allowed by the War Production Board until just a few weeks before VJ-Day to start filling our orders for such equipment. It was the end of 1946 before the pipeline for delivering turbines and large generators from the manufacturers to the utility systems filled up and began to spill out. Strikes had extended the necessary filling period a few months. That is why the net increase in generating capacity in the entire year 1946 was only 200,000 kilowatts.

In 1947 the electric utility companies expect to add 2,200,000 kilowatts of capacity to the 40,000,000 kilowatts of generating capacity they had at the end of last year. They will install about 3,450,000 kilowatts in 1948, about 3,700,000 in 1949 and 1,550,000 in 1950, a four-year total of about 11,000,000 kw. Some orders are already placed for deliveries in 1951 and 1952. The total of unfilled orders of the companies at the present time amounts to 12,200,000 kilowatts. This is 30% of present generating capacity.

The combined total capacity now definitely planned for installation both by company and governmental power systems is approximately 16,000,000 kilowatts.

From the foregoing figures it is evident that the operating worries arising from rapid load expansion ahead of our ability to add additional generating equipment are well on the way to dissolution. To a considerable extent the very slim reserves experienced since last August will be past in another seven months, although it may be another 12 months before this will be true in all areas of the country and it may take another three to four years to reestablish reserve margins where the companies would like to have them.

Apropos the prospect for another 7 to 19 months of rather narrow margins of reserve and spare capacity, I should like to make two observations. The men who operate the power systems really are the big factor in maintaining an adequate supply of electricity to the public. It is the capable and resourceful teamwork of our operating forces in pooling their information, their capacity and their reserves, in scheduling their maintenance work and performing miracles in making repairs and keeping generators, turbines and boilers on the lines, that has supplied and will continue to supply the power demands of our customers, even though we are operating with limited reserves. The next point I want to bring out is that the electric utility companies will install additional generating capacity in the spots where it will best serve the public, and they will do it with more speed and skill and at less cost than any other agency or agencies could accomplish it. Not only will they supply all the power requirements of their service areas but they will continue to exert their technical and commercial skill in expanding and promoting, on a sound business basis, ever larger and larger demands for electric power. It is their well-proven purpose and capability to do so. America, in my opinion, has good reason behind its confidence in the willingness and ability of electric utility companies to maintain an adequate supply of power.

I want to pay a well deserved tribute to the manufacturers of generating station equipment for the very splendid job they are doing in meeting our unprecedented demands for additional facilities. We are asking them to produce this type of equipment three to four times as fast as we normally call upon them for such production. They are giving priority to power production equipment at the expense of producing electric appliances which, as you know, are in such great demand by the public. It is indeed fortunate for our industry and for the economic wellbeing of this nation that we have at our disposal the services of such capable, resourceful, commercially aggressive and farsighted manufacturing establishments.

The Industry's Comprehensive Rural Policy

Our industry pioneered in rural electrification. It built the first farm electric lines and has always been a leader in that activity. Our industry is definitely committed to a policy of positive action until this job is completed. The following is a condensed statement of an action taken by the Board of Directors of Edison Electric Institute in 1946:

In the interest of best serving the public, it is the policy of the Edison Electric Institute, working through its member companies:

(1) To promote the extension of electric lines as rapidly as possible, in an efficient manner, to help make electric service available to the remaining one-fourth of the farms of this country that are still beyond existing lines.

(2) To foster cooperation between managers of operating companies and officials of rural cooperatives on all matters of mutual interests.

(3) To foster the idea that lines to be built should be constructed in each instance by that operating company, REA cooperative, or other agency that is in the best position to build the extension most economically.

(4) To advocate that operating companies provide facilities so that cooperatives can buy power in adequate amounts at fair prices.

(5) To foster research and development in rural power lines to improve the quality and reliability of rural electric service.

(6) To promote within its membership new developments and ideas to increase the usefulness of electricity to the farmer.

(7) To join with other national groups interested in farm electrification in the support of research work, to cooperate with and stimulate manufacturers in developing and manufacturing suitable equipment; and to participate in the dissemination to farmers of factual information concerning such new developments.

As of June 30, 1947, 78% of the farms of this country will have electricity available; by the end of 1948 the percentage will rise, on the basis of present private and REA commitments, to 89%. With 95% as the practical upward limit, we can see that the period of large scale farm electric line building is rapidly drawing to a close.

The basis for the above statement is found in the following figures:

No. occupied farms June 30, '47	5,600,000
No. of farms to which electricity is available June 30, 1947	4,375,000
Number to be reached after June 30, 1947	1,225,000
Number beyond practical reach of distribution lines	200,000
Balance to be reached by lines	1,025,000

About half of these will be reached by operating company lines and about half by REA co-operatives.

Of course, there will be another 750,000 farms along existing lines but not yet taking service. Experience, both of electric companies and of REA co-ops, indicates that these will be added slowly over a period of years.

The concept of farm electrification involves much more than just line building. We will miss the entire point of the line construction phase of rural electrification if we fail to think in terms of maximizing the use of electric service once we get it to the farm. We need more electric facilities to serve rural areas, but we also need what amounts to an electric revolution in farm production methods and farm living.

Improved designs for farm equipment, machinery, tools, and other equipment that will efficiently use electric power will be developed only through research. The importance of this research work has failed to receive the attention it deserves, primarily because of the emphasis that has thus far been placed on line construction. Now, as we approach the end of this phase, greater emphasis needs to be placed upon the farm use that is to be made of electricity. When we do that, we will really be well on the way toward completing the job.

Utilities' Improved Standing in Public Opinion

In this country, we are now experiencing a more favorable public attitude toward the free enterprise system, of which the business-managed electric companies are a vital part. The public gives American industry credit for its important contributions toward winning World War II. They know it was the resourcefulness of the free enterprise system that made vital equipment and supplies available in overwhelming quantities. Unpleasant experiences with government controls have made the public see more clearly the merits and benefits of the free enterprise system. At the same time, American industry has improved its ability and willingness to tell its story to its employees and to the public. This goes for the electric companies as well, and I think it has contributed to our improved position in the eyes of the public.

Free Enterprise

Looking some distance ahead for American business, it seems clear that if the free enterprise system is to continue to be successful, it must provide an opportunity for enterprisers, wage earners, and professional people to earn a good living. With some relatively short interruptions, the free enterprise system has provided this opportunity in the past. In general, living standards in this country have moved steadily upward. This has been accomplished largely through increased efficiency in production. As each worker has acquired more and more mechanical helpers driven by electric or other forms of power, more and more of the things we need and use have been produced per manhour. While these improvements in efficiency of production increased the average income per worker, they also decreased the number of workers required for any given amount of production. In the past, therefore, in order to provide jobs for all, it has been necessary to try out and develop new things that the public could use profitably. The telephone, electric light, automobile, and radio are only a few of the many things that could be named as examples.

Because of these new developments, everybody has had an opportunity to earn a good living. As we continue to improve the efficiency of production, it is necessary that more and more new things be tried and developed so that our standard of living will continue to move upward and everyone's opportunity to earn a good living will endure. If anything is done to slow down this expansion and curtail the opportunity for all to earn a good living, then our free enterprise system will be in trouble.

Strange as it may seem, the most serious threat to the successful working of the free enterprise system comes from government itself. Having had a system under which this country, in a relatively few decades, has become the envy and wonder of the whole world, we now find our government in active and unfair competition with the governed. Complicated, confusing, unnecessary regulation and high taxation of the enterpriser, while tax-financed but virtually tax-free agencies of the government directly compete with him, make enterprise no longer free. Figuratively, they tie one hand of previously free enterprise behind its back. Such unfair competition dulls the enthusiasm of the inventor. Men become less anxious to assume the risks of starting new undertakings, and the whole tempo of free enterprise slows down. It is a most destructive policy, and the results can be very disastrous.

It is not a satisfactory answer to say that government-operated business will provide the same number of jobs as private business would have provided. Because the unfair government competition not only takes over a part of the business operations but also has in it the unfair competitive qualities, that will in time do great damage to the free enterprise system.

In earlier days, some over-ambitious enterprisers who had developed large and prosperous businesses would kill competing small businesses by subsidizing the competing situation until the competitor quit. This was not fair or right, so our government properly put a stop to it by passing certain regulatory laws. Now the very government that passed these regulatory laws is doing the same thing it prohibited its citizens from doing.

Our free enterprise system, which has done so much to raise the living standard of the American people, cannot forever endure unfair subsidized government competition. Government competition in business must be stopped, or at least put on a fair basis, if our standard of living is to continue upward in the future as it has in the past.

But the public will not defend free enterprise against the encroachments of established government bureaus unless they are always aware of the advantages of that system. The public attitude is constantly changing. Each year more than 2 million people in the United States reach the age of 21. If they are to be kept informed about our business, we must keep repeating and repeating, in readily understandable language, our aims and objectives as well as our accomplishments. Only a well-informed public can be fair. We must do well by the employee, by the investor, and by the consumer, and all three groups must be kept well-informed.

The Employee

In a service industry, serving 24 hours a day, seven days a week, 365 days a year, it is vitally important, if the free enterprise system is to maintain popular favor, that every employee, beginning with the president, be imbued with the spirit of service. This must be cheerful, helpful service, ever thoughtful of the concerns and the viewpoint of the customer. I want to make it very clear that if the free enterprise system is to continue, all personnel of electric service companies, both management and labor, must habitually keep their relations with one another above the plane where governmental authority is impelled to step in to regulate relationships. Both management and labor must maintain an intelligent appreciation of what is fair to the employee and what is fair to the investor and to the consumer. I believe this can and will be accomplished. It can be brought about by diligent and intelligent attention at all times to personnel matters, including careful selection and training. It also requires the free flow in both directions of information to assure the fact that our companies are not only free from so-called labor troubles but that we have cheerful, capable, and intelligent teamwork for serving the customer.

If we are to have that kind of service from our personnel, they must be well paid in comparison with payments for similar work in the same areas, and they must be given recognition for achievements and opportunity for advancement. They must be well informed not only with respect to their particular jobs but about the company's business as a whole, the company's policies, its objectives, its plans and programs. We must take measures to shorten the distance between the head office and the employees in the field to insure that grievances, injustices, or injuries are promptly brought to executive attention and corrected, and that authoritative information spreads rapidly to every part of the organization. The average employee is now subject to many new influences and forces that tend to make him dissatisfied with his lot. This requires increased attention to personnel matters by management. We are to have at this convention a report of a special committee formed to survey company organizations for the purposes I have just outlined. I commend that report to your attention.

It has become increasingly clear that of all the strikes which the American people have had to experience, those which cut off electric service are the most upsetting. The prompt reaction from many quarters has been the desire to ban strikes in public utility industries. If they are banned in these industries, it follows that sooner or later they will be banned in the food, coal, and steel industries and progressively cover the whole field. As a long-range proposition, I question whether the free enterprise system can survive part free and part unfree. Surely we must work out the differences between management and labor in the electric service industry by collective bargaining, and if this is to be successful over a long range of time, it must be sound and fair bargaining which correctly takes into account the interests of the two parties not at the bargaining table—the investor and the consumer.

The Investor's Interest

The free enterprise system falls to the ground without the investor. Capital must be offered what it considers fair wages and fair working conditions, or it is not forthcoming. There can be no compulsion if we are to enjoy the benefits of the free enterprise system. In my opinion, for nearly two decades in this country the investor has had scant consideration from the tax gatherer and inadequate consideration from the labor which it employs. Now let us see how we stand with regard to the investor. Our industry is embarked on a huge construction program which we are carrying forward faster than ever before in history. It will require billions of additional money. The employees and our customers, therefore, as well as company management, have more than usual reason to be concerned about the attitude of the investor. How does our industry appear to those with money to lend? They look beyond the immediate position of an industry and consider its prospects. They can see that the public demand for electricity and the technical and commercial developments

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throughout the life of the industry have enabled its management, in general, to earn a good return on investment and that regulatory bodies have been generally fair to the investor. They can see that at the present time, earnings are at a high point, but they realize that it is because of the heavy loads on the power systems and because of the narrow margins of reserve to which I have previously referred. At the same time, they realize that for the next several years the companies will be paying very high prices for needed plant expansion, while the price of electricity is continuing to go down. Hence, the companies will have a real commercial and financial problem on their hands to keep earnings sufficiently high to attract the necessary capital. Investors can see that there is a problem ahead for management if their investment in our securities is to be safe in the coming years. It is in the best interests of the consumer and of the average employee that proper consideration be given the investor. We should take the necessary steps to see that our employees and the customers understand this.

For the Consumer

Let us look a few moments at what has been done and is being done by the industry for the satisfaction of the consumer. We have continued to improve the high reliability and other standards of service to the customer. We have furnished adequate power supply, even during the war. About 92% of the occupied homes in America have electric service, and power lines reach another 4%. In a couple of years we will be serving 95% and reaching 98 or 99%. I have already told you about the rapid progress in extending electricity to farms. The application of electricity on the farm is expanding, electrification in industry is accelerating, and our commercial advisors tell us there is no end yet in sight for the uses of electricity. The average price of electricity to the residential consumer has gone down 20% since 1939. Using 1913 figures as an index of 100, the index number for electric service cost stands at 37, whereas the cost of living stands at 220 and the cost of taxes stands at 430. Data on the hourly wage rate prior to 1933 are not available, but since that date, the average rate has doubled. Thus the electric industry has served the consumer well, but the companies' efforts on his behalf are not stopping with that.

In many areas electric companies are taking a prominant part, along with other agencies, in promoting community and regional business and industrial development, including agricultural development. An increasing number of utility employees contribute time and effort to programs that build up and promote the well-being of the communities in which they reside. This participation is not confined to the top officers, and this practice is to be commended. We should be good citizens wherever we serve.

Discriminatory Taxes

Electric utility companies in 1946 paid 19.4% of their gross revenues in taxes, and 11.4% of the gross revenue was Federal taxes. All government power projects and most cooperatives escape these Federal taxes. Since taxes eventually bear their full weight on the consumer, the Federal Government is in fact discriminating against certain consumers of electricity in favor of certain other consumers of electricity. A national government which undertakes to assure "Equal justice for all" surely will not long continue this harsh discrimination. The discrimination goes even further than I have stated, for there is double taxation of security holders of electric companies, whereas the bonds of governmental bodies in the power business are tax-free.

There have been press reports that Congress plans to overhaul its tax legislation and that this would be undertaken when current legislative measures are out of the way. When Congress undertakes such overhauling, we may hope it will correct the heavy penalty against free enterprise in existing tax laws and will grant equality of treatment.

As President of the Institute during the past year, I have been deeply impressed with the scope, character, and value of the work of its committees. I would not do justice to this large group of men if I did not call their work to your attention and in this way express thanks and appreciation for their contributions to the progress and well-being of our industry. There are too many committees for me even to mention the names of the chairmen. It must be remembered that this industry touches upon many phases of the business and social life of the American people, and from this follows the fact that we have need for many different committees. I am naturally much interested in farm developments, and I think the work of our Farm Section and its committees is greatly to be commended. I have been very much impressed with the work of our Industrial Relations Committee; I think its contributions in the past year have been of very great value. I must comment also with respect to the engineering committees. Ours is a technical business, and our continuing sound development depends on engineering advances. These are going ahead as fast as they ever were, and I commend to your attention the news report we will get later in this Convention from President J. W. Parker of the Detroit Edison Company.

Now a word about our commercial committees and why we go ahead with sales promotion. We know very well that we will be faced with the stiffest competition for the consumer's dollar. We also know from experience that we can influence the sale of our services so as to build up load that makes better use of our plant and improves our net income from a given amount of gross business. And we know that market development is a slow, cumulative undertaking. We are therefore getting under way now sales programs that will bear fruit months and years hence when we will need all the business we can get to pay our investors a fair return. That is why we have gone ahead with the Sales Training Program and are launching a Planned Lighting Program, and the Electrical Living Program, why we are sponsoring in-service training in farm electrification and rural development programs. More than 200 utility companies, as well as 30 non-utility electric firms are using the sales training course.

I must refer to the work of our accounting committees. We are a regulated industry, and this makes accounting even more significant than it would otherwise be. The work of the Edison Centennial Committee and the work of the Rate Research and Accident Prevention Committees deserve special mention. I must stop now for lack of time, but other committees are doing their job too, and we, as an industry, are in their debt. The Institute has 50 committees on which 600 operating company specialists work on problems of our industry. I commend the progressiveness and farsightedness of you leaders in making your men available for this committee work. You are fully compensated by the information they bring back to you and by the growth and development that take place in your men who serve on these committees.

In addition to the committee work, more than 200 representatives of this industry work on joint undertakings with other industries. If we, as an industry, are to get the best results for our consumers and for our investors, it is essential that our representatives work together with those of other industries on a wide variety of important matters such as codes and standards, principles and practices and agreements, allocation of frequency bands, etc.

As an indication of the magnitude of the work of our committees, let me point out that in the year 1946 the Institute sold 1,405,000 copies of reports, pieces of sales promotional material, etc.

During the past year, I have had the honor and privilege of serving you as President of the Institute. However, Col. Bennion and his able staff at EEI Headquarters are the ones that make this association operate efficiently and smoothly. They are working hard every day to help us all. We are very much indebted to them.

Conclusion

In conclusion, I offer the following suggestions for your consideration. We are a progressive industry and we want to be known and appreciated as such. The public admires and insists upon progress and it rewards progressive institutions by continuing willingly to buy their services.

While the national surveys and polls indicate that public opinion is more favorable to our business now than it has been at any time during the past 20 years, we cannot afford to rest on our oars. We are up against heavily subsidized competition from governmental proprietary power systems. We must be good to win against such competition. As you know, the power to tax is the power to destroy.

There are in this country groups of people who are doing everything they can to put an end to the free enterprise system and particularly to have the government take over the electric power business.

A growing industry needs the steady inflow of young men. It needs incentive, encouragement for, and development of the able youngsters. Use the Institute committees to develop and broaden your able young men. It will help them grow into larger responsibilities.

If we improve our company organizations by carefully selecting, adequately training, and at all times properly informing our employees, we will greatly strengthen our customers' good will toward us. If, as citizens of the communities we serve, we pitch in and do our best to build up industries and agriculture, and if we work for community betterment, we will merit public good will and in the same process build up and increase our own business.

Future of Electric Industry

(Continued from page 4)

exploited. Many of you here today were among those who attended a forum devoted to the "Future Power Market" in Pittsburgh back in 1944. At that time many of these new industrial uses were discussed—such as high frequency heating, infra-red drying, and high-speed electric furnaces. Forecasts of postwar industrial loads were made at that forum which probably seemed fantastic at the time. However, today we find those estimates were very conservative.

I might add here that, as you may recall, we gave you at your convention last year a preview of a show called "Productive Power." This was prepared as a traveling show to demonstrate to industrialists some of the new uses for electric power. This show has been held back due to present shortages of electrical equipment and electric power. We hope that both the electrical manufacturing and electric utility industries will be in such position that we can put this show on the road next year. We believe it will be of material value in stimulating industrial use of electric power.

Last year the output of electric power amounted to 223 billion kilowatthours. With continuation of favorable business conditions, this may reach as high as 300 billion in the next five years.

The electric power industry now is in a period of the greatest expansion in its history. Utility construction budgets will approach a billion and a half dollars—almost 50% more than in any previous year in your history. Almost three million kilowatts of generating capacity are scheduled for installation this year.

Well . . . after hearing all this, some of us may conclude that electric power is a business with nothing wrong with it—no problems, all clear sailing. However, I'm sure this isn't so. You have problems that concern you, just as we have ours. More than likely, your problems and ours are the same.

I'm not going to tell you how to solve these problems, but it may be of mutual advantage to look at some of them. By getting our heads together we may be able to do a lot toward licking them. A study of your program for this convention reveals that you will be wrestling with a good many of them here.

One problem I'm sure is mutual is higher operating costs as a result of increases in wages and salaries and in the cost of materials. All industry is being challenged to increase prduction and reduce prices when costs of operations have been steadily increasing.

This situation is aggravated by the fact that labor costs, particularly in manufacturing industries, have risen without a corresponding increase in production.

What we, the people of this country, have done in the transition from war to peace—in fact right up to the moment—is to pay ourselves wage increases in advance for an increase in production which we have not yet produced.

To cope with this situation, we have to expand our facilities and seek further mechanization in order to handle the larger volume of business necessary to cover increased costs—and most important, we must continue to bring in this large volume.

To continue to get this higher volume of business, we must begin to strengthen our sales organizations. All branches of the electrical industry are going to have serious sales problems when present expansion programs are completed. We are rapidly going from a sellers' to a buyers' market, and all sales organizations must be geared for this change. Also, we must appreciate the fact that it takes at least two or three years to train a salesman to the point of real effectiveness.

Engineering is another field to which we must direct our attention. In your business, as in ours, engineering is an increasingly dominant factor. We must prepare for a technical future which we can see only dimly at the present time. For example, we know too little today of the possibilities of atomic energy. We do know enough, however, to predict that it will have a definite place in our business and in your business. Therefore, we must have people who are able to deal with this new source of energy. Few men are available who have the knowledge and experience to cope with such basic problems as construction and the simple handling of material in connection with atomic power development. They must be trained and developed.

Employee Relationships

You are just as well aware as I am of the all-around importance of employee relations as industry continues to grow and to meet new personnel problems. The field of industrial relations is especially important to you of the utility industry because you provide an essential public service; and serious labor problems, especially those involving a threat of work interruption, are of immediate concern to the public.

We all recognize that many things and many forces in recent years have influenced the public against large corporations in general and utilities in particular. Too many citizens of this country feel they would get more for their money if industry were owned and operated by the Government. It is our job to convince the public that this isn't so. The utility industry has already made great strides in the field of public relations and in informing the public of its contributions to their welfare and to their standard of living. But much remains to be done. This field needs the best thinking you can put into it.

Need for Talent

Looking back over these problems I've touched on briefly, one thing stands out. It is the need for talent—the need for the best men—in management, in engineering, sales, employee relations, public relations, and in other key spots—not only for today, but for tomorrow.

This brings up the real problem—where are we to get the best men to fill key positions, to fill your place and my place and the places of others in the ranks of management, and to bring us new knowledge, new skills, new techniques?

For the most part, I would say, these men today are the students in American colleges and universities. Because we are a technical industry, most of them are in engineering schools.

And here's something which I feel should be a matter of some concern to the electric power industry. From our own experience we've found evidence that too few of these young men are being attracted to the electric power end of our business.

Each year we normally employ several hundred graduate engineers from schools throughout the country. After he is employed, the graduate engineer takes a training course which lasts approximately a year. During this training he orients himself and decides which of the various branches of our business he wants to go into.

We have found recently that there has been a serious falling off of interest on the part of these young engineers in power equipment. There is no difficulty in interesting them in electronics, in nuclear physics, in communications, and in other more "glamorous" fields—but there is less interest in the field of electric power.

Electronics, communications, nuclear energy, and similar fields are very important. A company like Westinghouse must direct a considerable part of its activity into these fields. But production of equipment for the central station industry is still the largest component of our business and utilizes about one-third of our productive effort—to say nothing of utilization equipment which uses the power produced by the utility industry. There is much to be done in developing better and cheaper power equipment, and trained men to do the development work will be required.

Our educational people, who keep in touch with colleges and universities, tell me that some of the schools who offer specialization in the final year of an engineering course also are having difficulty in interesting young men in the power field.

With constantly expanding horizons, your industry—and ours—must have an adequate share of the young technical men of the country to carry on enlarged activities of the electric power business.

We have launched certain programs which we believe will help solve the problem. Through the Westinghouse Educational Foundation, we have established several fellowships in power system engineering at technical schools. We believe these fellowships will encourage outstanding men to enter the power field. These advanced students in power systems, we've found, are good salesmen among younger students. In one school the first fellow was elected a year ago. He was the school's first graduate student to specialize in the subject. Today, *seven* students are taking this advanced work in this one school.

Westinghouse also has become interested in the establishment of several regionally sponsored power system calculating boards which will solve some of your technical problems and allow engineering students to carry on advanced study of power systems. Several of these calculating boards have been installed and others are under construction.

These calculating boards will bring engineering students into close contact with some of your systems, revealing to them that there are still many intriguing problems in your industry.

We've also made available suitable equipment to encourage the establishment of up-to-date power plant laboratories in a number of schools.

Through a summer program for professors, we are helping engineering teachers keep abreast of developments in the electric power field.

And this fall we hope to do even more. My company is planning to open a special training course for young utility engineers.

The course will last about eight months and will be designed to give the young engineer who is entering the electric power industry basic training in manufacturing, engineering, and application of electric power equipment. Most of the course will be similar to the training we give our own graduate students, but the last part of the course will be deveoted to an intensive program on central station engineering.

The first group will be limited. We will include a few young engineers from each section of the country. From our experience with this first group we hope to develop a pattern whereby we will be able to train more men for you.

Electrical manufacturers, of course, can only aid in the solution of the problem of keeping a steady flow of new and better talent into the electric power field. Any general program to tackle it must be developed by the electric utilities. One suggestion I might make is to have a prospectus of the light and power industry prepared and presented to every interested student. This, at least, would help the young engineer to evaluate the industry and compare it with those industries now attracting engineering students because of glamorous publicity.

Some might feel that a company hiring relatively few students cannot afford a program. Our people believe a training program can be designed for any company, large or small, that will adequately meet its needs. I've emphasized the need for engineering talent because it is so scarce, but what I've said on finding and training the best men applies to other fields, such as sales, administrative, and public and industrial relations.

This we must remember—that the true value of a great industry or business is not represented by bank statements, superb machinery, the efficiency of its plants, or the brick and mortar which make up the buildings. The greatest asset in any business is its people—and more particularly, the men who occuppy the key positions and keep the business alive and progressive.

F. R. Bd. Sees Business Investment Levelling Off

In current issue of "Federal Reserve Bulletin," it points out even moderate reduction in volume of operations and in prices would result in a greater relative decline in business profits than in other sources of income.

The May issue of the "Federal Reserve Bulletin" contains an article on "Financing the Postwar Business Expansion," the conclusion of which points out that further expansion of business has been largely curtailed and that a moderate falling off of business in the current year may mean a substantial decline in business profits, "greater than in other income shares." According to the article:

"In the first quarter of 1947 the volume of business activity rose further, profits in many lines were above the high end-of-1946 levels, and further expenditures were made on business assets, principally inventories, plant, and equipment. There are indications, however, that business investment of some types and in some areas is leveling off or declining.

"Although the postwar expenditure plans of many companies in durable goods manufacturing and public utility industries indicate continued large plant and equipment expenditures throughout 1947, the programs of many other industries are nearing completion or are being deferred. A slackened growth, or possibly even a decline, in total business expenditures on new plant and equipment during coming months may therefore be expected.

"In many lines new and outstanding orders for products are leveling off, and the rate of inventory accumulation is declining, even though the current over-all relationship of inventories to sales is still below what was considered normal in prewar years. Further voluntary inventory accumulation will be more selective; if metals and other basic raw materials now in short supply become available in sufficient quantity, some additional accumulation of these materials is probable. Should sales fall markedly below current receipts of goods, the resulting involuntary accumulation of inventories at present high prices would have serious implications for future business developments.

"Of major importance for aggregate business sales during the coming months is the prospective level of consumer and export demands for which trends may change from those prevailing in late 1946. Current consumer demands in some lines, especially at the retail distribution level, are not as strong as in 1946. Demands for goods for export, however, are likely to remain substantial throughout 1947. If, at prevailing prices, the over-all level of demand should prove inadequate for the supply of goods and services currently being produced, and if aggregate sales volume should decrease materially from its present level, many businesses would experience an adverse change in financial position and would consequently make substantial alterations in investment programs.

"In looking ahead it should be recognized that lower taxes, a large volume of operations, and rising prices have been the crucial elements in the recent business financial situation and in the increase in business profits after taxes. This increase in profits has been relatively greater than that in other income shares. A reduction, even though moderate, in the volume of operations and in prices from present levels would result similarly in a greater relative decline in business profits than in other income shares. If, however, business receipts remain large in consequence of a continued high, or rising, level of prices, their distribution as between profits and other income shares would have an important bearing upon the maintenance of a high level of employment."

Business Recession and Real Estate Values

(Continued from page 7)

market. He held on as long as he could. The sheriff had to handle him. Also, mortgages do, in a sense, establish minimum prices, whereas unmortgaged property may be dumped for the proverbial "song" if the owner really gets scared—in fact, he **can** give it away.

Now that we have surveyed the more important factors supporting the present high level of real estate prices, let us look at the much more numerous factors which will tend to depress such prices.

The inflation threat has passed; and even if you disagree with that conclusion, it cannot be denied that the flow of investment into real estate equities as a hedge against inflation has stopped. From now on, in my opinion, the dollar should become more valuable. Some of you who were brought up on the quantity theory of money over-emphasize the influence our great increase in bank deposits and credit has on prices. While this increase is important, it is by no means controlling. Furthermore, you men in real estate must guard against counting this influence more than once! Don't put it in as quantity, then again as lower interest rates, then again as easy money, and so on.

Any of you who are relying on quantity of purchasing power to bail out an otherwise uneconomic real estate situation, should read a recent address made by Dr. Bowen, Economist of the Irving Trust Company, New York, on the question, "Is the Money Supply Too Large?" This was printed in the May 1 issue of the "Commercial and Financial Chronicle" and I am confident you can get a reprint by writing to Dr. Bowen at the bank. Dr. Bowen debunks a lot of the ideas which have been going the rounds on the effect of the increased quantity of money on our economy.

Sees Higher Interest Rates

Interest rates are beginning to firm. Federal borrowing is at an end for the time being. The budget is balanced and debt redemption with attendant deposit reduction has succeeded wartime government credit expansion. Our monetary authorities, through their recent policy of retiring Treasury bills, some 90% of which are held by the Federal Reserve Banks, showed their willingness to reduce bank reserves in order to prevent a further increase in deposits and to prevent a further drop in the interest rates on long-term governments. While such bill retirement has been discontinued for the time being, the action clearly indicates that we have hit bottom on interest rates.

Rising interest rates will change capitalization factors and tend to reduce real estate values, particularly those of apartment houses and business property. True, there will be no great change in interest rates. But, the decline has stopped; and from now on, increasing firmness may be expected.

Public housing development will be accelerated by the prevailing high costs of construction. A survey by the Savings Bank Trust Company of New York indicates that on the basis of income and construction cost levels prevailing last winter less than 20% of the families of New York State will be able to afford new housing in the next eight years. Another survey, by Dr. Danien Starch, based on 110,000 interviews for the 12 months ending June 30, 1946, furnishes startling confirmation to the views of those who contend that the present price level cannot be maintained. According to Dr. Starch, 59% of our families, or 23,600,000 families, are trying to meet today's living costs with average total family income of less than $2,000 per year.

The controlling importance of current income is set forth at length in "A National Survey of Liquid Assets," a study of the Bureau of Agricultural Economics of the United States Department of Agriculture. A summary of the "Prospective Spending and Saving" section appears in the August, 1946, issue of the Federal Reserve Bulletin. This statistical survey indicates that "The liquid assets held by the majority of people cannot be considered to constitute a reserve fund large enough for carrying on regular expenditures in the event of drastic changes in income. Total asset holdings of three-fourths of the people amounted to less than one-fifth of their annual income."

More Public Housing Coming

All of this means more public housing and public assistance housing because the American people are going to have a roof over their heads, in one way or another, make no mistake about that. If private industry doesn't take care of them, the politicians will—and gladly—for there's plenty of votes in it!

Unrealized obsolescence is another factor which cannot be emphasized too much: I am not limiting this to the marvelous new materials and products we read about in the advertisements. You all know about the electrical home of tomorrow, the plate glass wall home of tomorrow, the air-conditioned home of tomorrow and so on, **ad infinitum.** I go further than these engineering improvements and call your attention to the obsolescence caused by changes in the American family itself and by changes in our ideas.

It is now admitted by some of our keenest observers that America is a matriarchy, that "mom" is boss—certainly she it, so far as housing is concerned. She wants accommodations suited to smaller families and lack of domestic help. She wants plenty of kitchen equipment, modern gadgets and labor-saving devices. She doesn't give a hoot about the strength of the foundation, the size of the beams, or the solidity of construction. In fact, she doesn't want a house which will last forever! And the last thing in the world the modern woman wants is one of those gloomy old castles with 10 to 15 rooms like the one in which her mother worked herself to death!

Yes, we have nearly 10 years of unrealized architectural, engineering and social obsolescence on existing housing. Shortage of housing has hidden this from most people; but an old house is an old house and it will not be too long before the women—the bosses once more begin to say, "I wouldn't be seen dead in that old ruin."

Forced Home Ownership

The forced home ownership of recent years is another weakening element in the real estate situation. Men in a desperate determination to keep a roof over the heads of their family in the last few years frequently were forced to buy. The wartime trend to home ownership has all the weakness of the shotgun wedding. It is my judgment that this ownership trend will be reversed at the first opportunity. Too many Americans want to be footloose and "fancy free."

The unearned increment on real estate which has troubled economists from Henry George onward will not be very much in evidence in the future. Of course, there will be many exceptions, but I doubt that people will be able to buy real estate, particularly land, with their eyes closed and wait for population increase and industrialization to give them substantial profits above carrying charges, as in the past.

The tax burden in the years ahead will probably absorb the total increment in other than exceptional cases. Easy money conditions today hide the crushing burden of taxes. In addition to property taxes, income taxes, sales taxes, excise taxes, and a multitude of other imposts bear down heavily on real estate because they reduce the dollars the consumer has left for housing. Taxes, food and clothing, all of which are at high levels, necessarily come before housing expenditures. (The politicians will see to it that they get the taxes; if we don't eat we die; and, while we can sleep on a park bench, if we don't wear clothes when we do, we shall surely be arrested.) With the high military costs which we shall have and with the new social responsibilities which have been assumed by government, **the long-range outlook is for higher rather than less taxes,** although we probably shall have some reduction in Federal taxes.

Business property will be affected by additional adverse factors. The herculean efforts to reduce distribution costs in the savage competition which is now beginning will cause the construction of more and more highly specialized buildings. Even now, as you know, most super markets find it cheaper to build than to remodel. This trend will undoubtedly grow and adversely affect the value of existing business property. Growth of mail order business, the difficulty of parking as traffic continues to increase and many other factors will affect the values of present business property.

Business failures, which have been largely absent in recent years, are now on the increase. In fact, as I have said before, the largest backlog in the country today is the backlog of failures! And that is one backlog which is going to keep us warm for a long time! I don't have to labor the implications of that statement for this audience.

Summary

Well, what does this all add up to? May I summarize:

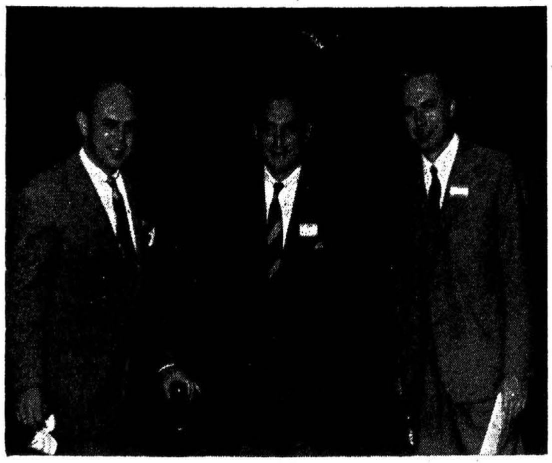
We are going to have a recession, but it will not degenerate into a depression. This recession will largely be a matter of price adjustments. Real estate prices are high and I anticipate adjustments. True, the short-term outlook, because of the low volume of construction, is better than for any other segment of our economy, but the long-term outlook is not good. And even in the short-term period, price adjustments much be anticipated.

In my opinion, wholesale prices will eventually stabilize at a point 20 to 25% higher than the price levels of 1926. Real estate prices will likewise be on a higher plateau than they were before the war, but not the present peaks!

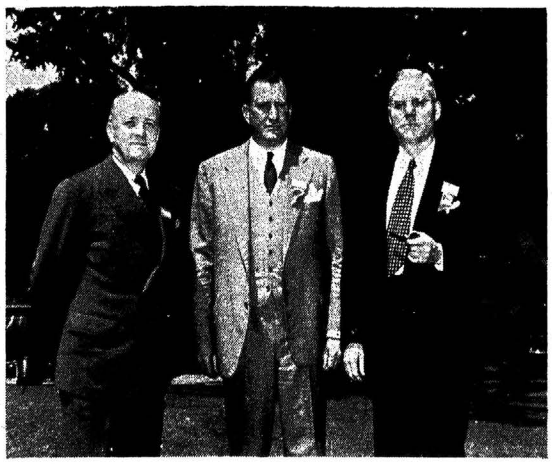
Real estate values, when we get right down to fundamentals, are determined by the proportion of income the American people are willing, **or able,** to devote to housing and shelter. Income totals will decline in the recession; and as long as food prices, clothing prices and taxes remain at high levels, people will have less to spend for shelter. The conclusion is obvious.

The steady increase in value flowing from unearned increment covered many a real estate mistake in the past. This can no longer be relied upon. It is the appraiser's job to see that the **unearned increment** of the past does not turn into earned decrement of the future.

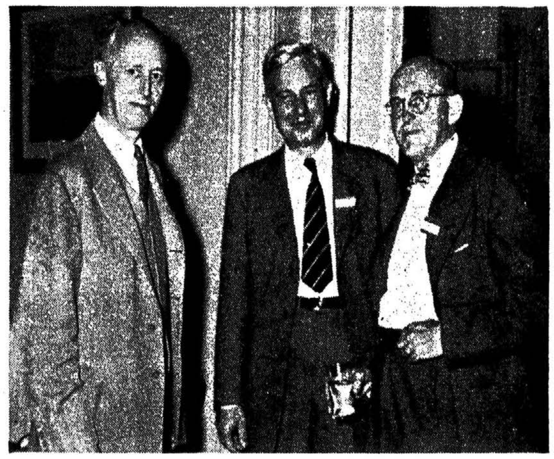
Bond Club of New York Annual Field Day



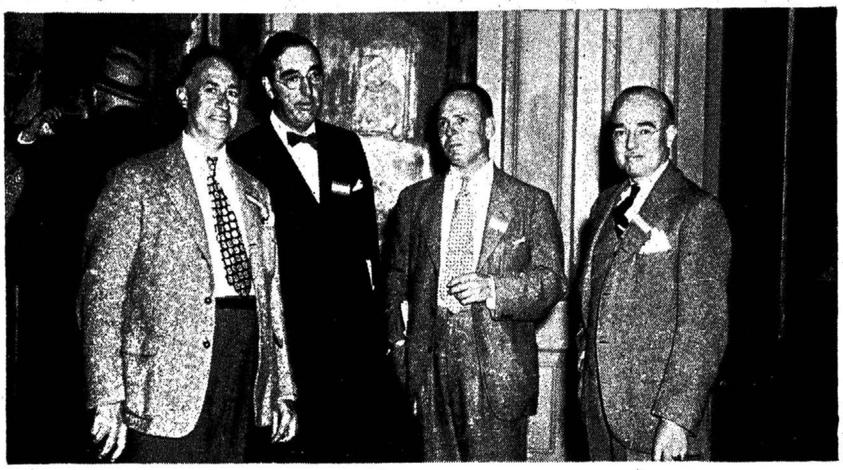
Durwin D. Algyer, *Goldman, Sachs & Co.;* Donald J. Nightingale, *Halsey, Stuart & Co.;* Delmont K. Pfeffer, *National City Bank.*



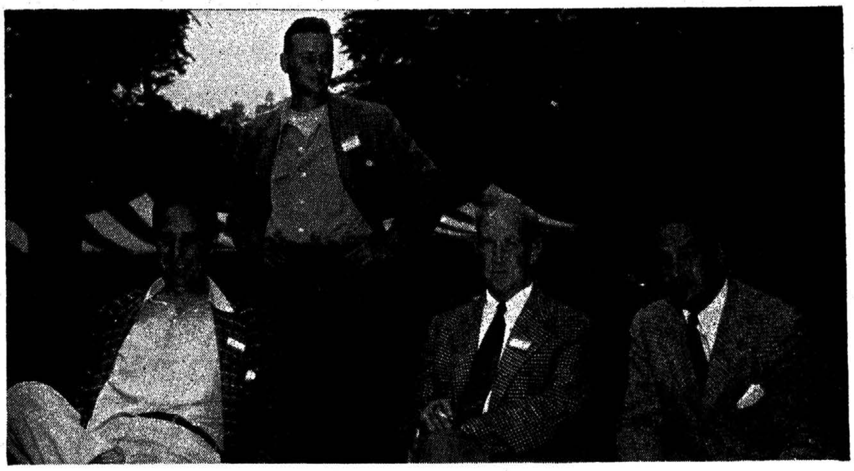
William R. Rovensky, *Hornblower & Weeks;* Charles L. Morse, Jr., *Hemphill, Noyes & Co.;* David Lewis, *Paine, Webber, Jackson & Curtis.*



Dudley F. King, *New York;* John Starkweather, *Starkweather & Co.;* Edward L. Love, *Chase National Bank of the City of New York.*



Milton Cross, *Harriman Ripley & Co.;* R. McLean Stewart, *South American Development Corp.;* F. A. Krayer, *Harriman Ripley & Co.;* Ellsworth S. McEwen, *Bankers Trust Co.*



Prescott S. Bush, *Brown Bros. Harriman & Co.;* Paris Scott Russell, Jr. (standing), *Glore, Forgan & Co.;* R. Lawrence Oakley, *Stillman, Maynard & Co.;* C. Everett Bacon, *Spencer Trask & Co.*

Oliver M. Whipple, *Mutual Life Insurance Co. of New York;* William P. Sharpe, *Mercantile Commerce Bank & Trust Company, St. Louis;* Craig S. Bartlett, *Central Hanover Bank & Trust Co.;* Geo. E. Clark., *Adams Express Co.*

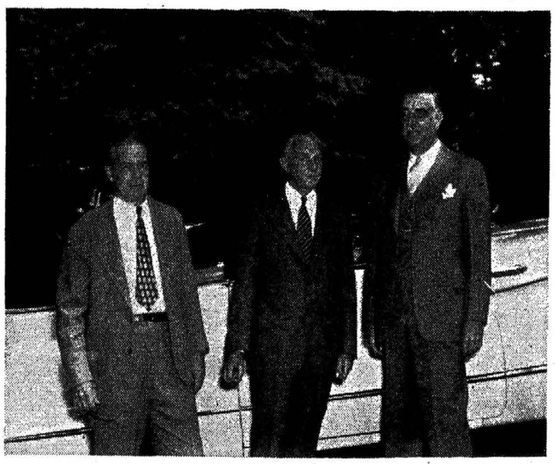
E. D. McGrew, *Northern Trust Co.;* G. B. Duval, *Guaranty Trust Co. of New York;* Gustave A. Alexisson, *Hornblower & Weeks;* C. Russell, *Lea Reynolds & Co.;* Wells Brown, *Bankers Trust Co.;* Wm. H. Morton, *W. H. Morton & Co., Inc.*

Douglas Halsted, *Eldredge & Co.;* Robert C. MacCorkle; Robert Bigelow, *Bigelow & Co.*

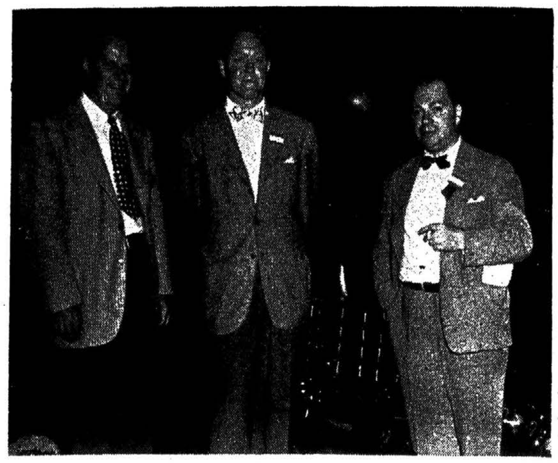
Rollin C. Bortle, Jansen Noyes, *Hemphill, Noyes & Co.;* Harry M. Addinsell, *First Boston Corp.;* J. W. Cutler, *Smith, Barney & Co.*

At Sleepy Hollow Country Club June 5th

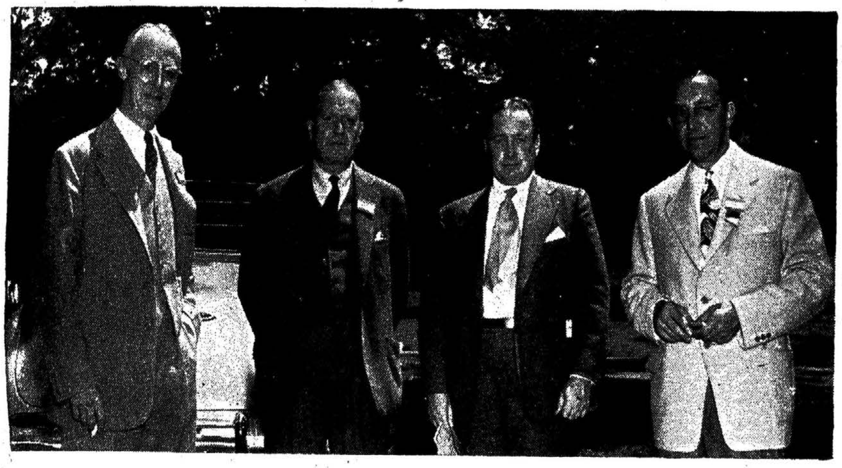
F. A. Krayer, *Harriman Ripley & Co., Inc.;* Frank L. Sundstrom, *Burton, Cluett & Dana,* Congressman from the 11th District of New Jersey; Arthur H. Kiendl, *Guaranty Trust Co.*



L. F. Hooper, *First National Bank of New York;* Leo M. Blancke, *Hemphill, Noyes & Co.;* E. F. Coombs, *Asiel & Co.*



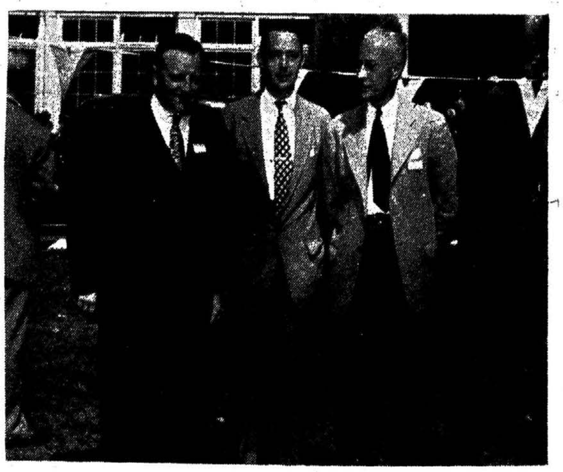
Richard H. Marshall, *Laurence M. Marks & Co.;* Paul M. Strickler, *Halsey, Stuart & Co.;* Lincoln J. Patton, *Halsey, Stuart & Co.*



Dudley King; Edward Lloyd, Jr., *First Boston Corp.;* E. Jansen Hunt, *White, Weld & Co.;* Arthur C. Turner, *New York Hanseatic Corporation.*

Joseph H. King, *Union Securities Corp.;* Geo. J. Gillies, *First Boston Corp.;* B. J. Van Ingen, *B. J. Van Ingen & Co.;* Burton A. Howe, *E. H. Rollins & Sons, Inc.*

Ranald H. Macdonald, *Dominick & Dominick;* Irving D. Fish, *Smith, Barney & Co.*



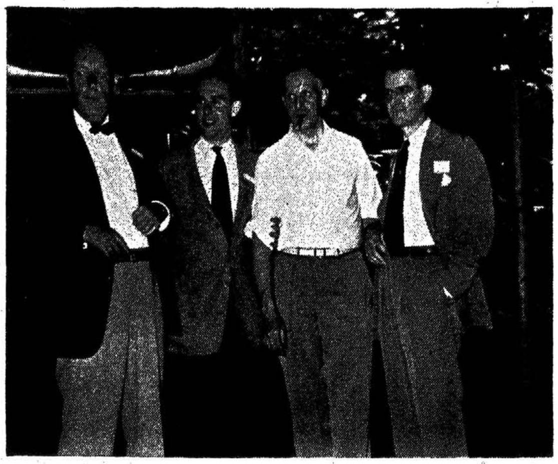
Frederick C. Rummel, *Burr & Co.;* James Colthup, *Freeman & Co.;* John S. Reitenbaugh, *Goodbody & Co.*

Donald Ford; Harold Johnson, *Jas H. Oliphant & Co.;* J. William Smallwood, *Carl H. Pforzheimer & Co.*

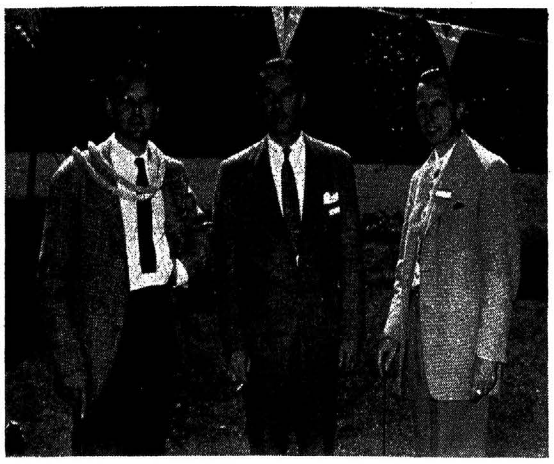
Louis Fetzer, (standing), *Hayden, Stone & Co.;* Robert H. Craft, *Guaranty Trust Co.;* W. H. Jarvis, *McLeod, Young, Weir, Incorporated;* Harry C. Clifford, *Kidder, Peabody & Co.*

H. W. Beebe, *Harriman Ripley & Co., Inc.;* H. C. Woodall, *Harriman Ripley & Co., Inc.;* David L. Skinner, *Harriman Ripley & Co.;* Frank E. Gernon, *Carl M. Loeb, Rhodes & Co.*

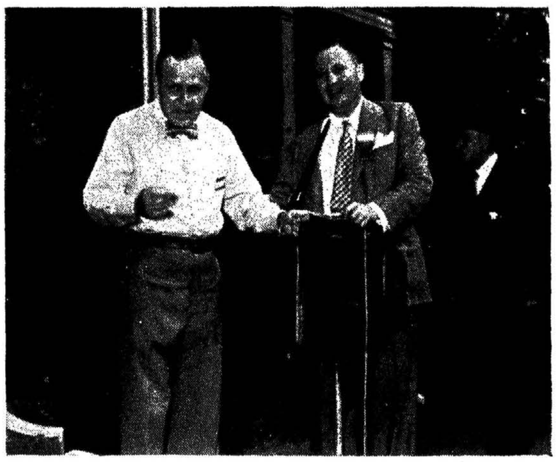
Record Attendance of More Than 500



J. T. Foster, *Lee Higginson Corp.;* Ed Glassmeyer, Jr., *Blyth & Co., Inc.;* E. H. Robinson, *Schwabacher & Co.;* Allen J. Nix, *Riter & Co.*

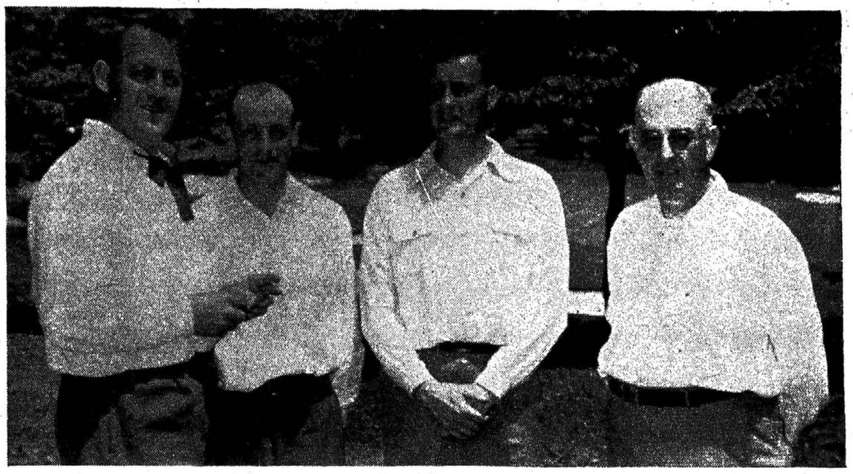


Raymond D. Stitzer, *Equitable Securities Corp.;* Earl K. Bassett, *W. E. Hutton & Co.;* Robert C. Johnson, *Kidder, Peabody & Co.*



John S. Linen, *Chase National Bank of the City of New York;* Robert L. Hatcher, Jr., *Chase National Bank of the City of New York.*

John M. Young, *Morgan Stanley & Co.;* Charles F. Hazelwood, *E. H. Rollins & Sons, Inc.;* Lee M. Limbert, *Blyth & Co., Inc.*

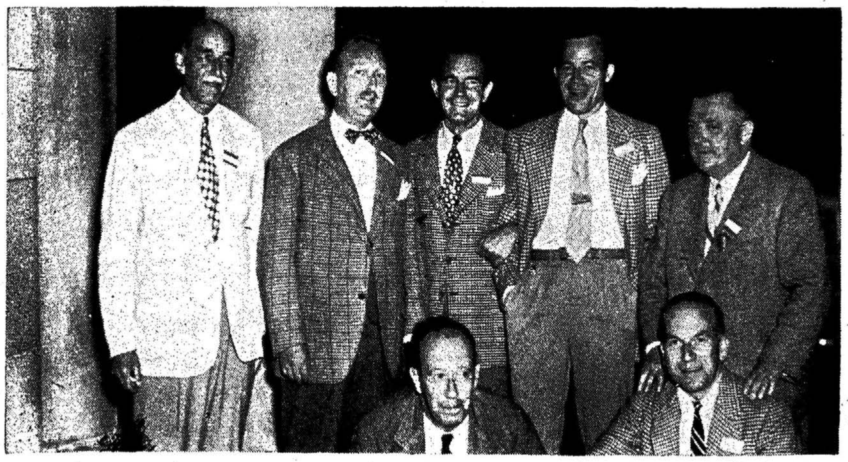


O. T. Leach, *Estabrook & Co.;* G. Norman Scott, *Estabrook & Co.;* Paris Scott Russel, *Glore, Forgan & Co.;* Foy Porter, *Estabrook & Co.*

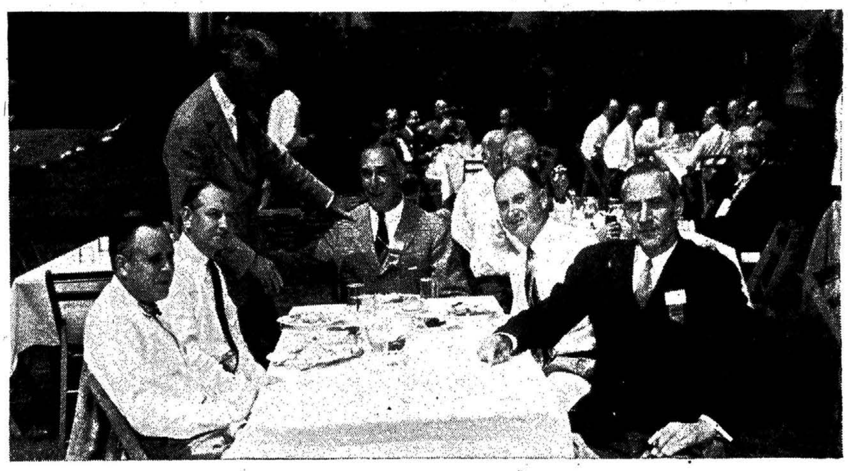
Walter M. Thomas, *Hornblower & Weeks;* John Straley, *Hugh W. Long & Co.*

Rudolph Smutny, *Salomon Bros. & Hutzler;* Benjamin Buttenwieser, *Kuhn, Loeb & Co.*

Walker W. Stevenson, Jr., *Hemphill, Noyes & Co.;* Hubert F. Atwater, *J. G. White & Co.*



Paul Sipp, *First of Michigan Corp., New York;* Malon Andrus, *C. F. Childs & Co.;* Benjamin McAlpin, *Laird & Co.;* Lee W. Carroll, *Lee W. Carroll & Co., Newark, N. J.;* Conrad H. Liebenfrost, *Stern, Lauer & Co.;* Carl T. Naumburg (kneeling), *Stern, Lauer & Co.;* E. B. Vinson (kneeling), *Hallgarten & Co.*



John B. Linen, *Chase National Bank of the City of New York;* Craig Bartlett, *Central Hanover Bank & Trust Co.;* Adrian Massie, *New York Trust Co.;* Rudolph Smutney, *Salomon Bros. & Hutzler;* William G. Laemmel, *Chemical Bank & Trust Co.;* David Skinner (standing), *Harriman Ripley & Co.*

Pronounce Day Huge Success

Adrian M. Massie, *New York Trust Co.;* Wm. H. Long, Jr., *Doremus & Co.*

George W. Bovenizer, *Kuhn, Loeb & Co.;* Grosvenor Farwell, *Hitt, Farwell Associates.*

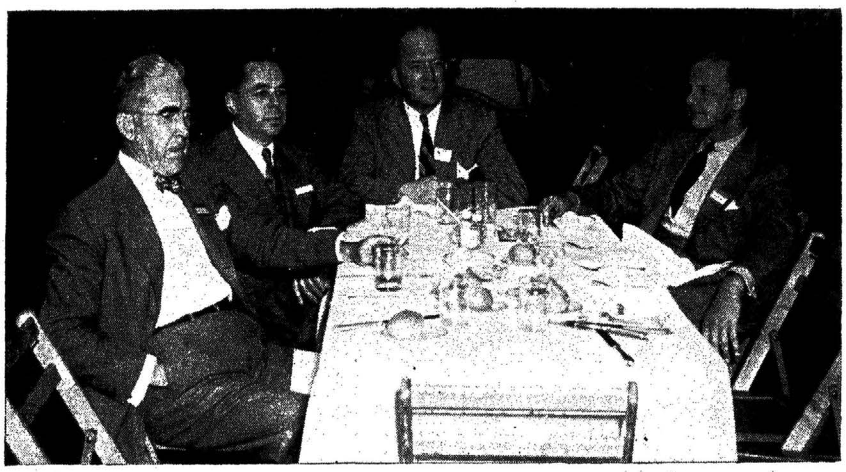
Eugene Bashore, *Blyth & Co., Inc.;* James Coggeshall, Jr., *First Boston Corp.*

P. W. Brown, *Smith, Barney & Co.;* Eugene Barry, *Shields & Co.;* Phillips T. Barbour, *First Boston Corporation;* P. A. Russell, *Mutual Life Insurance Co. of New York.*

M. H. Pontius, *F. Eberstadt & Co.;* Dwight S. Beebe, *Mutual Life Insurance Co. of New York;* Clayton DuBosque, *F. Eberstadt & Co.;* Charles N. Schenck, Jr., *Mitchell, Hutchins & Co.*

Louis D. Reider, *W. E. Hutton & Co.;* Adolph E. Gehrung; Alfred J. Ross, *Dick & Merle-Smith;* Robert Donald Gibson, *Harris, Hall & Co.*

Elmer Dieckman, *Glore, Forgan & Co.;* James Sullivan, *Blair & Co.;* Walter Blaine, *Goldman, Sachs & Co.*



John B. How, *A. E. Ames & Co.;* Gordon R. Ball, *Bank of Montreal;* Frederick B. Ashplant, *F. B. Ashplant & Co.;* Edward S. Johnston, *Wood, Gundy & Co.*

E. F. Grant Taff; Caryl Sayre, *Merrill Lynch, Pierce, Fenner & Beane;* Henry W. Cohu, *Cohu & Torrey;* C. Gerard Dodge.

Electric Rates—A Challenge

(Continued from page 10)

approaching the end of the road along which we have been traveling of offsetting increasing costs with greater efficiency, improved load factors and decreasing money rates. In the words of the mining industry of our west there is still a good reserve of pay ore but it is capped with hard rock and the day of high grading is coming to a close. To render additional service now involves more than incremental fuel costs.

Facts which have been secured and recorded indicate that as to residential and farm service two-thirds of the customers come within the range of 10 to 30% load factors. When we were supplying service to customers operating at materially lower load factors we proceeded on the theory that low tail end rates could be offered so long as the operating costs of producing the additional energy were fully met. Now an additional factor is becoming of increasing importance, this is the reciprocal of diversity factor or what our rate experts call the coincidence factor, which means the effect of the individual users' peak demand upon the ultimate system load peak. To accumulate sufficient data and arrive at satisfactory conclusions as to the coincidence factor much more information is necessary, first by determining the place of the individual user in his own group, then the relationship among the different groups or customer classifications and finally the resultant effect upon the system peak load.

The Capacity Factor

It is not necessary here to review the three components of the cost of service, to wit: the customer, capacity and energy components, but it is important to emphasize that the capacity component is the largest of the three and because of the three and because of the great increases in cost of every item of plant equipment must be given even greater importance in the design of new or changed rate schedules. To illustrate: If the ratio of revenue to total plant account and working capital is now in the order of 1 to 5.50 it is possible that the ratio of new revenue to increased plant to be installed in the next three years will be found in the order of 1 to 6.75 or even 1 to 7.

There is no reason to believe that in the next two or three years there will be substantial decrease in the cost of labor and materials which go into maintenance and operating expenses nor is there any immediate prospect of substantial tax relief. The inevitable conclusion then is that present rate structures as applicable to loads having today's load and coincidence factors must be maintained if new business is to make its fair contribution in sustaining the present rate of return. Further increases in costs or a change in load characteristics which will tend to increase the factor of coincidence may necessitate a restudy of present rate schedules so as to shift the steps within the rate schedule to meet the altered cost component relationships. Having suggested this conclusion it is in order to stress the need for further research in customer uses and analyses of customers' accounts to the end of ascertaining the coincidence factors within each group and among the groups so that intelligent rate developments can be made to assure an income increase commensurate with further increase in use.

Such studies as have been made indicate there is a profitable field awaiting development in improved use of present demand or an increase in load factor exceeding the increase in coincidence factor, and this brings into the discussion the elasticity of demand. Elasticity as used herein means the control exercised by the customer as related to price. The first few kilowatts-hours used by any customer is inelastic in that such use is independent of prices as they now obtain. This block roughly corresponds to the number of kilowatt-hours in the first step of residential and commercial schedules. The next block in terms of elasticity includes use in which price is somewhat of a factor but after use is once established, convenience rather than the monthly bill controls. Again using a figure for illustrative purposes rather than exactness we might say that such use extends to 20 or 25% load factor. Beyond this there is a range of potential business in which elasticity of demand is controlling. At a low cost uses may be developed valuable enough to the consumer so that he will be willing even to readjust the household economy and habits in order to make use of such services. Inasmuch as this type service must conform to the requirement of increasing load factor at a rate higher than the increase in coincidence factor the rate structures must incorporate a load factor provision. This does not mean that existing rate forms need give place to straight load factor rates. The present block rates are well established and have customer acceptance. A load factor provision can readily be added to present schedules by offering a lower tail rate for use in excess of a predetermined number of hours use of the customers' demand. Once more for illustrative purposes let us say the present bottom step per kilowatt-hour will apply from its present beginning up to 220 hours use of the demand per month and all kilowatt-hours in excess of 220 hours use be offered at one-half or less of the present tail rate. The incidence of such a change on present revenues will be found to be small, and with renewed sales efforts really profitable new business may be added.

Turning briefly to those situations in which a satisfactory rate of return may be currently maintained with less than present net income it is suggested that equally satisfactory customer results will be obtained if instead of reductions in the basic rate schedules consideration be given to annual customer refunds or dividends or to a community contribution in some other form. In the years gone by when substantial rate reductions could be made and a noticeable effect was produced in the individual customer's bill, we were all prone to advertise the magnitude of the rate cut even though at the same time we were planning an intensified sales campaign which would recoup the loss in revenues by increased consumer use. The psychological public relations effect of such advertising has always been dubious and in many instances negative. Here is a radical suggestion which has not been trimmed to fit all conditions nor is it guaranteed to pass regulatory review. It has already appeared in some of the trade literature and therefore is not original. Instead of giving a rate reduction with its very small effect on the average customer's monthly bill, offer the same amount as a contribution to the community in the form of cash, decrease in cost of street lighting, increase in the quality and quantity of street lighting now being furnished or the inclusion of lighting for parks, recreational areas, or ball fields without increase in present municipal revenue. Such action would result in (a) a decrease of the tax load on the community or (b) an improvement in the appearance or recreational opportunity within the community.

So much for the general question of rates. The second part of the challenge offered by economic conditions of today and the immediate future is that of improving the operating statement by decreasing costs. As a first suggestion every operating company can consider the psychology which in the past few years has affected consideration of operating expense items in the light of high income taxes. It has become almost involuntary to think of costs in terms of effect on gross income after taxes rather than in full round dollars. Suppose we now think of how many operating revenue dollars will be required to net after taxes the amount required for the expenditure under consideration. If we do that, operating and maintenance costs will be scrutinized with a view to increasing the number of patches instead of buying new pants when the old ones wear thin. We are in an economy of scarcity and high prices. If we get along with what we have to the great possible extent, replacements at a later date will be at lower cost and support the general economy when such support may be needed.

Applying this to customer and distribution costs, some changes in procedure should be given attention either to be made effective now or held in reserve for use as a last defense against rate increases. Extended meter reading periods, closer control over the routing of service calls, intensive review by the distribution department of transformer loadings offers some potential savings. In the general field of metering and customer accounting mechanization should be encouraged and constant surveillance made of the use to which statistical data and reports are put with the elimination of all forms and accounting work which are not constructively used and which cannot be shown to return the cost of their compilation. On the other hand, research along the lines heretofore suggested should not be curtailed.

The third part of the challenge is the possibility of further simplifying rates and operating procedures with improved public relations as an objective. Through the years various experiments have been made in rate structures and different types of uses brought into being rate schedules particularly adapted to each use. The industry at large has outgrown that phase of rate making. Company by company the number of rate schedules have been reduced and further simplification is in process. The education of the public in the value of electrical service as compared with other household items of expense has proven of more value than the earlier efforts to teach the consumer how to read his meter. It is true the kilowatt-hour is an intangible thing but it is just as true that nothing we can do will give it psysical form and substance. Let's accept that.

It is trite to say to this audience that Mrs. Customer is concerned about how much it costs to operate a sweeper, iron, range or water heater for a month and not at all in the average rate in cents or mills of the resultant number of kilowatt-hours used. The salesmen have found this out and have developed tables and devices on the slide rule plan so that in a given territory a customer can readily determine what the additional monthly cost will be for an added appliance taking into account service already being purchased. The rate engineers have worked through the years and gradually given ground on purely technical considerations to the end that rate schedules might be more understandable. Such progress is by no means at an end.

When the industry itself has determined the area in which it can profitably sell additional kilowatt-hours at a lower rate controlling or new metering devices may be required. To dream up just one suggestion let us conceive that in the home of the future there will be a small control box which will show a red light when the total load reaches a predetermined maximum. This will indicate that the bill will be higher because of what we know as block extenders in the schedule or because the demand component will go beyond the previous maximum. The same box will have pushbutton controls so that certain things can be cut off or it may be that by arrangement of relays such circuits will automatically be cut off when the total load reaches the predetermined value. No lessening of service will result if the water heater circuit is interrupted while the range is utilizing four elements. Again when the heat pump comes into its own it will offer some possibility of total load regulation. The consumer will then know that the control of the monthly cost of his service is his to command, even though that service will still be measured in terms of kilowatts and kilowatt-hours.

To sum up: (a) Rate reductions in the face of high cost levels now prevailing are not generally possible; (b) If some concession can or, for political or other reason, must be made try some method other than lowering basic schedules; (c) Incremental use increases capacity costs at a higher rate than in the past; (d) Research in the field of coincidence factors is exceedingly important and may well point the safe road to future rate changes; (e) The field of greatest elasticity offers profitable cultivation, thus increases in importance as overall plant capacity goes up in cost; and finally (f) Keep on talking about and advertising the value of electric service and the low monthly dollar cost of added appliances and better lighting—the residential and commercial customer is not concerned in kilowatt and kilowatt-hour unit costs even though for convenience they are used for billing purposes.

Today's rate challenge can only be safely met after we take cognizance of the changing meaning of incremental costs, inter-cost component relationships, and the importance of the coincidence factor. May I conclude—Get the facts, record the facts, analyze and face the facts, then ACT.

SEC Asks for Comments on Proposed Amendment of the Securities & Exchange Acts

(Continued from page 10)

for his consideration. Primary consideration has been given to various proposals suggested as a means of meeting these difficulties.

"The preparatory work of receiving and discussing proposals, comments and views has been done by the Commission's staff committee. This committee has submitted to the Commission for its consideration, as a first step in the over-all program, the enclosed outline of tentative proposals for revising the registration and prospectus requirements of the Securities Act of 1933. This outline does not purport to express either unanimous or final views of the staff committee. To aid the Commission in appraising this part of the program, it is being sent to you for comment. The Commission will incorporate in any recommendation it may make to the Congress whatever changes in the existing legislation appear to it, after full consideration, to be likely to enhance the effectiveness of the registration and prospectus requirements of the 1933 Act as a practical mechanism for providing investors in advance with the facts necessary to enable them to make informed decisions whether to buy. Accordingly, the Commission is most anxious to have your comments on these proposals, including any suggestions for their improvement or for alternatives which, in your judgment, would be more likely to accomplish these objectives of the 1933 Act. We shall appreciate the favor of your comments on the enclosed outline on or before June 27, 1947.

"We wish to make it plain that if the Commission determines to make recommendations to the Congress with respect to the registration and prospectus requirements of the Securities Act, it will be intended as a step in the overall program which may affect, as well, other segments of the Securities Act and the provisions of the Securities Exchange Act.

"Sincerely yours,

"JAMES J. CAFFERY,
Chairman."

In connection with the foregoing communication, the Commission made public the following memorandum of its Statutory Revision Committee:

June 4, 1947

TO: The Commission
FROM: The Statutory Revision Committee

We submit an outline of tentative proposals for amending the registration and prospectus requirements of Section 5 and related section of the Securities Act of 1933. This outline does not purport to incorporate all the ideas or proposals submitted or the final conclusions of the Committee.

(1) The present law would remain unchanged so far as the **pre-filing** period is concerned. During that period it would be unlawful for any issuer, underwriter or dealer to make any attempt to sell a security which is subject to the registration requirement. It would likewise be unlawful during that period for any **dealer** to offer to **buy** any such security. The same prohibitions would apply while any public administrative proceeding effecting a registration statement is pending or, of course, while any stop order or refusal order is in effect.

(2) The present provision permitting preliminary negotiations between the issuer and any underwriter either before or after filing would likewise remain unchanged.

(3) **During the waiting period**—that is, after the filing but before the effectiveness of a registration statement — it would be unlawful for any issuer, underwriter or dealer to sell or to make any contract to sell, whether firm or conditional.

(4) During the waiting period it would be lawful to offer **orally.**

(5) During the waiting period it would be lawful also to make **written** offers, but only if the **first** written solicitation took the form of the complete statutory prospectus (which could omit price and related data if unknown). Other written communications in respect of the security could be used along with or after such a prospectus, but (with the exception specified in paragraph [6]) they could not precede it. Any written communication prepared by the issuer or any underwriter for general use would be filed as part of the registration statement and would be subject to Section 11 liabilities, to the Commission's administrative sanctions, and to the liabilities of Sections 12 (2) and 17 (a). Other letters or communications would not be filed as part of the registration statement but would be subject to the liabilities of Sections 12 (2) and 17 (a).

(**Note on paragraphs (3), (4) and (5):** The proposal contains no staff recommendation as to whether, or under what condition, a firm offer to **buy** (solicited or unsolicited) which had been received during the waiting period might lawfully be accepted after effectiveness without any further action by the buyer.)

(6) There would be one exception to the requirement that the first **written** communication be the statutory prospectus. It would be permissible immediately after **filing** a registration statement to insert in the newspapers or to send to prospective buyers an "identifying statement" having the general characteristics of the type of advertisement, commonly known as a "tombstone ad," which is now permitted **after the effective date** by Section 2 (10) (b) of the Act. The Commission would be authorized to define within relatively narrow limits the permissible contents of the "identifying statement." The "identifying statement" would be limited in content so that it would serve not as a selling document but purely as a screening device to ascertain what persons were sufficiently interested to warrant delivery to them of the statutory prospects. Although the proposal contains no staff recommendation as to the extent to which the present "tomstone ad" should be expanded, it contemplates that a few additional categories of identifying information would be specified in the statute and that the Commission would have authority by rule to permit or require less or more with respect to any or all types of securities. Additional questions on which the staff does not at this time make any recommendation concern (a) the persons who should bear responsibility for the "identifying statement," (b) whether it should be part of the registration statement, and (c) what liabilities should attach to its use under Sections 11, 12 (2), and 17 (a).

(7) **After effectiveness** sales would be lawful under the following circumstances so far as the registration and prospectus requirements are concerned:

(a) Any purchaser who had been sent or given a statutory prospectus (complete except for price and related data) so that it would normally have been received at least two business days **before** effectiveness would have to be sent or given only the data missing from such pre-effective prospectus.[1] However, the Commission would have power to require either by rule or in individual cases that the complete effective prospectus be sent or given (along with a specification of the data missing from the pre-effective prospectus) wherever such data and any corrections necessary in the pre-effective prospectus were such that in its opinion the public interest and the protection of investors required such action. In either event the price data or the complete prospectus, as the case might be, would have to be sent or given to the purchaser prior to the sale.

(b) Any purchaser who had **not** been sent or given a pre-effective prospectus (complete except for price and related data) so that it would normally have been received at least two business days before effectiveness, or a complete effective prospectus the same period before the sale or contract to sell, would have an unqualified right under the Securities Act (apart from any rights under other applicable law) to notify the seller, within two business days after the complete prospectus would normally have been received, of his election not to proceed with the purchase.* (This will hereinafter be referred to as the "out clause.") The prospectus, as well as the confirmation, would have to contain a legend notifying any such purchaser of this right.

(8) It would be optional with each issuer, underwriter or dealer to decide whether to circulate the pre-effective prospectus (absent price and related data) immediately upon the filing of the registration statement or to wait until after receipt of the first letter of comment. It would likewise be optional to refrain from circulating any pre-effective prospectuses at all, but the Commission would retain its present power to deny acceleration where there had been no adequate circulation of pre-effective prospectuses to prospective purchasers. If the Commission deemed any misstatements or omissions in a pre-effective prospectus to be materially misleading, it could, in addition to exercising the power specified in paragraph 7 (a), refuse to accelerate until a corrected pre-effective prospectus had been circulated (which is its present policy). Moreover, any purchaser who had been sent or given such a deficient pre-effective prospectus, unless he had thereafter been sent or given the corrected pre-effective prospectus the specified period before effectiveness, would have the same right as a person who had been sent or given no pre-effective prospectus at all to elect not to proceed with the purchase.

(9) As to **offers after effectiveness: After** effectiveness it would be lawful to offer either orally or in writing, provided the **first** written communication (other than the "identifying statement") took the form of, or was **accompanied** by the complete statutory prospectus containing the price and related data. This requirement could be satisfied by using the pre-effective prospectus, to which would be attached the supplemental price and related data, unless the Commission required by rule or in individual cases that a complete final prospectus be used.

(10) The prospectus requirement would apply to all dealers, whether or not members of the underwriting or selling group, for three months after effectiveness. Any member of either group would, in addition be subject to the prospectus requirement as long as he still retained any portion of his allotment or the price of the security was being stabilized. The proposal contains no staff recommedation on the question whether for the three-month period dealers who are not in either the underwriting group or the selling group should be subject for the three-month period to the "out clause" or only to the present requirement that a prospectus be delivered with the confirmation or the security. There is left open also the question whether sales to dealers not in the selling group should be exempted from the "out clause."

(11) The jurisdictional base of Section 5 would be expanded so that the section would apply to every step in the process of selling a security from solicitation to payment if the mails or some instrumentality of interstate commerce were used in any single step of the process. There would be concomitant amendments to Sections 12 and 17.

(12) The civil liability specified in Section 12 (1) would apply to violations of any part of Section 5, whether in the offer to sell or the sale or the delivery. This represents no change in the present Section 12 (1) as construed by the Commission.

[1] The proposal leaves open the mechanics of achieving a maximum of certainty in the fixing of this period.

*See note 1.

T. Jerrold Bryce Elected President of the Bond Club of New York

T. Jerrold Bryce of Clark, Dodge & Co. was elected President of the Bond Club of New York at its annual meeting held at the Sleepy Hollow Country Club, Scarborough, N. Y. Mr. Bryce succeeds James Coggeshall, Jr., of The First Boston Corporation. Departing from its established custom, the Bond Club held its election this year in conjunction with its annual Field Day.

T. Jerrold Bryce

Alfred Shriver of Morgan Stanley & Co. was elected Vice-President, filling the post held by Mr. Bryce during the past year. Other officers elected at the meeting were Thomas T. Coxon, of Hallgarten & Co., Secretary, and Benjamin D. Williams, Jr., of W. E. Hutton & Co., Treasurer. Members elected to the Board of Governors to serve for three years were Clarence W. Bartow of Drexel & Co.; Raymond D. Stitzer of Equitable Securities Corporation, and G. H. Walker, Jr., of G. H. Walker & Co. George J. Leness of Merrill Lynch, Pierce, Fenner & Beane was elected to the Board of Governors to serve the unexpired term of Alfred Shriver.

Continuing Governors are Wright Duryea of Glore, Forgan & Co.; Frederick L. Moore of Kidder, Peabody & Co.; Robert E. Broome of Guaranty Trust Company; F. Kenneth Stephenson of Goldman Sachs & Co., and Joseph A. Thomas of Lehman Brothers.

More than 250 bond men participated in the open golf tournament. Class A winners were Prescott Bush with a low gross of 71, who was awarded the ex-President's Cup; James W. Wolf and Walter F. Blaine tied for a low net of 70. Mr. Blaine won the Christie Cup for handicap against par. Class B winners were A. M. Massie, with a low gross of 81 and E. F. Grant Taff with a low net of 67. Mr. Taff won the Hamilton Candee Cup. Class C winners were Hudson B. Lenken with a low gross of 96 and V. H. Graymount with a low net of 65.

In the day's tennis matches, Benjamin J. Buttenweiser, Kuhn, Loeb & Co., and Marvin L. Levy, Lehman Brothers, won the doubles from Sumner B. Emerson, Morgan Stanley & Co., and G. H. Walker, Jr., G. H. Walker & Co., by a score of 6—3, 6—4.

Horseshoe pitching and other sports marked the proceedings.

Boston Investment Club Observes Anniversary

BOSTON, MASS. — June 27th marks the first anniversary of the Boston Investment Club, formed by the original group completing the first Investment Banking Course at Boston University, sponsored by the Educational Committee of the Investment Bankers Association, New England Branch. The attendance has increased from 24 to 94.

The purpose of the Club is to create and maintain social relations among the men new to the investment business and to provide its members with opportunities to broaden their over-all knowledge of financial affairs by bringing them in direct contact with men already well established in the investment business and with prominent executives representing various phases of industry and banking.

The Club was the first of its kind to be formed. A great deal of interest has been received from various cities throughout the country and similar organizations have since been started in many financial centers.

Guest speakers at the dinner meetings were: John O. Stubbs of Whiting, Weeks & Stubbs; James H. Mellen of Townsend, Dabney & Tyson; B. Shapleigh Symonds of F. S. Moseley & Company; Sinclair Weeks, Chairman of United-Carr Fastener Corporation; Charles F. Eaton, Jr., of Eaton & Howard, Inc., and Harold H. Young of Eastman, Dillon & Company.

Present officers are: Robert G. Gerrish of Whiting, Weeks & Stubbs, President; Andrew G. Weeks of Blyth & Company, Inc., Vice-President; Robert S. Weeks, Jr., of Coffin & Burr, Inc., Secretary; E. Wallace Sleeth of White, Weld & Company, Treasurer, and John J. D'Arcy of F. L. Putnam & Company, Inc., Publicity Chairman.

Morse to Head Brooklyn Unit (NACA)

At the annual meeting of the Brooklyn Chapter of the National Association of Cost Accountants held recently at the Hotel Bossert in Brooklyn, the following officers and directors were elected to serve for the year 1947-1948:

Raymond C. Morse of the American Machine & Foundry Co., Brooklyn, President; Malcolm B. Varney, Bush Terminal Building Co., Brooklyn, Vice-President; Thomas V. Gillespie, General Baking Company, New York, Vice-President; Russell C. Flood, A. Schrader's Son, Brooklyn, Vice-President; Leon H. Curtice, Columbia Machine Works. Inc., Brooklyn, Treasurer, and Emanuel de Bechevet, Secretary.

The new directors for the coming season are Milton T. Becker, James E. Caulo, Peter J. Cousins, William G. Fallon, Edward D. Hoffman, Hobart G. Hale, Herbert A. Johnson, Maxwell A. Wakely and Robert A. Winans.

Mr. Morse, the newly elected President, is Assistant Comptroller of the American Machine & Foundry Co., Brooklyn, New York. He is a graduate of Cornell University, a member of the Tax Committee of the Brooklyn Chamber of Commerce, the Risk Research Institute, the Cornell Club of New York and Staten Island, and a Director of the Staten Island Council Camp Fire Girls, Inc.

Join Daniel Reeves Staff

Special to THE FINANCIAL CHRONICLE

BEVERLY HILLS, CALIF. — Delard M. Brazeau and Rae F. Hyman have become affiliated with Daniel Reeves & Co., 271 South Beverly Drive, members of the New York Stock Exchange. Mr. Hyman was formerly with J. A. Hogle & Co.

Don't Dilute Capitalism!

(Continued from page 2)

four things which we ought to do to innoculate capitalism that it may be more immune to the communistic contagion.

In the first place, we should stop being afraid of the checks and balances inherent in our American system. We should insist that these checks and balances be allowed to operate.

Second, we should stop diluting the capitalistic system with socialistic encroachments which tend to decrease its efficiency.

Third, we should levy taxes for revenue only and not attempt to attain social and economic ends through further prostitution of the power to tax.

Fourth, we should see to it that our people continually have an opportunity to compare the results and benefits derived from capitalism with the results of competing systems.

Too few people understand that free enterprise, like most other worthwhile things, has a price. If men are free to do as they please in matters economic and in matters political, they often will go to extremes. In the field of business that means, sometimes, the exercising of bad judgment—and bad judgment means losses and even failures.

These losses, these failures, are nothing but the checks and balances the free enterprise system employs to correct errors in human judgment. The setbacks are unpleasant, but they are rather mild developments compared with the famines which occur in totalitarian economics where the errors of human judgment are wholesale mistakes forced on the masses from above, rather than errors of comparatively small consequence arising from individual miscalculations voluntarily made. In the communistic statet here are no automatic checks and balances and human errors are allowed to compound their mischief.

Compare our deep depression of the early '30s, which still makes us shudder in our boots, with some of the Russian famines. Our most afflicted citizens in those years lived in a luxury which would have been the envy of 95% of the people in Russia in the best years the Soviet Union has ever had.

New Deal Prolonged 1930 Depression

Depressions don't have to get as deep as the collapse of the 1930's. No other correction in the history of the country has been so catastrophic. I am sure that most of you bankers will agree that the depression of the 1930's was much worse and much longer, largely because constant new increments of unwisely created credit were pumped into the system to prevent a long overdue correction. By over-expanding credit, the system of checks and balances, intended to correct maladjustments, was immobilized; and people went on piling business mistake upon business mistake until the day of reckoning finally came. I do not believe we will make those mistakes again. We have learned some needed lessons.

Our economic system is not the product of legislation. Unlike socialism or communism, it is not a synthetic creature. It is something which grew up by itself. something which has evolved from experience. It has worked exceedingly well for more than 150 years and under it humanity has attained more physical comfort, health and happiness than under any other system in the history of human experience.

We should not be afraid of its checks and balances, but we should be afraid of the inevitable consequences if they ever should be repressed and not allowed to perform their indispensable functions.

The national economy and the economy of the world constantly become more complicated. These complications arise from better transportation, faster communications of all kinds, the constant division and sub-division of labor in production, the greater availability of goods and services vouchsafed for us by new horizons of science and better methods of industry, the trend toward urban as against rural ways of life and the greater interdependence of mankind. It is not surprising that the interdependence of one man upon many others, of one community upon so many other communities, and each business upon so many other enterprises, has led to ever-increasing demands for regulation to accomplish selfish advantages.

Policing Versus Meddling

It is the proper sphere of government to maintain freedom and safety, first for the individual and then for the state, to protect the weak against the strong, to maintain law and order and to promote the general welfare.

But where does policing end and meddling begin? That is a great question. I, for one, do not think that men in business and men in industry have thought through the answer.

Many business men, I have found, think as selfishly as many labor leaders. They are all for free enterprise for others as well as for themselves until it temporarily works to their disadvantage! Then they, too, rush to Washington and ask the government to "do something." Those of you who have had an official experience in Washington, as I did in the Reconstruction Finance Corporation, know exactly what I mean.

This idea of the government "doing something" originated long before Mr. Roosevelt ever thought of the New Deal. Business for many years attempted to influence Congress for its own purposes long before the labor unions began to finance political campaigns and maintain Washington lobbies. Let us not forget that some of the techniques labor has employed in recent years were learned from business.

Folly to Dilute Economic System

But that is neither here nor there. I want to talk about the folly of trying to dilute the economic system by watering the system of checks and balances which are at the heart of it. I want to draw attention to the violence which both the friends and the enemies of the system often do it.

The more complicated the economy becomes, the more delicate it is. The more complicated it is, the more difficult it is to understand and regulate. The more complicated human relations become, the more important it is that the automatic processes, the checks and balances, should be allowed to operate.

As I have pointed out, we here in America still have the least adulterated form of capitalism, or democratic enterprise, which exists anywhere in the world. It is interesting to note that the systems in England and France did not take the stress and strain of war as well as ours did. Certainly, our far less disciplined economy has taken the stresses and strains of reconstruction much better. I think every one of you here will admit that England would be recovering much faster and that France would not be in such dire straits but for a diluted capitalism.

So I would plead that we cease to dilute our capitalism by adopting socialistic adulterations. When we regulate natural economic processes which are based essentially on human nature rather than on abstract idealism which mankind accepts in theory but not in practice, we weaken a delicate automatic system developed from long experience.

Taxes for Revenue Only

I have long felt that the one most pernicious evil we do to the free enterprise system is accomplished in the field of taxation. For many years we have employed Federal taxation not only to raise revenue but also for so-called social purposes. This did us comparatively little harm so long as the revenue needs of the Federal Government were relatively small.

With the advent of World War I and the expansion of the sphere of government which followed it, taxation became more important. With World War II, it became much more important.

Adam Smith published his book, "The Wealth of Nations," in 1776, the year our nation was born. It is amazing, in view of all the vast social, political, technological and economic changes which have occurred in the past 171 years, that much of this book, even now is as fresh as today's newspaper. In it he set down four principles about taxation which are just as applicable in 1947 as they were in 1776. I would like to draw your attention to them.

In the first place, "the subjects of every state ought to contribute towards the support of their government . . . in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state." In modern times, this unquestionably means an income tax and it is impossible to get away from the idea that such a tax should be graduated with larger tax exemptions allowed to people with smaller incomes than those with larger ones, and with the large incomes taxed at higher rates.

Secondly, Adam Smith thought the tax, and I quote, "ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid ought to be clear and plain to the contributor and every other person," end quote. I wonder what the father of modern political economy would have thought of one of our twentieth century individual or corporation income tax returns. Under our present tax system it certainly is not "clear and plain" to the contributor, and in many cases not even to the Internal Revenue Department, as to the quantity of tax to be paid. Our tax system, our tax codes, and our tax rates ought to be simplified so business men and individual income taxpayers could know better where they are going and how much it is going to cost them.

Third, said Adam Smith, every tax ought to "be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it."

The fourth principle Adam Smith laid down, it seems to me, is most important to us here and now. He said and I quote: "Every tax ought to be so contrived as both to take out and keep out of the pockets of the people as little as possible, over and above that which it brings into the public treasury or state," end of quotation. He mentioned four ways in which tax might fall short of this requirement: the tax might be too expensive to collect, it might, and I quote: "Obstruct the industry of the people and discourage them from applying to certain branches of business which might give maintenance and employment to great multitudes," it might be "so burdensome as to make people seek to evade it," and finally it might "subject people to frequent visits and odious examination of tax-gatherers and expose them to much unnecessary trouble, vexation and oppression" end of quotation.

Is it not amazing that Adam Smith, in 1776, could say things that sound so much like what you and I hear every day about a type of tax that is only about 43 years old in this country? Remember, this man was no propagandist, no lobbyist, no modern corporation executive, no 1947 investor—he was just an economist with an eighteenth century background.

Recommended Tax Reforms

If I were to begin to enumerate all the things I think are wrong with our present tax system, I would write a book longer than the unabridged edition of "The Wealth of Nations." It would be much heavier reading and, I fear, not as dispassionately written. The big thing that's wrong with our tax system, however, is very simply told. Our taxes are too complicated and they try to accomplish too many things other than the raising of revenue for the Federal Government.

It seems to me that when the Congress begins to rewrite the Internal Revenue Code it might have a very few simple objectives. The first, I suggest, is that taxes be made to conform more nearly to their real purpose, which is to produce revenue. We can't go overnight to "taxes for revenue only." Every practical man knows that. We can move toward such a goal, however, by making the social import of taxation more incidental and less the prime thought back of the levies. Certainly, we should stop enacting new taxes which have social purposes rather than revenue as their main objective.

In the second place, I would try to arrange our Federal income system in such a way as to abolish "double taxation."

In the third place, I would seek so to arrange tax bracket rates as to make the income tax most productive. The people of this country have been deceived into thinking that the rich men pay most of the income tax. You and I know this is not true.

High tax rates in the upper brackets are merely political opium for those in the lower brackets. They produce very little income. The idea that I would stress is that taxes be made more productive rather than punitive.

Let us tax for revenue, and tax where the revenue is to be found. Let us encourage men to produce incomes to tax. This idea of taxing for non-revenue purposes, for social and economic purposes, is just one of the many ways whereby we weaken the free enterprise system, dilute it with disguised socialism, or by methods borrowed from socialism. Taxation for non-revenue purposes makes the system less efficient and less able to put its best foot forward in competing with those foreign ways of life which oppress the individual, cause him to lose his freedom and give him less of this world's goods to live for, live with and enjoy. The real test of an economic system is what the people who live under it get out of it.

The leaders of Soviet Russia maintain an iron curtain against the rest of the world, primarily because they do not dare to let their people see the beneficial results of capitalism, and because they do not want the rest of the world to see the repressive results of Communism. Results are the weak spot in the whole case for Communism, and the strong spot in the case for capitalism.

Human aspirations are the same the world over. People want full stomachs, proper clothing, warm, comfortable homes, health, a better future for their children, opportunities for recreation and cultural development.

Cease Prophesying

Now, I am not an economist and I am not a prophet. It is out of my province to predict anything. I am sure of only one thing, and that is that we have had too much forecasting. There has been too much irresponsible guessing by the Government as well as too much prophesying by private economists and would-be economists. To read what is being said one would be led to think that this is a nation of professional business clairvoyants.

Since our 1929-1933 experience, the word "depression" has sent the cold chills down 140 million American spines. Just why so many people think that every business readjustment must be like 1929-1933, or worse, I can't comprehend. The record shows that the 1929-1933 depression was pathological in all its aspects, carrying to extremes the process of disintegration which usually is arrested before it does so much damage. We can have business adjustments without deep depressions.

We have had business adjustments before and I suppose we will have them again—if not now, later. The economic millenium has not yet arrived.

Unlike some pessimists, however, I do not think the American social order has become so weak that it would disintegrate even if the most unhealthful maladjustments had to be corrected.

Joseph Stalin, the Soviet Politburo, and the Moscow newspapers constantly tell the people of Russia that America can't take it. I don't agree. All but a few Americans know that our depressions are periods of great prosperity and luxury when compared with the nomal state of affairs in Russia. To compare our depressions with Russia's famines would be to hit below the belt!

This American fear of business adjustments, recessions and depressions, all of the current study about cycles, and the beside manner in which we watch the monthly fluctuations of the Federal Reserve Board Index of Production are symptoms of unhealthful popular thinking. The economic planners, with the events which followed 1929 as a backdrop, have taught us to be afraid of unregulated economic phenomena. This generation has been taught that it has a bear by the tail and must not let go. Actually, a scared bear is not nearly as dangerous as an excited bull! It is much more dangerous to hold on to him than to let him go.

Anyone who believes in democratic capitalism, or free enterprise, should not be afraid of the checks and balances inherent in the system. The time to be afraid is when those checks and balances are not permitted to work. Anyone who thinks the American social order cannot stand the impact of readjustments without disintegrating simply lacks faith in free enterprise.

The modern economy is complicated and intricate. It get out of order when incompetents tinker with it.

Let us stop tinkering, and have faith in our free enterprise system—the best that has ever been developed in this world.

Weil & Arnold Branch In Jackson, Miss.

JACKSON, MISS.—Weil & Arnold, New Orleans investment firm, announces the opening of a branch office in the Millsaps Building under the management of R. Charles Strain, who will represent the firm in the State of Mississippi.

Federal Fiscal Policy and Debt Management

(Continued from page 4)

the first drop down the roller coaster of depression.

Within the next few weeks or a month, we should know whether we have achieved some redress in the unbalance of power that favors labor at the expense of other segments of the economy, and the general public. Within the same period of time, we should know whether the underlying tax philosophy, with which investors and consumers must contend for the next year or so, will be one which favors a reduction in taxes as a proper phase of reconversion, or whether taxes are to be used as an instrument to advance certain social and economic philosophies which would obstruct the progress of American and world prosperity.

Based on past experience, it is doubtful that we will witness an equivalent clarificatnon of the peace-time policies of the debt managers. It seems that the management of the debt is governed by expediency, politics and ingenuity—whereas it should be governed by skillfully designed long-range plans which properly weight our economic requirements.

Views on Debt Management

In some phases of debt management a sufficient cleavage exists among authoritative views to justify the choice by the government of several vastly different basic policies. For example, one school of thought advocates that the outstanding short-term debt of the Treasury (which is largely bank-held) should be reduced by the sale of longer term obligations on non-bank investors. At the same time, an equally responsible school believes that the debt managers must have the flexibility of operation that can be obtained only with such a large short-term debt. Differences such as these may be said to arise, not simply from technical considerations of debt structure, but from more profound and controversial philosophies.

For example, there are various philosophies of money and the manner in which its growth and use affect the prices of the goods we buy, their production, the levels of employment and our general business health. There is the quantitative school which stresses the volume of money existent; that is, the amount of currency, demand and time deposits held by the public. Then there is the qualitative school which differentiates between the various sources of money growth or shrinkage. Then there are others who lay greater weight on the velocity of money, which is the rate at which money passes from hand to hand.

Then there are other major, and widely differing, philosophies concerning the value of money when it acts as consumer purchasing power and money which forms the pools of capital investment. For example, the Democratic Party, perhaps as a heritage of the New Deal era, seems to favor what I have referred to as the consumer purchasing power theory. In this, it is assumed that recessions and depressions start with declines in the relative amounts of money available to the broad masses for their purchase of goods and services. On the other hand, the Republican Party seems to hold to the more traditional philosophy that prosperity depends upon the formation of an adequate amount of private capital for investment in productive enterprise.

Each of these philosophies, which differ as to the place of money in the economy, as to whether consumer purchasing power or private capital formation is the more important, tends to treat the various phases of debt management in a somewhat different way. Under these circumstances, therefore, it is not suprising that the Treasury meets with a confusing mass of suggesions as to the broad concepts which it should use in developing and carrying out debt management objectives.

Nevertheless, there is another respect in which the fundamental approach of our debt managers seems open to question. In speaking before the Academy of Political Science, Mr. Kaplan, of the Brookings Institute, delivered an address on the role of small business under free enterprise. He pointed out that a continuing problem in the administration of economic power is the protection of enterprise for the abuse of power. Later, he said that in government administration there was need for a greater distinction between measures that preserve competitive equity and those that are restrictive. While Mr. Kaplan's comments were addressed to the role of small business in a free enterprise economy, his statements apply with equal force to the approach which should be used in debt management.

We need to regain (we can hardly use the word preserve) a greater degree of competitive equity between those who wish to borrow money and those who wish to lend it. Instead, it seems that debt management decisions result in an abuse of the powers that were given to the Treasury for wartime use. I mean, that while the pattern of interest rates imposed for war financings has been proved to be too rigid to insure a proper functioning of our financing and credit machinery, the Treasury refuses to accede to changes. There is very little disagreement among non-government students as to the desirability of change. Officials of the Federal Reserve are, on the record, in agreement. This has left the Treasury as the outstanding member of the small minority which favors continuation of this pattern of rates and the increasing controls necessary to its maintenance.

Flexible Interest Rates

I shall not bore you with the details as to why many believe that the proper correction would require the adoption of a flexible bill and certificate rate. The time available here is limited. I regret this necessity for brevity for several reasons: I like to talk and I agree with the Victorian economist, Alfred Marshall, who said "Every statement in regard to economic affairs which is short is a misleading fragment, a fallacy, or a truism." However, in the face of this caution, I will attempt to illustrate how the Treasury, with the continued cooperation of the Federal Reserve, is exhibiting great ingenuity to the end that it may maintain its war-created powers. I believe that this constitutes an abuse of power and an interference with the establishment of equitable competition in the money markets.

Some week ago the Treasury, apparently acting on the advice of the Federal Reserve, started a program for the retirement of the Treasury bills. As you know, Treasury bills are held largely by the Federal Reserve System. Consequently, this retirement serves to contract the credit base more severely than would be true of other securities, such as Treasury certificates and notes which are held more widely outside of the Federal Reserve System. During 1946, the Treasury and the Federal Reserve were constantly calling the attention of the country to the fact that we were in an inflationary boom, that public debt was being monetized and that we were in danger of further price inflation. The Treasury and the Federal Reserve could have retired Treasury bills at this time if they had wished to bring about a maximum of credit contraction—and had the desire to maintain the wartime rate pattern not intervened. For several months now we have worried more about the imminence or presence of a business recession than about inflation. Yet, at this stage, the Federal Reserve with the permission of the Treasury, or perhaps vice versa, resorts to the more deflationary move. From considerations of the business outlook, this hasn't seemed to make much sense. Why the more severe move at this juncture?

Move to Stabilize Bond Prices

The answer seems to be that the move was aimed primarily at preventing an imminent rise in the price of Treasury securities, which would have unstabilized the entire interest rate structure. The more simple method of checking such price increases would have been to unpeg the rates on Treasury bills and certificates. The mere uncertainty that this would introduce would have proved to be an effective curb on such price increases. Such a procedure, however, would diminish the war-acquired powers of the Treasury and would increase the powers of the Federal Reserve. Thus, the Treasury seems to have been moved more by the necessity of preventing an upsurge in Treasury security prices, than by a desire to restore competitive equity between the borrowers and lenders of money or by any proper weighing of our economic requirements.

It seems that the Treasury also adopted, at this point, a policy of "trading" the investments of some of its agency accounts or trust funds in order to further insure a stabilization of interest rates. This is the phase of debt management operations which caused me earlier to use the word "ingenuity." Over a long period of time the Treasury has sold certain marketable securities from trust funds when the market demand for such issues was causing their prices to rise sharply. Generally, however, such sales were justified on the grounds that the Treasury would replace the issues sold by special obligations bearing the same or higher coupon rate or because the Treasury planned to offer comparable obligations to the public (and to the fund) in the foreseeable future. In general, the Treasury can justify sales from these trust funds and agency accounts only if their earnings will be maintained or increased as a consequence of the transactions.

During April, 1947, the Treasury made net sales to the market of about $61,000,000. While the figure for May has not been published, guesses are that it may total in excess of $250,000,000. This increase in sales from Treasury sources would seem to indicate some departure from the Treasury's historical treatment of such investment accounts. How can the Treasury justify such large-scale selling for the simple purpose of avoiding an increase in prices that could be better accomplished by a moderate relaxation of a wartime control? Could it be that the Treasury is handling the open market transactions of these accounts more loosely than in the past? What happens if the Treasury sells a 2½% bond from an account to which it cannot issue a security bearing an equally high rate? I ask this last question because, based on the size of the selling, it seems reasonably clear that the Treasury has provided itself with an answer.

One such answer occurs to me. If a 2½% bond of 1967/72 is sold today, the seller obtains a premium of something over 3%. If he capitalizes this "profit," he acquires a source of future income. For example, he could take down ½% per annum as income for approximately six years. If he purchased with the proceeds from the sale a lower interest rate security, such as a 2 special issue, he could produce for about six years a combined return equal to his original 2½%. Is this the justification for the increased volume of Treasury Department sales from its own investment accounts?

If it is, would it be proper to ask why the Treasury tries so hard to achieve interest rate stabilization through such a cumbersome process? Is this another illustration of the Treasury's unwillingness to undertake moves, such as an unpegging of Treasury bills and certificates, which would decrease its war-acquired powers?

Even if this is not the case, how long can such a control mechanism be effective? The total of investments susceptible to this kind of treatment is limited. It might be $2 to $3 billion. On the basis of actual April sales and the estimated sales made during May, the period of its effectiveness might be limited to one or two years. What happens then?

Summary

It seems to me that we might sum up today's situation about as follows: If we can enact proposals, such as are currently before Congress, for an adjustment in the powers of organized labor, and for proper tax reductions, we will have taken two important steps in the right direction. We still need, however, to take proper steps in the field of debt management. The Treasury still follows policies that are expedient and ingenious, but which have as a primary result the preservation of its wartime acquired powers. We need, in debt management, skillfully designed long-range plans which give proper weight to economic requirements, which give some greater weight to the maintenance of a competitive equity between borrowers and lenders; and we need a clear break with the philosophy that the wartime powers must be continued indefinitely into the future.

Free Enterprise Must Develop Own Emotional Appeal

(Continued from first page)

cialization of the Bank of England, the mines and the transport system, as legislated by the Labor Government, is there to stay.

The reason for the decay of liberalism (for "liberalism" originally meant everywhere and still means in England a program of curtailing government activities) is most certainly not to be found in the fact that the doctrines of Adam Smith, Ricardo and their followers have been refuted. On the contrary, they have withstood all criticism and have been again and again restated by able scholars and supported by additional arguments. For everyone who believes in laissez-faire the reasons for the eclipse of liberalism raise a problem second to none.

Pressure Groups

The explanation that is generally offered by the remaining "liberals" is that special interests have succeeded in defeating the general interests in the minds of men as well as in practical policies. This contention should not be overrated but neither can it be lightly dismissed.

The fact that shoe manufacturers favor import duties on shoes, organized workers think highly of the closed shop and farmers are sold on "parity" prices, calls for no explanation. It is exactly what might be expected. No one is astonished to find that royal families favor monarchical institutions or that generals advocate big armies. But how minority interests managed to secure majority votes in democratic countries is not so easy to explain. It can happen only when the minority interests can persuade significant numbers of voters to support measures which they would turn down if they were better advised. The reason why this happens again and again is to be found in the fact, amply borne out by experience, that a few hundred or thousand individuals who are aware of their interests and willing to go out of their way to achieve them, accomplish more than a hundred times their number of persons who don't care and are willing to fall in with an energetic leadership. Superior organization and propaganda are the reasons that the producers mostly have the better of the consumers, that organized labor makes gains at the expense of unorganized labor and debtors fare better than creditors. Taxpayers were worse off than before when they allowed the silver interests, an altogether insignificant minority, to have their way. Recently, a certain Senator suggested that this country should continue granting loans to other nations but should not lower its tariffs in order to make it easier for the recipients of the loans to pay their debts back. Instead, more American tourists should spend their vacations in the countries involved. Now if American manufacturers lose business when foreign goods are imported, the same holds true for American hotels and resorts when the American public prefers to travel elsewhere. Obviously the manufacturers have a better lobby than the hotels and resorts.

The Intellectuals

Far more disquieting to the believers in the free enterprise system than the success of certain pressure gourps are the changes that have taken place in the intellectual and moral sphere. It is obvious that people who are seriously seeking the best for their country and the world, and have no axe to grind, such as the youth of the various nations, scholars, writers, artists, clergymen and idealists of many sorts, have been completely won over by socialistic, communistic or at least strongly interventionistic ideas. We have to face the fact that though the claims of these doctrines have again and again been thoroughly analyzed and found to be wanting, while the teaching of the classical school of economics has weathered all attacks directed against it, nevertheless laissez-faire has lost supporters all the time.

The Role of Emotions

The eclipse of liberalism appears less surprising when it is understood against the background of related developments in the field of ideas and emotions. The skeptical philosophers of the Age of Enlightment regarded religion as a web of inconsistent and outmoded historical narratives and sham-philosophical doctrines. They were convinced that their own criticism would destroy the Christian churches and expected the latter not to survive the 19th Century. They were wrong because they failed to understand that religion is something more than a congeries of narratives and speculation. Religion is largely based on unconscious desires and on emotions and to that extent is proof against intellectual criticism. It is the same with many doctrines and programs in the field of social progress or reform. If Marx or Keynes were wrong (as they were) their success with the intellectuals calls all the more for an explanation. Reference to the propaganda of the pressure groups fails to supply it. We come nearer to a solution when we are willing to agree with what the French philosopher, Pascal, said 300 years ago when he asserted that "the heart has reasons which the mind ignores."

When the power of the Russian czars was at its height, members of the Russian aristocracy like Bakunin and Kropotkin voluntarily resigned their privileges and chose poverty, imprisonment and exile rather than support the existing regime. An acute observer might have known in the middle of the 19th Century that the power of the czars was doomed because the idealists were resolved to destroy it. No one can deny that among ourselves the spirit of self-sacrifice, where it can be found at all, is on the side of socialism (in the widest meaning of the word) and not with free enterprise and the rights of property. Wealthy people, whose fathers or forefathers would never have grown rich under any system but that of free competition, in many cases provide the funds for the propaganda of "progressive" ideas. Their children are socialists or believers in some kind of New Deal. At the same time people of moderate means and income resist every attempt to convince them of the merits of laissez-faire.

The strength of the emotional factor can also be seen in the fact that when people are willing to grant privileges or deny rights to economic groups other than their own, they often act under the influence of quite irrational prejudices. As in pre-capitalistic times, farmers are still visualized as the "backbone of the nation," while bankers are identified with sordid money changers. Thus it can happen that at a time when everyone is crying out for lower prices, the American consumer thinks more of the manufacturers than of the farmers in spite of the rise of agricultural prices above all other prices; while at the same time a rise in the rate of interest is composed with the argument (among others) that such a step would be politically inadvisable because it would increase the earnings of the banks.

Positive and Negative Demands

Social programs either follow positive ideals or are determined by an attitude of opposition towards certain social groups, organizations or interests which they are set to fight. Otherwise expressed, they are either predominantly positive or negative. Positive ideals prevail in the mind of a martyr. Social mass movements usually thrive on the spirit of opposition.

In democratic countries the strongest positive demand is as a rule the bid for "justice" in regard to the access to jobs, honors, educational opportunities and the distribution of wealth. "Justice," of course, can have various meanings. Aristotle thought that slavery was just; the Nazis thought the Jews deserved the treatment they accorded them. But far more effective is the negative side of popular political and economic convictions. Here the central notion is at present the idea of "exploitation." The "exploited" are urged to stand up against the "exploiters," who may be the employers or the capitalists or the banks or the monopolies or other nations and so forth. Generally speaking, it may be said that the assertion that someone is being exploited by someone is very widely acclaimed, but that opinions differ as to exactly who exploits whom. The socialists and communists think capitalists are exploiting workers. The Nazis contended that Jews were exploiting Aryans; while the Italian Fascists insisted that Anglo-Saxon imperialism was exploiting peaceful laboring folk everywhere. The latter thesis has also been acclaimed by the Soviet regime.

Nothing is more natural than that the have-nots should feel resentment against the (really or supposedly) well-off and that they should rationalize their emotions and believe in "exploitation"; and that this attitude and the emotions involved should lead to social explosions. Mass movements are generally strong not because people know what they want but because they know or think they know what they do not want. The success of Karl Marx and his doctrines offers the best example. There were many socialists before Marx, e.g. Owen, Saint-Simon, and Fourier, each of whom described in a more or less elaborate way the society of the future by which free enterprise should be replaced. Marx and Engels on their part contended that no one could know what the society of the future would look like and called their predecessors "utopian" socialists. Their own "scientific" socialism according to their claims showed in a "scientific" manner that capitalism was bound to perish but did not speculate farther than that. Thus the "utopian" socialists knew what they wanted while the Marxists were bound to know only what they did *not* want (namely so-called "capitalism"). Marxian socialism eventually eclipsed all other socialistic systems. This fact does not prove that Marx was a great economist. *But he was certainly a good psychologist.*

"Exploitation"—Fact and Fancy

The slaves and serfs of bygone times were certainly exploited for they did not have the opportunity to sell their services to the highest bidder. The slave who fled his master, the serf who left the land he had to till for his seigneur, were forced back to servitude by their masters who could rely on the military power of the state. It was the state that forced the bourgeoisie of prerevolutionary times to pay excessive taxes, a great part of which was used to support royal courts and noble families that neither paid taxes nor worked. But there is no "exploitation" of laborers by capitalists where a free market exists. The workman can quit his job and offer his services to another employer. The employers pay such wages as the work performed is worth to them. Even when and where wages are low it is still better to be employed than unemployed. But if the implications of the doctrines for which the labor unions stand are properly followed up, the unemployed should be better off than the employed who draw low wages, as only the latter are the victims of "exploitation." The unions actually often prefer to have a part of the laboring force draw high wages and another part to be unemployed rather than have everyone employed at lower wages. Monopolies may exploit the consumers, but monopolies have very rarely materialized unless they were helped by the State which cut off foreign competition by tariffs or helped in other ways. Political power is and has been a strong factor in every society. It can be used for the benefit of certain classes and against other classes who thereby may become exploited. We shall see presently that this happens among ourselves. But where there is a free bargain as between employers and employees no exploitation exists. The "economic power" of "capital" is a myth. Where "economic power" or "exploitation" are realities they are derived from the power of the state.

Laissez-faire appealed to the intellectuals and the masses as long as it was a movement against certain laws and regulations of feudal or mercantilistic origin which deprived producers, traders and laborers of a great part of their real or potential incomes in order to enrich the ruling classes. Trade was restricted, the guilds were protected, taxation was arbitrary. The liberals won their battle. The more advanced countries took to laissez-faire. As a result there was at first no one left whom the liberals cared to fight. Thus their movement lost its impetus. But now the socialists took over. They attacked the "economic power" of capital and exhorted the "proletariat" to stand up and end all exploitation. They were extremely successful. The fact that their basic concepts were unrealistic and worthless made no difference whatever.

Additional Factors Undermining Free Enterprise

Let us now take a look at a number of other factors which militate against free enterprise. Men and women with strong *moral* impulses are likely to be attracted by activitating programs. They want to act; when in power they desire to do something positive in the matter of poverty, inequality, insecurity and so forth. They may easily feel that it is immoral to believe that if everyone takes care of his own interests, the interests of the community will take care of themselves. It is not surprising that a great number of personalities of high moral standing have reacted to laissez-faire as Carlyle, who called economics the "dismal science." But the economists might be entitled to invert Pascal's statement for their own benefit and to insist that the mind may have good reasons which the heart ignores.

Furthermore, socialism is in a sense nearer than laissez-faire to religion. The Christian churches don't confine themselves to exhorting man to obey the laws of God and his secular superiors. They also promise him some kind of eventual "salvation" from all his miseries and problems through an act of God. It is understood that he cannot effect his salvation himself, whatever efforts he may make. When many believers in the teachings of the churches turned atheists or agnostics they preserved certain religious concepts but gave them a secular meaning. One of those was "salvation." Socialists believe that "society" (instead of God) can, shall and will take care of every individual who fails to achieve a measure of happiness hard though he or she may have worked. How "society" shall be able to accomplish anything of the kind is of course another question. What matters in our present context is that laissez-faire liberalism promises man nothing beyond what he can achieve himself.

The idea of "progress," so dear to many American hearts, militates in the same direction. It is no coincidence that the planners of various shades have monopolized the claim to be considered "progressives." The concept "progress" involves the notions of change and of improvement. It is easy to contend that he who is not a "conservative" but favors change is bound to stand for improvement. Since the nineteenth century believed in private property and free enterprise it is considered "progressive" today to advocate socialization and planning. Of all the arguments that are used against the system of free competition this is probably the easiest to refute; for a very substantial part of the ideas and demands of the socialists as well as the interventionists are not only not new but far older than the liberal doctrines of Adam Smith and the classical school. Some of them go back to the age of mercantilism, while others draw their inspiration from the medieval city or prehistoric communism. As compared with these ideas laissez-faire is still extremely "progressive."

Finally, it should be pointed out that men who believe in organization are frequently good organizers, and that, the other way around, people who are good organizers, are likely to believe in organization. Thus it is relatively easy for the planners to organize their propaganda. Anarchists, who want to abolish the state altogether and liberals who wish to curtail it find it much harder to organize convinced individualists and make them act together. Anarchism as a mass movement has been completely eclipsed by socialism. Everyone has heard of Marx but few remember Bakunin or Proudhon, the anarchists who competed with Marx for the leadership of the labor movement. And the liberals are having a hard time organizing too.

What Should Be Done

The problem that intrigues every believer in free enterprise most is, of course, the question: What can be done to win back the intellectuals and to appeal to the masses? *As matters stand at present even Father Divine warms more hearts than Ricardo.*

The liberal believes that most good laws which history records were the laws by which previous laws were repealed. It is the nature of the liberal program that it puts a stronger emphasis on what should not be than on what should be. In addition, the liberals are handicapped on the side of positive demands. A "just" distribution of wealth will not necessarily result from laissez-faire, and "equality" or "security" will by no means be the outcome. The "survival of the fittest" has no popular appeal. The same may be said of stable currencies or balanced budgets.

All that, however, need not be as discouraging as it appears at first sight. For as far as the intellectuals are concerned it stands to reason that the failure of the various communistic, socialistic or interventionistic experiments in many countries will eventually impress them and give pause to those who are inclined to trust their emotions. As regards the masses and that vague being called "public opinion," it is the negative factor that is primarily important. The average man needs someone whom he may dislike or fight. The task is to direct his efforts against an enemy who deserves to be curtailed or destroyed.

It happens that even in present-day America, not to mention other countries, there exists a lot of "exploitation"; and though its results are to be found in the economic field, its sources, as everywhere, are political. Labor unions to whom the law has granted monopolistic privileges, exploit the unorganized workmen and the public. Manufacturers who are protected against foreign competition by tariffs exploit the consumers whose dollars would otherwise go farther. Subsidized farmers exploit the urban population. All the recipients of subsidies and privileges and an immensely swollen bureaucracy exploit the taxpayer. Thus the majority of the people are really being exploited in various ways even though few are aware of the fact and even fewer may be able to explain who in American society is on the giving and who is on the receiving end.

The Slogan Technique

The task presents itself as one of intellectual enlightment coupled with propaganda and the invention of effective slogans. In the field of slogans the enemies of free enterprise have scored heavily. They fight "economic power," "big business," the "money trust," "Wall Street," the "monopolies" or, even better, "monopoly capitalism." The last named slogan, at present a favorite of the Soviets, makes as little sense as "national socialism" but was coined on the basis of the same experience. Hitler (and certain Austrian agitators before him) found that the people stood for nationalism and at the same time favored socialism. He calculated that if he gave them "national-socialism" all in one, they would become his followers. The bolshevists found that "monopoly" is bad and "capitalism" is bad and merged both for the benefit of "monopoly capitalism," a veritable economic devil. As against all that —whom do the real liberals fight? Possibly "bureaucracy" or "labor union leaders who thrive on the contributions of the American workman." These are poor slogans. Recently an influential industrial organization advertised "The Road to Freedom for the American Worker" as a contribution to the impending changes of the Wagner Act. The ad in question asserted that the American worker "is engaged in another fight for freedom from oppression and abuse by a small group of union bosses." It continued with an enumeration of the rights which the pending legislation would guarantee to the American worker, e.g. "the right to get a job whether he belongs to a union or not," "the right to know how the money he contributes to his union—in the form of dues and fees—is spent," "the right to be free of the monopolistic power now held by a few union bosses through the devices of industry-wide bargaining, the closed shop, and the secondary boycott." If the same ideas were expressed in terms of wages honestly earned versus "exploitation," they would make a stronger impression.

An army can only be defeated by another army. Organized interests must be fought by organizing other interests against them. It is imperative that the unorganized workers should know that they are worse off where the law gives special privileges to the organized worker (and that not a single worker would be better off if all the workers were organized). The consumers, the taxpayers, the owners of bonds and savings accounts should know what is happening to them where the government takes care of an ever-increasing sphere of economic life. The believers in free enterprise are far more entitled to use the explosive force of the concept of "exploitation" in favor of their own program than the socialists and interventionists have ever been. But they must do it with clean hands. Groups that advocate free enterprise but are actually asking for privileges for themselves and laissez-faire for everybody else can only harm the cause. In a famous night during the early stages of the French Revolution the nobility and clergy resigned all their privileges through one dramatic gesture. The businessmen and farmers who fight labor monopolies should not advocate tariffs and subsidies. If they do they deserve no better in the future than they have received in the past.

If the advocates of free enterprise understand the *psychology* of political programs and social movements and draw the proper conclusions, liberalism may yet win another battle in the eternal struggle of man against the state.

Orvis Bros. & Co. 75th Anniversary

The firm of Orvis Brothers & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, New York Curb Exchange and leading commodity Exchanges of the country, will observe the 75th anniversary of its founding on June 8. To commemorate the event the firm has issued a brochure which, documented by reprints of old letters and other illustrations, reviews some of the highlights of its career along with many of the historic happenings in Wall Street over the 75-year period.

As We See It

(Continued from first page)

accepted as true and pertinent. The weakness of the President's analysis is found in his exposition of ways and means by which his objectives are to be reached. Here the infirmity is both real and severe.

Consider these sentences:

"We must develop a national health program which will furnish adequate public health services, and ample medical care and facilities for all areas of the country and all groups of our people.

"We must also raise the level of minimum wages, broaden our Social Security benefits, provide decent housing, equalize educational opportunities and in every way insure that the welfare and standards of living of our citizens improve steadily. . . .

"We must work earnestly to insure that our economy stays in high gear, and that we have maximum production, maximum employment and maximum purchasing power. We must have an economic system that provides opportunities for all men willing and able to work. This will take much effort, and some necessary steps are long overdue, but prudent fiscal and tax policies, certain price and wage adjustments, labor-management harmony, and a carefully planned program of essential public works will go far toward insuring that the present level of productivity—the highest in our entire history—will continue. . . .

"We are fast becoming a 'have not' nation with respect to many important minerals. We are short of some basic materials essential to an economy of full production and employment. We are short of copper, of steel, of lead, and of many other critical materials. We are faced with the danger of a shortage of petroleum products. . . .

"Despite the wartime expansion . . . we face critical shortages in our national supply of power in the next few years. We need more and more electrical power to expand old industries, build new ones, extract minerals from low-grade ores, produce atomic materials for peacetime use, and to expand the electrification of our farms.

"Our public power program must be carried forward. We must continue to build the multiple-purpose projects that conserve our precious resources and develop low-cost energy. We must build transmission lines and substations to bring the power to markets. The hydroelectric power program is vital to the economic welfare of the nation. . . .

"We in this country some years ago wisely adopted a national policy which declared that all of us must share with the farmer the responsibility for maintaining our agricultural resources. We said that the farmer must be protected against low prices and low income, against some of the hazards of weather and against the danger of inadequate credit. We decided to keep reserves of basic crops from the fat years for use in the lean years."

And much more of the same sort about reclamation, veterans' needs, and a number of other subjects.

The point of it all—or most of it any rate—apart from general ballyhoo, was that Congress, in hesitating to approve Federal expenditures three or four times those of the most profligate New Deal years, when such programs were being pushed to the limit and were being made to cost as much as possible in accord with profligacy-prosperity theories of that day, is threatening all this magnificent progress so essential to our safety and our welfare!

Strange Notions

What strange ideas these all are! Stranger still is the fact that they seem to have many adherents in this country where tradition defies and scorns them all! Such an exhortation falls from the lips of the head of a communist or totalitarian state with much more propriety than from the President of the U. S., where free enterprise is supposed to be the backbone of our strength. Had the President, so far as he dealt with ultimate objectives, been describing the benefits which private enterprise, without direction from government and without the benefit of the planners, has been steadily bringing to us more and more as the decades have passed, his would have been an excellent and an accurate summary!

But for reasons never fully and satisfactorily explained, continuation of that progress from this point on must proceed in a different way and by radically changed procedures. Where the natural impulses of human beings, left to their own devices, have in the past produced an economy in this country which has long been the envy of the world, today and tomorrow we must seek our rewards in systems long practiced by those now most envious of us and with the best of reasons!

Why?

For a number of years, when this nonsense was first foisted upon a gullible and discontented public, the reason given was that we had grown to maturity, and that henceforth progress was out of the question except that it be planned and promoted by the politicians. Lord Keynes in England and other kindred intellects abroad and within our own borders were responsible for a general doctrine of this general nature which was seized upon by shrewd politicians led by the late President Roosevelt, mangled and reshaped to make a "program" for the people of the United States, or at least a sort of credo upon which almost any sort of semi-socialistic program could rest.

"Full Employment" Ballyhoo

Now it would appear that "full employment" is a more useful concept for these manipulators of the public mind. If the realist of a generation ago—or for that matter of a decade ago—had been told what nonsense was about to develop in the name of "full employment" he would have been quite incredulous—as indeed may well have been true even of the day dreamers in Washington. Practically all the nonsense of the day starts out from the premise of full employment, the necessity for it, and the implications of it. That it does not and cannot constitute any sensible goal of economics, and that its implications are far from those currently attributed to it, should be evident from the fact that China always has "full employment"—and so do most other poverty-stricken, backward nations, and the fullness of their employment is roughly in ratio to their backwardness and incapacity.

CAN WE NEVER LEARN THAT IN A REALLY FREE ECONOMY MAN RARELY DEFINES, BUT ALWAYS EFFECTIVELY PURSUES THOSE OBJECTIVES TO WHICH HE REALLY ATTACHES THE GREATEST VALUE.

Restoration of Monetary Order

(Continued from page 7)

credit must be part of a comprehensive program. This is the pattern set by its statutes for the International Bank. It follows the example of the League Loans, or the loans by central banks in the 20's, which were successful only when they were part of a broad economic program.

At this meeting these five pillars of monetary order are being discussed at different group meetings, and it is my special duty at this meeting to refer briefly to the third pillar—a sound monetary and central bank policy.

Central Bank Policy

In the 20's everyone knew what you meant when you talked about central bank policy. But today the picture has changed; the language has altered. We talk about full employment, compensatory spending, the benefit of low interest rates, the need to avoid booms and busts. Most of the economic fashions of the day are a product of the depression of the 30's. But today's problem is entirely different; it is first to stop an inflation and only later it may be to avoid a resulting deflation. So we need to thumb back the record books—back to 1919 and 1920, or to the late 20's.

Let me refresh your minds as to changes of fashions of thinking about money and its relation to business fluctuations, and particularly to the question of stopping inflation.

Long ago we had what was called the "automatic gold standard,"—though in fact it was not automatic but was carefully managed by treasuries and central banks. But the essential point was that booms or inflations tended to be checked before they went too far because the money ran out; credit became tight or even unavailable. The struggle to escape from the inflation of the twenties was in terms of getting the currency back on the gold standard in the belief that that step would restore confidence, would bring currency back from circulation, restimulate investment and check speculation. That is the way it worked in France in the middle 20's. It was at times, however, highly Spartan prescription: in England in the 20's for example.

The next step in an endeavor to avoid unpleasant crises was to give central banks greater powers of management—greater means for credit and currency expansion. In the United States we called it under the Federal Reserve System an "elastic" currency. In the 20's the theory of Central Bank management was highly developed and great reliance was placed upon it. The successes and failures of this management are a long and complicated story. Whatever may be the truth of the matter the outcome was that in our country, and in most of yours also, with the great depression and the war, governments increased their controls over the central banks and most of the decisions became those of the political authorities.

So far, however, there has not developed any generally accepted theory as to just how the political heads of governments will manage money so as to avoid booms and busts, but there are several ideas being discussed.

Freezing the Interest Rate

The idea being acted on is that the government will freeze the interest rate at a very low level. This makes it cheap for the government to borrow and is supposed to be very beneficial for the people. While attempts are being made to rationalize this action, of course it reflects not a philosophy but expediency. It is in reality throwing overboard the methods by which both the gold standard and the central banking systems kept booms from going too far and causing busts. The freezing of interest rates, so that they can no longer perform any economic function is like tying down the safety valve of a steam engine. It also favors the borrower over the lender, the spender over the thrifty.

There are other approaches to the problem. One of these is the so-called "compensatory budget." Under this plan the national budget is operated in deficit in times of depression, so that government spending of borrowed money stimulates the economic life of the country and brings recovery. Conversely, in prosperity the government is supposed to collect in taxes more than it spends, retire debt, and so restrain over-expansion. This theory recognizes that the government budget is a great economic influence, as indeed it is.

While this theory of cycle control has been held by one economic school for some years, it has never really been adopted by a government except when it seemed to fit the politics of the situation, that is, as an excuse for deficits in bad times. The debt retirement part of it has so far been only a theory. Therein lies the great difficulty: budgets are adopted by politicians under all sorts of political pressures.

Another problem is timing. Tax and spending measures are usually adopted by legislatures many months before they go into effect. A policy designed to restrain expansions or combat depressions may go into effect when the conditions to be met are quite different.

Our fiscal policies should of course be adapted as fully as possible to the economic situation. We can do more in that direction than we have in the past, especially by a wiser timing of public works and social security expenditures. So far, however, there is little evidence that we can place major reliance on these policies to deal with either the problem of reconstruction or business fluctuations. Fiscal policies generally will have to be long-range policies, to balance the budget, to retire debt, to meet the requirements of prudent housekeeping.

Qualitative Credit Control

Still a fourth method of dealing with inflation and deflation is the use of detailed government regulations. In the area of credit it is called "qualitative credit control." The war has left us with a whole series of government regulations over business: price controls, exchange controls, priorities, allocations, export and import controls. The attitude towards continuation of these controls varies widely among different countries, and broadly speaking, the more difficult the situation of the country the more they are retaining these controls, having in many cases little choice.

In these years we are learning a great deal about the effectiveness or lack of effectiveness of such controls. In some cases they are badly broken down by black markets and evasions of one sort or another. The longer they are continued, the more ingenious do people become in avoiding them and evading them.

Detailed government regulations of these sorts are at least for limited periods effective in avoiding or postponing wide fluctuations in business and prices. But the real question is whether they don't rather effectively prevent full business recovery because they quench the fires of initiative and enterprise.

In my country we learned to our sorrow the crippling effect of these regulations. Building, for example, was held up because there were no nails; some one in the government had made a mistake about the price of nails. There was plenty of cattle, but little meat.

When the controls were lifted there was an immediate and vigorous revival of enterprise, and most of the goods which were scarce or lacking are now available or becoming so. Now we pay more, but we get the things. In the light of this experience the United States has decided against detailed controls of business, and that is true of both political parties. It is a great majority opinion.

This does not mean that we shall have no government controls. Some we shall have—like the control of margins on loans for the purpose of carrying securities. But we are unlikely to place reliance for some time to come on detailed government controls as a method of dealing with business fluctuations.

Our situation of course is not typical, and many other countries will from very necessity continue exchange controls, import and export controls, rationing and price fixing. I also hazard a prediction that, human nature being what it is, country after country will reduce or discard these controls as rapidly as they can, and will find the results pleasant.

Avoiding Boom-and-Bust

That brings us back to the original question, which is how we shall avoid excessive business fluctuations, booms and depressions. My conclusion on this point is that newer devices, such as the compensatory budget and detailed government controls have not proved themselves, but on the contrary have shown glaring weaknesses. In my judgment the best instrument that we still have in this area is the central bank. The central bankers I meet from different corners of the world know more about this subject than any other single group of people. They are freer from bias and from partisanship and political prejudices. They have greater permanency of tenure. They are competent people.

The instruments they deal with, the withholding or the liberalizing of credit, are sharper and more powerful than any others that I see in the economic field, and at the same time they are instruments which are general in their nature, which avoid direct controls, and offer the least interference with the dynamic vigor of enterprise which is essential to real and lasting prosperity.

The gravest danger today is that governments will cripple the powers of their central banks for performing their essential functions. Country after country has sought to subordinate its central bank to political purposes, and by freezing interest rates has dulled the instruments which the central banks must use. It is no easy problem, for we all have huge debts to service. But we at least have had some significant demonstrations that, even within the range of a generally cheap money policy, modest action by the central bank has substantial effects on the money and investment market and through them on the general economy.

Let we add also that the managed gold standard was for many years an effective instrument of central bank policy. Gold has a human appeal and power which some of our modern economists have completely failed to understand. This extraordinary value of gold has been recognized in the statutes of the International Monetary Fund. The exile of gold in the 30's did not and will not endure.

Here, then, is my conclusion—first, that monetary order is mostly a product of sound economic policies in several areas. Second, in the specific field of monetary action if we wish to escape from inflation, and hereafter to lessen the booms and busts that carry with them such human distress, we must reexamine all the instruments which we have for dealing with them; we must use them all, but particularly we shall do well to reassert the place of central banks, preserving their independence from political pressure and maintaining their power.

Discusses U.S. Lending Policy

LONDON, ENGLAND—In a discussion of our foreign lending policy before the American Chamber of Commerce here May 20, Dr. Burgess urged the necessity of our doing "solid and realistic" thinking about our program. He listed the secrets of past British success along these lines, for the guidance of our bankers, and stated that the Central Bank Stabilization and League of Nations Loans should be the prototypes of our imminent World Bank lending operations.

The text of this portion of Dr. Burgess' talk follows:

I shall be rash enough to say something about the foreign lending policy of the United States. We need to do some solid and realistic thinking on this subject to avoid mistakes and misunderstandings. Shakespeare stated a great truth of human nature when he said:

"Neither a borrower nor a lender be
For loan oft loses both itself and friend
And borrowing dulls the edge of husbandry."

It is for this reason that the United States now faces some of its most delicate and difficult decisions. It has in custody a certain life-giving substance, but one which must be administered with the utmost discretion. The drug can kill as well as cure.

As a people we are approaching the problem with mixed emotions. We have great good-will as shown by the action of the Congress on Lend-Lease, Bretton Woods, the Export-Import Bank, the British Financial arrangement, U. N. R. R. A., and now Greek and Turkish aid. But in the background we remember that after World War I we took what we call an "awful shellacking." We had lent not wisely but too well. Our huge losses were partly our own fault but we do not want to repeat the experience. We know also in very truth that "borrowing dulls the edge of husbandry." "Over-lending usually fails to strengthen and may actually weaken the borrower if it means that he postpones the painful process of overhauling his own economic machine.

In the search for principles to govern our lending, I suggest we turn to England's own experience. In the half-century before World War I England occupied somewhat the present position of the United States: she was by all odds the greatest source of liquid capital. She built railroads in the United States, the Argentine, Brazil and elsewhere. She lent money to country after country. She traded all over the world. To that courageous venture, to that extension of England, the world owes much of the spread to many peoples of the fruits of the industrial revolution. Our country, the United States, was the greatest beneficiary.

Secrets of British Investments

As we examine this notable achievement, five secrets of Britain's success appear:

(1) Her men went with her money. All over the world Englishmen carried their houseflags. They were career men who made foreign business their lifetime business. They were on the ground to see that money sent abroad was used wisely and profitably. A British merchant banker who invested his firm's and his client's money in American railways tells of his 136 trips to the United States for stays of a month or two. This was typical. There was no absentee landlordship about British investments. Nations as well as industries and merchants welcomed the long-headed counsel of Englishmen.

(2) British banking and insurance serviced British business. Where there were no adequate banking facilities they were created. The British Bill of Exchange became a standard mechanism for moving goods. What risks were insurable were insured.

(3) The government stood behind the British trader. He could count on the backing of his government wherever he was. Government itself made few, if any, loans, but encouraged investment by her citizens.

(4) Goods, money and men moved freely about the world. There were few government controls, quota restrictions, or other trade barriers. Moneys could be exchanged one for the other because their values were fixed by definite relations to gold.

(5) The venture was profitable. There were of course losses; it was a risky business. If half the 4 billion pounds sterling Britain invested abroad was lost, the interest and appreciation and indirect benefits on the balance more than paid the bill. This was on 5 to 8 or 10% interest, or on equity participations that at times doubled in value. Only so could losses be made up. There was no income tax.

Times have changed and the analogy cannot be pressed. I shall not attempt it. But the British experience is at the least an illustration of the principles of lending money wisely and courageously, and of methods of avoiding the dangers Shakespeare understood. These principles rest on human nature; and human nature has not been repealed.

Methods of Making Dollars Available

Let us then turn the page and review some facts about the ways in which dollars are today being made available to meet the world's need.

First, the banks of the United States are better equipped than ever before to finance the flow of current world trade. Since World War I we have gained experience in operating foreign departments and foreign branches. We have the facilities and resources to be helpful. Our business is commercial banking; that is, financing current trade. When we lend dollars we must know how the dollars are coming back. This does not go far to fill the shortage of dollars. But it makes dollars stretch further and last longer. The first solid step in world recovery is two-way trade, and current financing supports and facilitates that step.

Similarly, American business is better prepared than ever before to give an impetus to world production and trade. You know without my telling you the war record of business in the United States. War production about doubled peace production. We met large war needs, and at the same time took care of huge home consumption. Business techniques—"know-how"—made enormous strides. This "know-how" is available for other countries which will make it welcome.

The experience of the 20's and 30's demonstrated that direct investment by business abroad is far sounder than loans of money. These direct investments ran into some trouble—took some losses—but much less than the very sizable losses on loans. They were less dependent on the exchanges and the balances of payments, and on political decisions. To a degree they created their own dollars, also they exemplified the partnership principle between the peoples of two countries.

Business, like the banks, is now equipped for foreign operations. They know the problems; they have the trained people. They will void some old mistakes. They have learned, for example, that you burn your fingers when you play politics in a foreign country. They realize the natural fears any country may have when it opens its doors to foreign enterprise, especially at a time when false propaganda has become a deliberate instrument of political policy, and the bogey of "Wall Street" or "Yankee Imperialism" is so easily conjured up.

American businesses do not expect special concessions. They want to be treated like the nationals of those countries—not better and not worse. They can hardly put shareholders' money into a country unless they can send enough skilled people with it. They are ready to take local partners on one basis or another—if they can do so and operate effectively. They are prepared to turn over their technique to local capital under management arrangements. But they are allergic to government regimentation. Political and economic instability makes them cautious. This is just the nature of business enterprise.

Under these circumstances there are many countries which today American business does not find inviting; in others the flow of investment moves forward.

Now for a word on the tougher and much debated problem of long-term bond issues. This is the area in which, as you all know, our experience has been least fortunate; though the memory is worse than the experience. As a result foreign bond issues in the United States market will be few, small and slow. A cautious and modestly successful beginning has been made with the Australian and Norwegian loans. Some others will follow, but only those which have a record of fulfillment of commitments.

New Institutions

To bridge the gap there are several new government institutions, the Export-Import Bank, and the International Bank, and the Monetary Fund. With the International Bank finally launched, the Export-Import Bank is now dedicated to the more limited field in which it started, the promotion of two-way trade, a useful but limited area to supplement and encourage commercial bank financing of trade. The Fund is restricted to "temporary" use to balance the swings of trade; its charter excludes reconstruction and development loans. For longer term lending for reconstruction and development the International Bank is the main reliance.

This Bank is at last off to a good start. The delay in permanent organization was a great handicap and gave the Bank a bad reception. But the present management inspires confidence. The new men are able, experienced and unbiased. With this addition to top command the high quality of the representation from other nations is becoming recognized; men like Grigg from England, Towers and Pineo of Canada, Beyen and Crena de Jongh of Holland, Ansiaux of Belgium and others. It is close to an all-star cast.

The question of management having been set at rest, the Bank's statutes now begin to mean something, and attention is being focussed on the provisions governing its loans. They must be prudently made; they must present reasonable prospect of repayment.

Test of the Market-Place

The special feature which evokes most discussion is the necessity for the Bank to meet the test of the market-place. For the Bank begins operation with only about 750 millions of dollars, the currency that most people want to borrow. All the rest of its dollars must come from the sale of its debentures. Here is the supreme test of the Bank's potential. It must demonstrate such soundness that it can sell its debentures. One might think this was easy with a U. S. Government guarantee up to $3.1 billion. But the buyer of debentures wants to know what happens when the loans go up to $4 billion. The skepticism about foreign loans is great enough so that it is a real and not imaginary problem. It will be one reason why you will find the Bank operating with care and conservatism. But in the end it will pay, for in the long run that is the only way the Bank can command substantial resources.

Also it should be noted that the purpose of the Bank is to stimulate and encourage but not replace private lending. The transition from one to the other can be made only if the Bank is able to convince itself and others that its dollar loans can be repaid in dollars. One suggestion is that the Bank encourage commercial underwriting by commitments to take unsold portions. Also it may, as conditions and markets improve, make sales from its own portfolio and so renew its lending power.

After World War I two types of loans were especially effective: the Central Bank Stabilization Loans and the League Loans. The reason for their effectiveness was that each was preceded by a thorough review of the position and program of the borrowing country, and at certain times and places loans were accompanied by expert aid and supervision. In this way the granting of the credit became an assurance to the world that an effective economic program was being put into effect.

Those loans in my mind were the prototypes for World Bank loans. These also must be made with such care and thoroughness of review of a country's economic program that they will constitute an assurance of economic soundness.

In addition there will have to be some stop-gap loans. All the foregoing suggests that the fewer there are of these the better it will be for every one. Just as the loan from the World Bank will be a hallmark of progress, so the need for stop-gap loans is a confession of weakness.

Let me add the suggestion that the International Bank provides a medium by which dollar loans may be supported by the accumulated wisdom of many decades of Old World lending; so we may build upon the constructive experience of Great Britain and other creditor countries of Europe whose wise lending over many years helped lay the basis for today's civilization.

George Palmros With Lord, Abbett on Coast

LOS ANGELES, CALIF.—Gerald M. Goodman, Pacific Coast Vice-President of Lord, Abbett & Co., 210 West Seventh Street, has announced the association with that firm of George A. Palmros, who served nearly four years in the AAF and has been retired to inactive duty as a Lieutenant-Colonel in the Air Reserve, to be resident in San Francisco. Active in the investment business since 1923, Mr. Palmros has been associated with the Southern California office of an investment firm with membership in leading security Exchanges. He will represent Lord, Abbett & Co. in Northern California, Oregon, Washington, Idaho, Utah and Nevada. Fred A. Marshall will continue to represent Lord, Abbett & Co. in Southern California, Arizona and New Mexico, Mr. Goodman stated.

Lord, Abbett & Co., with offices in New York, Chicago and Los Angeles, is one of the largest sponsors of investment funds in the nation. The Lord-Abbett group of investing companies is composed of Affiliated Fund, Inc., American Business Shares, and Union Trustee Funds, Inc., with total combined assets of approximately $100,000,000.

Municipal Bonds in the Bank Portfolio

(Continued from page 14)

bond defaults were the holders forced to take a reduction of principal or interest.

The fact that a municipality defaulted during the last depression does not necessarily mean that it would have the same experience in the next depression; in many of such cases, steps were taken to correct the cause of the default. On the other hand, the fact that a municipality did not default during the last depression is no guarantee that it will not default in the next depression. A changed financial status such as a substantial increase in debt might make it more vulnerable.

Municipal Bond Information

Banks should insist on being furnished full information on municipal bond offerings. Quite often only the most favorable features are presented, and the unfavorable features either left out or soft-pedaled. A circular should include the following information in addition to financial statement:

(1) Purpose of issue.
(2) Type of tax pledged.
(3) Whether bonds are voted.
(4) Name of approving attorneys.
(5) Default record.

Municipal bonds, like any other type of security, require watching and checking. However, it is astounding to note the amount of dishonest administration a large municipality can endure without having its credit impaired. Kansas City, Missouri, is a good illustration in this connection. This City was under the control and domination of Prendergast for years, during which time he and his henchmen, through devious methods, obtained for their personal use large amounts of municipal funds. As you know, Prendergast was convicted, and the city now enjoys good management. In spite of the Prendergast rule, Kansas City bonds have for a number of years been selling in line with bonds of other large cities. I think it is very doubtful that any corporation could have survived such management.

I do not believe that ratings should be too heavily relied upon in the purchase of municipal or other bonds by banks. It is my opinion that the rating agencies fail to give sufficient recognition in rating municipal bonds to the "security of principal" factor. The use of the same symbols for municipal bonds which are used for corporate securities results in comparisons which confuse the public and reflect unfairly on municipal bonds.

There are a number of differences in the credit factor of municipal and corporate bonds. However, by using the same symbols there is an implication that a corporate bond rated "A" is as well secured as a municipal bond carrying the same rating. It is estimated that less than 15% of the municipalities with bonded debts are rated. Until more uniform and adequate accounting and reporting methods are adopted by state and municipal governments, or until some plan is adopted which will provide for a large field force in every state to gather information, I do not believe sufficient progress will be made to justify any great confidence in the present type of ratings.

Municipalities have been enjoying good tax collections for a number of years. In many instances bonds have been refunded at a lower rate of interest, decreasing the interest requirements. The debt of most municipalities has shown a decline, due to maturing bonds having been paid off and very few new issues being sold for improvements and new projects. As a result of these factors most investors are now giving very little consideration to the credit status of municipal bonds, and in my opinion there is not a large enough spread in the yield on high grade and second grade municipal bonds. For this reason there are opportunities at present to grade up an account at very little cost.

Factors in Appraising Future Outlook

The following factors should be considered in appraising the future outlook for municipal credits:

(1) The cost of municipal administration has shown a considerable increase recently, and this trend will probably continue for some time.

(2) Municipal debts will undoubtedly increase as materials and labor are available to carry out improvement programs which have been authorized, and which will be authorized over the next few years.

(3) If a depression should occur tax collections will show a decline.

(4) State Bonus Bonds will increase the over-all debt to be paid by taxation.

The average man does not consult a doctor unless he is sick, however, a periodic check-up often prevents a serious illness. I believe that the same is true of a great many banks; they do not worry about the security of their holdings until something goes wrong. There is one thing I would like to particularly impress upon you—do not permit yourself to be lulled to sleep by the excellent record of payment of obligations by practically all municipalities in recent years. Insist upon good credits, and be satisified with the prevailing yield. Sell bonds of municipalities which may not meet the test of another depression. We may not have a major depression for a number of years, but the time to repair your roof is while the weather is fair.

The marketability for municipal bonds, during recent years, has broadened materially. Banks desiring to dispose of better grade municipal bonds, find a ready market for them. There are a large number of banks with bond departments, and investment houses, located in all of the principal financial centers in the United States, which make stock bids for the better grade municipal bonds. The fact that municipal bonds are not traded on any exchange is not in my opinion a serious drawback to their eligibility for bank investment. The spread between bid and asked prices on high grade municipal bonds is fairly comparable to the spread on corporate bonds which are listed on the New York Stock Exchange.

Not a Trading Account

Banks should not, in my opinion, operate their municipal bond portfolio as a trading account. While there may be some exceptions to this rule, I would recommend that sales be made only for the purpose of eliminating holdings which do not appear to qualify as a conservative investment, or to raise cash.

It is impossible to establish any definite percentage of a bank's bond account which should be invested in municipal bonds, as the factors which should be taken into consideration are not the same in any two banks. I believe that municipal bonds should be purchased for bank investment when they will provide reasonable increase in yield over comparative maturity government bonds after deducting from the government bond yield the percent to be paid in taxes.

Municipal bonds have shown a smaller price fluctuation over a period of years than any type of bonds other than United States Governments. Dow-Jones forty corporate bonds showed a yield range for the period from Jan. 1, 1928 to Jan. 1, 1947, from a high of 10.17% in 1932 to a low of 2.89% in 1946, or a difference in yield of 7.28%. The Bond Buyer's Index of twenty large cities showed a yield range for the same period from a high of 5.69% in 1933 to a low of 1.29% in 1946, or a difference in yield of 4.40%.

Banks should confine the purchase of bonds of small municipalities to local situations, or those with which they are thoroughly familiar. It is not a conservative policy for a bank to invest a large percentage of its funds in bonds of the municipality in which it is located, as quite often circumstances which cause a drain on a bank's deposits will affect the market on the bonds of the municipality in which it is located. This is particularly true of a bank located in a small municipality, the bonds of which do not enjoy a wide market.

Banks whcih do not have a bond department or a well organized statistical department, when buying municipal bonds, outside of their immediate territory, should have a working arrangement with one of their correspondent banks which has these facilities, or an investment house specializing in municipal bonds. By concentrating their municipal purchases and sales with one organization they can demand more service and consideration than by scattering their business among a number of organizations. In any event they should not rely completely on the recommendations received, but should insist on sufficient information being provided to make an intelligent decision after considering the credit factors which I have previously mentioned.

The officer in charge of the bank's investment account should keep on his desk a taxable chart showing the equivalent yield of taxable and tax exempt bonds, for reference when considering municipal bond offerings. Municipal bonds may be an attractive purchase for one bank and not for another. For example, if your bank falls in the $25,000 to $50,000 net income bracket, you are in the 53% tax classification, and in this case a 1% tax exempt yield is equivalent to a 2.14% taxable yield.

High Premium Bonds

In most instances high coupon municipal bonds carrying a high premium provide a higher yield to the investor than the low or medium coupon bonds. Paying $11,000 for $10,000 par value of bonds means that you are investing $11,000 at the same yield. Actually the average maturity of your purchase is shortened, as the $1,000 premium is amortized semi-annually through the return of excess interest. In purchasing high premium bonds, caution should be exercised in view of the experiences of some municipal bond investors in recent years. I refer particularly to the Maricopa County, Arizona, case, which the United States Supreme Court declined to review following the decision of the Circuit Court of Appeals holding the highway bonds of the county as callable. There was no reference to a call feature in either the text of the bond or the legal opinion. A similar decision was rendered in connection with certain purpose county bonds in Texas. It would assure confidence among investors, and be helpful to the credit of our municipalities, if our states would enact legislation requiring that the bonds issued by the State and its political units shall not be subject to call or redemption prior to their fixed maturity, unless the right to exercise such call or redemption is expressly stated on the face of the bond. It is unfortunate that some municipalities have taken advantage of a legal technicality to force surrender of their outstanding bonds prior to maturity, despite the fact that the bonds were not sold as callable and that the municipalities received prices on that basis in the sale of their bonds.

Municipal Taxes

In recent years a number of municipalities have resorted to levying various types of taxes, in addition to the tax on real estate, in order to meet mounting costs of municipal operations. The city of Philadelphia has had in operation for about seven years a tax on individual income. New York city has the sales tax, hotel room rentals tax, and pari-mutuel betting tax. Several cities in California have a general sales tax. Chicago has a license fee on juke boxes of $50.00 a year, and a tax of $1.00 per foot of rail that is left in streets where there has been a changeover to busses. Miami Springs, Florida, has a golf course greens fee tax of 10%, Milwaukee, an annual mileage fee on trolley bus operation. Sedalia, Missouri, a 5% tax on gross receipts of moving picture theaters. St. Louis adopted an individual and corporation income tax of .25%. A test case involving this tax is now pending before the Missouri State Supreme Court.

As an indication of the increased interest by banks in the purchase of municipal bonds since the decline in prices from the high of last year, the Mid-Continent Banker reports that over 45% of the banks participating in a recent survey increased their municipal bond holdings, while only two banks stated that they increased their corporate bond holdings. In making a comparison of tax exempt vs. taxable holdings, some weight should be given to the possibility of a moderate decline over the next few years of corporate income taxes. However, I do not anticipate that this decline will be substantial.

Maturities

Municipal bonds purchased for bank investment should be of short or medium maturity, with approximately even amounts maturing each year.

I recommend that a maturity range be adopted, and that new purchases be made in the last year of this range; for example, if the range is one to five years, that purchases be made in the fifth year. The maturity range should vary from time to time, depending on current interest rates, and the outlook for interest rates. Several years ago, when municipal yields were lower, I would have recommended, in the average case, a range of one to three years. I would recommend at this time a range of three to six years. In a period of more attractive municipal prices a range to ten years or longer may be justified, provided the bank is not relying too heavily on its municipal bonds as a secondary reserve, and that it has a reasonable amount of savings deposits.

I believe that municipal bonds as a group well deserve the reputation they have established as being the safest medium of investment outside of United States Government securities.

John J. O'Brien & Co. to Represent in Midwest

CHICAGO, ILL. — John J. O'Brien & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges, has become wholesale representative in the Middle West for the shares of Commonwealth Investment Company, a balanced type investment trust founded in 1932 and having a large distribution on the Pacific Coast. E. C. Gill, formerly with H. M. Byllesby & Co., is now associated with John J. O'Brien & Co. as wholesaler for the shares.

Korros and Vonderhaar Westheimer Partners

CINCINNATI, OHIO—Fred Korros and Harry C. Vonderhaar

Fred Korros H. C. Vonderhaar

will be admitted to partnership in Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges, effective July 1st. Both have been with the firm for some time, Mr. Vonderhaar as Manager of the investment department and Mr. Korros in charge of the trading department.

Dayton Power & Light Preferred Iss. Offered

Morgan Stanley & Co. and W. E. Hutton & Co. headed an underwriting group that on June 10 offered publicly 75,000 shares of The Dayton Power & Light Co.'s preferred stock, 3.75% series B, cumulative ($100 par) at $102 per share. The same group is underwriting an offering by the company, to the holders of its 100,000 shares of outstanding 4½% preferred stock, of the right to exchange their shares for shares of 3.75% series A stock on a share-for-share basis plus a cash payment by the company of $6 per share and a dividend adjustment; such offer expiring on June 16, 1947.

The proceeds from the sale of series B stock will be used to finance a portion of the company's proposed 1947 construction program which includes the construction of a new electric generating plant with an initial rated generating capacity of 100,000 kw. The proceeds from the sale of any unexchanged series A stock, together with other company funds, will be used for the redemption of the 4½% preferred stock not presented for exchange at $107.50 a share and accrued dividends.

Upon completion of this financing, the company will have outstanding $28,850,000 first mortgage bonds, 2¾% series, due 1975; 100,000 shares of series A preferred stock and 75,000 shares of series B preferred stock; and 1,530,000 shares of common stock.

The company was incorporated in 1911, under the laws of the State of Ohio. It is engaged in the production, purchase, transmission, distribution and sale of electric energy and in the purchase, distribution and sale of natural gas in Dayton and the surrounding territory in Ohio. The service area in which the company operates has an estimated population of 710,000 people.

With Lee Higginson Corp.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — John H. Jackson and Edward W. Liphardt are with Lee Higginson Corp., 231 South La Salle Street. Mr. Jackson was previously with Harriman Ripley & Co., Inc.; Mr. Liphardt was with Alfred O'Gara & Co.

With Scherck, Richter Staff

Special to THE FINANCIAL CHRONICLE

ST. LOUIS, MO. — Scherck, Richter Company, Landreth Building, have added Lyle W. Linch to their staff.

Financing Industrial Development in Europe

(Continued from page 7)

tional measures. Even a very brief survey of the possible ways of meeting the problem clearly shows the importance of the international approach to their solution.

The need of capital can be met by four different methods:

(1) An adequate supply of voluntary savings on the part of the domestic population. This is possible in practice only if the country is already sufficiently developed to have an appreciable large spontaneous capital formation at home. As a general rule, underdeveloped countries are incapable of supplying their capital needs in this manner.

(2) "Forced" savings due to inflation. Whenever this method is used, credit is expanded in order to finance new industrial ventures, prices go up as a result of the credit expansion which reduces the "real" income and thereby lowers the standards of living of certain sections of the population. This method of financing industrial expansion has usually led, in the past, to economic depressions.

(3) Totalitarian planning of the national economy with the objective of fostering production while maintaining consumption at low levels. The use of this method has never in the past been dissociated from political authoritarianism.

(4) Importation of capital from abroad. Foreigners investing in the developing country part with their surplus savings either direct or through the intervention of governmental or other public channels. In contrast with the first three methods of financing industrial development, this is international in its very essence and offers a particularly great scope to private enterprise.

The need for foreign purchasing power can be satisfied in one of two ways. First, by cutting down imports while promoting exports; second, by borrowing abroad for the purpose of filling the gap between maintained and even expanding imports and more slowly and more gradually growing exports. The first is essentially a nationalistic approach; the second, which ties in with the *fourth* method mentioned above of importation of capital from abroad, is essentially international.

The scope of the purely national approach is very limited.

(a) Industrial development at an accelerated rate calls, as we have seen before, for an increased volume of imports. It is doubtful whether in the absence of foreign capital an under-developed country would be at all able to afford an adequate volume of imports.

(b) In a *free* society, industrial development must lead to higher standards of living—indeed, this is its only *peaceful* aim. However, when standards of living go up, there usually follows an increased demand for imported consumer goods. Hence the severe limitation of imports which is characteristic of the nationalistic method of securing foreign purchasing power, goes counter to the principal objective of industrial development.

(c) Attempts to foster exports while limiting imports are likely to defeat themselves on account of their destructive effect on world trade. Such policies usually lead to reprisals and increased friction between countries.

In view of these considerations, the international method of financing industrial development is definitely to be preferred to the national ones. It is with that method that the International Chamber of Commerce is particularly concerned. The international financing of industrial development avoids the pitfalls of economic nationalism and can be fitted into the concept of an expanding world economy which underlies the current efforts to establish an International Trade Organization of the United Nations.

By securing capital from abroad, a developing country can pay for its industrial imports while allowing the standard of living of its population to increase and it can secure invertible funds without resorting either to inflation or to totalitarian economic planning. In short, the international financing of industrial development is alone consonant with the maintenance of a free economy and of a free society.

Incentives to Invest Abroad

While the advantages for a developing country of adequate access to foreign capital cannot be seriously questioned, it may be worth while to inquire why owners or administrators of investible funds in one country should invest abroad rather than at home. In answering this question, we must bear in mind that there are at present three principal sources of investment funds: government agencies, the private investor, and international financing agencies.

Government investments most often take the form of loans to foreign governments and are usually extended for what can be called reasons of State. A government may find it necessary or useful to extend a foreign loan in order to promote its country's exports; in that case, loans are often "tied" to exports; it may, more broadly, extend loans in order to help build a firm foundation for an expanding world economy; or it may use loans to assist the attainment of political objectives, either general or specific. The yield on investment plays a minor role, if any, in decisions relative to the granting of government loans. Since these loans are given generally for purposes far more general than the economic results of a particular investment, questions of productivity of the investment in "real" terms may also be easily disregarded. It is not customary for inter-governmental loans to apply to specific industrial projects. Usually they provide the government of the borrowing country with a sum to be spent for purposes which are only broadly defined.

The demarcation line between economic and political reasons for government loans is indeed very blurred. But it is safe to say that even economic loans have political undertones, nor is that necessarily to be deplored. In a world such as ours, inter-governmental relations cannot be purely political or purely economic, and it is impossible to establish a complete separation between these two areas. Only private investments can be fully independent from political considerations. Private investments have also far more flexibility than government loans and are not the object of prolonged and often complex inter-governmental negotiations. Finally, it must be noted that inter-governmental loans, because they are so frequently divorced from purely economic considerations, have usually in the past given rise to difficult transfer problems at the time of their repayment. These transfer difficulties and the defaults to which they often lead, tend to breed international ill-will.

Private investment is an economically far sounder method of financing industrial development. The incentive is quite clear. It is the expectation of returns on the invested funds. The private investor will send his capital abroad if he expects to obtain higher return by so doing than he would obtain by investing his funds at home. Whereas this kind of incentive is frequently criticized nowadays, it should be noted that it is the only practical alternative to the political incentives mentioned before.

There are two main types of private investments: loans and direct business investments. Loans usually take the form of bond issues, while direct business investments consist of establishments built with lenders' money on the borrowers' territory. These may be new enterprises or branch factories of existing foreign concerns. Equity holdings form an intermediate type of investment at the fringe of direct investments. Broadly defined, "direct" investments are a particularly auspicious form of financing industrial development, because:

(a) They link closely the export of capital with the economic objectives sought, it follows that close attention is paid to the economic soundness of the investment, to its productivity, and to its place in the economic growth of the capital-importing country.

(b) Attention may also be paid to building up the export capacities of the "growing" country, thus providing a future opportunity for balancing that country's international accounts;

(c) The problem of net repayment rarely arises in connection with direct investments; they are not likely, therefore, to lead to major transfer difficulties;

(d) They put a high premium on the spirit of enterprise, daring and risk-taking which are the dynamic features of an expanding and prosperous economy.

International agencies have come into the picture only recently with the creation of the International Bank for Reconstruction and Development. Nowadays, exports of private venture capital have a much more limited scope than they had in the 19th century owing to the prevailing scope of the developmental projects, to the virulence of economic nationalism and to the growth of State industrialism. Yet, major "venture" investments are needed in order to open up new areas to new economic development and to set the stage for the more "normal" aspects of industrial growth. This is why the Bank for Reconstruction and Development was set up at the Bretton Woods Conference of June 1944. The operations of that important international agency will facilitate the coming-out of basic investments in developing countries. The Bank will finance specific projects and is to be guided by exclusively economic considerations. In that it is not unlike the private investor. On the other hand, it can grant loans to developing countries on terms which private investors might not be able to afford. This constitutes a welcome bridge between purely governmental and purely private foreign investments.

Conditions of Successful Financing of Economic Development

International assistance to the economic development of the less industrially advanced areas of the world depends, of course, on the success of international cooperation in the political relations between nations. International investment cannot flourish in a world torn apart by suspicion, insecurity, friction and conflict. Outside of these broad political conditions, however, two more essentially technical factors need special emphasis as being of permanent importance for the successful growth of private foreign investment. One of them is the liquidation of exchange control, and the other the adoption of a Code of Fair Practices in the field of international investments.

The liquidation of exchange control is indispensable not only in respect of "current tansactions" (for which provision has been made in the Bretton Woods Agreements), but also with regard to capital movements in general. It is impossible, in practice, to control capital movements without interfering in one way or another, with current transactions, as defined in the Charter of the International Monetary Fund. So long as exchange control remains, every country which practices it will become a sort of mouse-trap for foreign capital, a "capital-trap" into which private foreign investors could only venture with the gravest apprehensions. If we want to revive a large and sustained flow of capital from the more developed to the less developed areas of the world, we must promote an early abolition of all restrictions on international payments.

The world of foreign investment has been distubed for many years now by the consequences of economic nationalism in the developing countries and by the lack of clearly formulated rules to which both capital-exporting and capital-importing countries would submit. It is essential, therefore, that a Code of Fair Practices in the field of international investments should be worked out at the earliest possible opportunity and that it should be incorporated into the frame-work of international economic agreements either as a part of the International Trade Organizaiton or of the International Bank for Reconstruction and Development, or be the object of a separate international convention. In a world torn by two devastating global wars and one ruinous global depression in 30 years, an international acceptance of such a Code of Fair Practices is an indispensable prerequisite for a successful financing of economic development.

New Orleans Bond Club Elects New Officers

NEW ORLEANS, LA.—The following officers have been elected by the Bond Club of New Orleans to serve from June 1, 1947 to May 30, 1948:

Ford T. Hardy

President: Ford T. Hardy, Manager of the Bond Department of Merrill Lynch, Pierce, Fenner and Beane.

Vice-President: Erwin Schweickherdt, partner of D'Antoni and Company.

Secretary-Treasurer: Walter Stern, Bond Department Manager of the Whitney National Bank.

Members of the Board of Governors are: Clifford C. Morphy, Arthur Keenan, partner of St. Denis J. Villere and Company; A. Palmer Smith, partner in the firm of Nusloch, Baudean and Smith, and Frank B. Wood, partner in A. M. Smith-Wood Company.

Charles Clark & Co. To Admit J. L. Bailey

Charles Clark & Co., 72 Wall Street, New York City, members of the New York Stock Exchange, will admit J. Lloyd Bailey to partnership in the firm as of June 12th. Mr. Bailey was formerly a partner in Holsapple & Co.

Geo. Moore Jr. to Be Partner in E. W. Clucas

George G. Moore, Jr., will become a partner in E. W. Clucas & Co., 70 Pine Street, New York City, members of the New York Stock Exchange and other leading national Exchanges, on July 1st. Mr. Moore has been with the firm for some time.

Is Steel Producing Capacity Excessive?

(Continued from page 9)

low the average earnings of the other industries.

Steel Industry earnings in the second quarter, unfortunately, will be even less favorable. Wage and salary increases, increases in the cost of purchased goods and services, which do not reach their full effect until a number of months after the effective date of the wage increase, will materially affect subsequent earnings.

When examining earnings statements, you have doubtless recognized that many representative companies report profit per share after interest payments on bonded indebtedness. Unlike other industries, the Steel Industry carries but a small bonded indebtedness; hence the profit per share as reported constitutes practically the total amount earned.

When one considers that the Steel Industry is currently operating close to capacity, it is difficult to conceive how an industry can remain strong—dependable in time of war—reliable, resourceful and abreast of modern technological development in time of peace—and accomplish this result with a lower return on investment than that received by other industries.

In my opinion, it would be dangerous indeed further to close the spread between present costs and selling prices and thus raise still higher the already elevated break-even point. Several major steel products being made by subsidiaries of United States Steel Corporation are, today, again being sold below actual cost; several are selling but a few cents per ton above cost. While I feel a sacrifice should be made on the altar of the stability of our national economy, I question whether the Corporation or any other company can continue to sell these products at present non-profitable price levels.

If demand were to evaporate suddenly, or decline sharply, it is impossible to predict how far steel prices might decline. If demand remains reasonably constant during 1947, it is my personal opinion that there will be no significant fluctuation in steel prices.

In spite of higher costs, both in labor and in material, in spite of shortages and unbalanced inventories, in spite of curtailed production schedules, in spite of each and all retardents, if we are to preserve our American way of life—if free enterprise is to continue to make its full contribution to the highest standard of living enjoyed by any nation since the dawn of history, the industries which you represent and the industry which I am privileged to represent here today—each must produce those things America and the world need and want, and we must continue to be able to make them and to sell them at a profit and at a price the buyer is both able and willing to pay.

This challenge must be met. American genius, through improved technology, increased productivity, and more efficient methods of distribution, must find ways by which end products can be produced and sold at a profit and at prices the average American can and will pay.

Unless we successfully meet this challenge, we will again be faced with vast unemployment.

To me, it is unthinkable that our American economy should again be asked to withstand a concussion comparable to our experience of the early 1930's.

We stand again at the crossroads. Posterity, unknowing, awaits the decision we will make. This is a sobering thought. . . . It is also an inspiring challenge.

The State of Trade and Industry

(Continued from page 5)

trucks for the United States and 3,315 and 1,885, respectively, for Canada.

The above trade authority said forging steel shops in some industrial sections "are begging for more work, due to a sudden influx of metal which for the long past has been in scant supply." This would permit producers to build up banks of chassis components such as motor parts and transmission items, the report

Indications of mounting mill output of ferrous material for screws, nuts, bolts, washers and wire, Ward's hailed as "thrilling to comprehend when the agony of this scarcity in the past year is pondered."

Cheering news was the order last week for the construction industry as reports told of increasing supplies along with more grades and sizes becoming available. Production in the week was about 5% over that of the same 1946 week, with new orders and shipments down about 6% in the curtailed work week. Deliveries of building materials, with the exception of steel pipes, malleable fittings and plumbing fixtures, were also improving.

Heavy food purchases, tourists' expenditures and other buying before and after the long Memorial Day week-end sustained retail volume the past week. Sales continued to exceed those of a year ago by a fairly wide margin.

The holiday celebrations hampered wholesale trade activity in the week, although the continued high level of prices maintained the dollar volume of sales well above that of a year ago. The supply of many lines of goods was more than adequate.

STEEL PRODUCTION AT POSTWAR HIGH

There will be no assurance that steel distribution will come into balance or that the gray market in steel can be eliminated until a definite contract has been signed between coal companies and the United Mine Workers, thus putting an end to the continual threat of a nationwide coal tieup, states "The Iron Age," national metalworking weekly in its current review of the steel market. So many factors have entered into the coal negotiation picture that no one source is able to hazard a strong opinion as to the chances of a nationwide coal strike on July 7, the magazine adds.

The latest flash outlaw strikes in western Pennsylvania this week have already reduced urgently needed coal inventories, pushed up scrap market prices and injected fresh enthusiasm into gray steel operators who were beginning to believe their day was about over.

Steel mills, the magazine reports, have been attempting to stock additional coal as a precaution against a strike on July 7. The 10-day vacation period starting late this month will further deplete coal supplies. This will put John L. Lewis in a strategic bargaining position—where he has always been in recent years—by using steel company captive mines as his battering ram to produce a national industrial crisis.

Sensitive to current labor difficulties which might affect output of pig iron needed for steelmaking, the scrap market turned stronger this week. Advances ranging from 50c a ton to $3 a ton occurred in various districts with the biggest increase in the Youngstown district where the average price of No. 1 steel was up $3.75 a gross ton. At Buffalo the average was up $2 a gross ton; Chicago $1.50; Detroit $2.75; Cleveland $3 and at Pittsburgh, where the stronger tone appeared first a few weeks ago, No. 1 heavy melting steel advanced 50c a ton.

While steel orders continued to roll into mills in heavy volume, an increasing number of consumer goods manufacturers are cutting back production schedules, the above trade authority points out. There is less pressure for delivery from makers of stoves, refrigerators, kitchen cabinets and similar items, but these consumers have not cut back on their steel orders.

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 96.9% of capacity (equal to postwar high established in the week of March 24, 1947) for the week beginning June 9, 1947, as compared with 97.0% one week ago, 94.2% one month ago and 76.1% one year ago. This represents a decrease of 0.1 point or 0.1% from the preceding week.

The week's operating rate is equivalent to 1,695,700 tons of steel ingots and castings compared to 1,697,400 tons one week ago, 1,648,400 tons one month ago and 1,341,200 tons one year ago.

ELECTRIC PRODUCTION 18.2% ABOVE YEAR AGO

The Edison Electric Institute reports that the output of electricity increased 4,635,218,000 kwh. in the week ended June 7, 1947, from 4,429,109,000 kwh. in the preceding week. Output for the week ended June 7, 1947, was 18.2% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 186,800,000 kwh. in the week ended June 8, 1947, compared with 173,100,000 kwh. for the corresponding week of 1946, or an increase of 8.0%. Local distribution of electricity amounted to 181,000,000 kwh. compared with 169,600,000 kwh. for the corresponding week of last year, an increase of 6.7%.

RAILROAD FREIGHT LOADINGS RISE 32.5% OVER 1946

Car loadings of revenue freight for the week ended May 31, 1947, totaled 830,383 cars, the Association of American Railroads announced. This was a decrease of 60,222 cars, or 6.8% below the preceding week, which included the Memorial Day holiday, and 203,498 cars, or 32.5% above the corresponding week for 1946, when loadings were affected by labor difficulties. Compared with the similar period of 1945, a decrease of 7,503 cars, or 0.9%, is shown.

PAPER AND PAPERBOARD PRODUCTION REFLECT GAINS OVER YEAR AGO

Paper production in the United States for the week ended May 31 was 104.7% of mill capacity, against 105.1% in the preceding week and 96.3% in the like 1946 week, according to the American Paper & Pulp Association. This does not include mills producing newsprint exclusively. Paperboard output for the same week was 98% compared with 101% in the preceding week and 85% for the corresponding week a year ago.

BUSINESS FAILURES FALL SLIGHTLY IN HOLIDAY WEEK

In the holiday-shortened week ending June 5, commercial and industrial failures totaled 66, reports Dun & Bradstreet, Inc. Down from 72 in the previous week, concerns failing declined for the second consecutive week; they were, however, some five times as numerous as in the corresponding week of 1946 when only 13 were reported. Failures were higher this week than in the comparable week of any year since 1942.

The decline from the previous week's level occurred entirely in failures involving liabilities of $5,000 or more, dropping from 63 a week ago to 46 in the week just ended. Nevertheless, they were considerably more numerous than in the same week of last year when 10 concerns failed with losses in excess of $5,000. Small failures, on the other hand, increased sharply this week to 20, which was more than double the number occurring in the previous week. In the corresponding week of 1946 only three small failures were recorded.

Retail trade had the largest total of failures this week, outnumbering those in manufacturing for the first time in six weeks.

Over half the week's total failures were concentrated in two regions, the Middle Atlantic and Pacific States with 20 concerns failing in the former area and 18 in the latter during the week. Compared with 1946, however, failures in all regions increased.

WHOLESALE FOOD PRICE INDEX UP 2.4% IN TWO WEEKS

Continuing the uptrend of the previous week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose another 7 cents to $6.09 on June 3, from $6.02 on May 27. This represented an advance of 2.4% over the $5.95 recorded two weeks earlier, and was 44.7% above the comparative 1946 index of $4.21.

Contributing to the week's rise were higher prices for corn, oats, beef, bellies, lard, cheese, cottonseed oil, tea, potatoes, steers, hogs and lambs. Declines were listed for flour, wheat, barley, butter, eggs and prunes. The index represents the sum total of the price per pound of 31 foods in general use.

DAILY WHOLESALE COMMODITY PRICE INDEX RISES

Mixed trends characterized wholesale commodity markets. Following sharp upswings on Wednesday and Thursday of the previous week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., reversed itself to close at 255.71 on June 3. This compared with 254.56 a week earlier, and with 195.19 a year ago.

Wheat prices finished sharply lower after a rapid upturn in the first half of the week. Early strength was stimulated by unfavorable weather conditions and further government buying. Cash corn displayed independent strength, aided by good export and domestic demand and reports of delayed planting operations due to wet and cool weather.

Oats trended downward at the close. The Department of Agriculture announced on Monday of last week that it had resumed large-scale buying of wheat for shipment abroad, such purchases to be made on a bid and acceptance basis at prices not in excess of prevailing market prices.

Definite trends were lacking in cotton markets for the week. Prices moved irregularly with slight net gains recorded for the period. Trading was fairly active but volume was curtailed by the long week-end observance of the Memorial Day holiday.

Although conditions in the Boston raw wool market remained dull due to continued uncertainty surrounding price legislation, a better interest was noted in fine and half-blood domestic wools and a fair quantity of these wools was reported sold during the abbreviated week.

RETAIL AND WHOLESALE TRADE NEAR LAST WEEK'S LEVEL

Heavy buying prior to and after the long holiday week-end offset any losses in sales due to the closing of the stores for Memorial Day. The total volume of retail sales for the week held close to that of the previous week and remained moderately above that of the same week a year ago, states Dun & Bradstreet, Inc., in its weekly review of trade. Clearance sales continued to be widespread and large-scale advertising programs were undertaken to bolster trade. Customers were resorting more and more to credit to finance purchases.

Reports indicated that food volume last week was raised to a level above that of the previous week due primarily to holiday purchases. Prices of meat in many sections of the country advanced substantially, while those of some canned goods were reduced during the week. There were no shortages of fresh fruits and vegetables, the volume being high.

Despite the continuance of rainy and cool weather which somewhat curtailed the usual seasonal demand for Summer apparel and beachwear, the volume of apparel sales increased during the week. Interest in women's shoes was centered in white varieties. Wedding and graduation clothes and accessories continued to meet a strong demand. The assortment of men's clothing was becoming more diversified and supplies generally were improving. Sales volume of lightweight suits, slacks and sportswear rose the past week.

Interest in sporting goods also increased last week and many items were reported to be bought more easily. The volume of furniture, housecleaning items and building and repair materials equaled the high level of previous weeks. Deliveries of ranges, refrigerators and other large household goods continued to be slow.

The dollar volume of retail trade for the period ended Wednesday of last week was estimated to be from 7 to 11% above that of the corresponding week a year ago.

The closing of most businesses for the long holiday week-end limited the volume of trade in wholesale markets in the week. Wholesale volume dropped slightly below that of the previous week but continued to exceed that of a year ago. Buyers in many lines continued to limit their orders to fill-in needs. Demand continued for quality and style in goods.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 31, 1947, increased 12% above the same period of last year. This compared with an increase of 13% in the preceding week. For the four weeks ended May 31, 1947, sales increased by 12% and for the year to date by 11%.

Retail trade here in New York the past week, while active, reflected a dip in the percentage of increase over a year ago as compared with preceding weeks. For department stores the gain was placed at close to 7% over 1946.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to May 31, 1947, increased 15% above the same period last year. This compared with an increase of 11% in the preceding week. For the four weeks ended May 31, 1947, sales rose 10% and for the year to date 10%.

C. B. Richard & Co. Celebrates Centennial

C. B. Richard & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, is celebrating the 100th anniversary of its founding in 1847 by Charles B. Richard. Until the advent of the first World War the firm devoted itself to international banking and shipping. When large banks branched out into the international field, C. B. Richard & Co. became an investment house and are now members of the leading securities and commodities exchanges.

The firm enjoys the unique distinction of having three generations of descendants of the original founder connected with it. Oscar L. Richard, a son of the founder now in his 93rd year, is a special partner. George N. Richard, a grandson, is a partner, and it is proposed to admit to partnership on July 1st, H. Van B. Richard, a great grandson; on that day it is also proposed to admit Walter O. Eckert. Other partners of C. B. Richard & Co. are Ernest W. Flender and F. Beverley Eyre, Jr.

N. Y. Curb Soft Ball Team Leads in 2nd Week's Play

By capturing both ends of a doubleheader from the F. V. Foster team, each by a 2 to 1 score, the New York Curb Exchange remained undefeated in the Wall Street Softball League after the second week of play, with four victories to its credit.

Tied for second place at the close of the week were Josephthal & Co. and Carl M. Loeb, Rhoades & Co. These teams also engaged in twin bills, Josephthal & Co. taking two games from Merrill Lynch, Pierce, Fenner & Beane, 10 to 0 and 9 to 0, and Carl M. Loeb, Rhoades & Co. downing Carlisle & Jacquelin twice by 10 to 0 and 8 to 2.

Hirsch & Co. and DeCoppet & Doremus split their two games, the former winnnig the opener 6 to 2 and the latter the second game, 4 to 2.

The League standings as of the close of the week follow:

LEAGUE STANDINGS

Friday, June 6

Team—	Won	Lost	%
New York Curb Exchange	4	0	1.000
Josephthal & Co.	3	1	.750
Carl M. Loeb, Rhoades & Co.	3	1	.750
Hirsch & Co.	2	2	.500
Carlisle & Jacquelin	1	3	.250
F. V. Foster	1	3	.250
Merrill Lynch, Pierce, Fenner & Beane	1	3	.250
DeCoppet & Doremus	1	3	.250

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late Horace E. Dunham to Joseph S. Harris will be considered by the Exchange on June 19. It is understood that Mr. Harris will act as an individual floor broker.

Interest of the late Carroll B. Haff, exchange member, in the firm of Abbott, Proctor & Paine, ceased on May 31.

Interest of the late William L. Gottlieb in Spencer B. Koch & Co. ceased on May 31.

Interest of the late Philip Lehman in Lehman Bros. ceased as of May 31.

Interest of the late Henry E. Butler in Smith, Barney & Co. ceased on June 3.

Interest of the late Lester Solomon in Sutro Bros. & Co. ceased on May 31.

Clogher & Co. dissolved on May 29.

Edward F. Swenson & Co. dissolved on May 29 following the death of Edward F. Swenson.

William M. Elkins, member of the Exchange died on June 5.

Rhythmic Cycles in the Stock Market

(Continued from page 6)

primarily interested in "business" cycles and "stock-price" cycles. I suggest that, when trying to decide whether business and stock-price cycles are "rhythmic," they do not give too much weight to evidences of cyclical movements in the catch of Atlantic salmon (Dewey and Dakin, page 53), or in the abundance of Canadian lynx (Dewey and Dakin, page 54). The case for the salmon and the lynx might be perfect and the case for the business cycle or the stock-price cycle anything but perfect. At best, the salmon and the lynx could merely prevent the would-be believer in the rigidly mathematical nature of the business cycle or the stock-price cycle from feeling that those cycles needed an extra amount of evidence because they were *sui generis*.

Stock-Price Cycles

And even the would-be believer would want virtually conclusive evidence that the business cycle or the stock-price cycle is rigidly mathematical in its nature before he began to search for external causes. And, because the readers of this bulletin are even more interested in the stock-price cycle than they are in the business cycle; and, because they are still more interested in deciding how much confidence they can place in actual forecasts of stock prices made on these cyclical assumptions; I shall, in this bulletin, examine briefly a very recent and very excellent article by Mr. Charles J. Collins on "Master Market Cycles" which appeared in the May 22, 1947 issue of the "Commercial and Financial Chronicle."

Mr. Collins does not, in his article, make any statement as to what are the cycles upon which his results are based. Indeed, in a number of places, he draws, in a quite legitimate manner, a "red herring" across the trail. He suggests strongly that he used at least three cycles and that the reliability of his indications depended upon whether they corresponded to a complete agreement among the cycles or a mere majority condition.

But he does present a complete table of all his buying and selling dates; and, with this table in hand, only a very moderate amount of mathematical acumen is necessary to discover a set of cyclical factors that will give exactly the results of his table. There is the very highest degree of probability that these cyclical factors are the ones he actually used. We have assumed this to be the case.

Collins' Mathematical Cycles

Mr. Collins' results are based on two (and only two) mathematical cycles:

(1) A 40.8 month (3.4 years) cycle with a duration, in the rising-price phase, of 20.2 months; and, in the falling-price phase, a duration of 20.6 months.

(2) A 110.4 month (9.2 years) cycle with a duration, in the rising-price phase, of 55.4 months; and, in the falling-price phase, a duration of 55.0 months.

To obtain the exact dates of Mr. Collins' table, it is necessary merely to commence counting for the short (3.4 years) cycle from an assumed cyclical low at May 1897; and for the long (9.2 years) cycle from an assumed cyclical low at March 1896. The results will, in each case, come out in fractions of a month. Bring these results to the nearest whole numbers and Mr. Collins' cycles appear.

Expansion and Contraction

When both the short and the long cycles are pointing in the same direction, Mr. Collins describes the condition as one in which "the time cycles under analysis unanimously favored expansion" (or contraction). When the short cycle points in one direction and the long cycle in the other, Mr. Collins describes the condition as one in which the "balance favored expansion." Of course, there can be, if only two cycles are used, no "balance" or majority, without "unanimity." In fact, Mr. Collins determines the direction of the signal, in all cases of divergence, by taking the indication given by the short cycle. The long cycle is never used for more than "emphasis." When it points in the same direction as the short cycle the indication is assumed to be more powerful than when it points in the opposite direction, but the direction (up or down) indicated by the short cycle always controls.

And his results—for the period he covered—are astonishingly good, as may be seen from Table I.

TABLE 1

Price and Percentage Performance of Dow-Jones Industrial Average for Cyclical Periods

+ + Periods When Time Cycles Under Analysis Unanimously Favored Higher Prices

Period—	Average of Opening Month	Average of Closing Month	Percentage Change
May 1897 to January 1899	39.25	62.19	+58.4
May 1905 to November 1905	75.19	84.50	+12.4
July 1907 to April 1909	81.06	87.35	+ 7.8
August (December) 1914 to January 1916	54.70	95.18	+74.0
October 1917 to March 1919	78.74	87.39	+11.0
July 1924 to April 1926	98.30	140.45	+42.9
December 1927 to June 1928	198.46	209.06	+ 5.3
October 1934 to June 1936	93.52	155.20	+66.0
March 1942 to April 1943	101.62	134.14	+32.0
December 1944 to August 1946	150.35	199.44	+32.7

— — Periods When Time Cycles Under Analysis Unanimously Favored Lower Prices

Period—	Average of Opening Month	Average of Closing Month	Percentage Change
June 1902 to March 1904	65.20	47.88	—26.6
January 1910 to December 1910	94.69	81.13	—14.3
August 1912 to May 1914	90.99	80.64	—11.4
June 1919 to March 1921	105.38	75.37	—28.5
November 1922 to October 1923	95.83	87.69	— 8.5
August 1929 to May 1931	360.71	142.90	—60.4
August 1937 to March 1938	184.38	119.07	—35.4
November 1939 to July 1941	149.98	127.57	—14.9

+ Periods When Time Cycles Were Diverse in Their Influence, With Balance Favoring Higher Prices

Period—	Average of Opening Month	Average of Closing Month	Percentage Change
October 1900 to June 1902	57.64	65.20	+13.1
March 1904 to May 1905	47.88	75.19	+57.0
December 1910 to August 1912	81.13	90.99	+12.2
May 1914 to August (July) 1914	80.64	80.01	— 0.8
March 1919 to June 1919	87.39	105.38	+20.6
March 1921 to November 1922	75.37	95.83	+27.1
June 1928 to August 1929	209.06	360.71	+72.5
May 1931 to January 1933	142.90	61.90	—56.7
March 1938 to November 1939	119.07	149.98	+26.0
July 1941 to March 1942	127.57	101.62	—20.3

— Periods When Time Cycles Were Diverse in Their Influence With Balance Favoring Lower Prices

Period—	Average of Opening Month	Average of Closing Month	Percentage Change
January 1899 to October 1900	62.19	57.64	— 7.3
November 1905 to July 1907	84.50	81.06	— 4.1
April 1909 to January 1910	87.35	94.69	+ 8.4
January 1916 to October 1917	95.18	78.74	—17.3
October 1923 to July 1924	87.69	98.30	+12.1
April 1909 to December 1927	140.45	198.46	+41.3
January 1933 to October 1934	61.90	93.52	+51.1
June 1936 to August 1937	155.20	184.38	+18.8
April 1943 to December 1944	134.14	150.35	+12.1
August 1946 to October 1946	199.44	169.48	—15.0

The prices given in the first table are monthly averages. Mr. Collins, when measuring movement in a period in which his system indicated expansion, measured from the lowest close of the buying month to the highest close of the selling month. As this procedure seems unreal from a forecasting (as opposed to a purely theoretical) standpoint, we have introduced **averages** of the closes each month. Our results are of course less startling than his. But even so, they are astonishingly good. Trading on the long side alone, beginning with a purchase at the average price of May 1897 and ending with a sale at the average price of Aug. 1946, the operator (neglecting commissions, taxes and dividends) would have multiplied his capital by 33.09. This is a little more than 7⅜% per annum for the entire period from May 1897 to August 1946. If he had bought at the average price of May 1897 and then held without any intervening sale until he sold at the average price of August 1946 (with an adjustment for the change from the Dow-Jones old index to the Dow-Jones new), he would have multiplied his capital (excluding commissions and dividends) by only 6.68.

Questions as to the Future

But this eminently satisfactory result of multiplying his capital by 33 (in spite of the loss of 56.7% of the capital in the period from May 1931 to January 1933) is in a period for which the cycles have been primarily designed. What may the investor or speculator hope for in the way of future performance—for which the formula could not have been primarily designed?

Now the essential nature of this type of forecasting permits us to hazard an answer to this question. Mr. Collins' formula may be used not only to give us a list of the cyclical highs and lows of the stock market for the **next** 100 years, but also it may be used to obtain a list of the cyclical highs and lows for the 100 years **preceding** May 1897. What results does the formula give when applied to stock prices **before** May 1897?

Earlier Record

We have applied Mr. Collins' formula to the Cowles Commission Monthly Index of Industrial Stock Prices from November 1871 to May 1897, and to the National Bureau of Economic Research Monthly Index of Railroad Stock Prices from April 1858 to May 1897. The earlier period of neither of these indexes is as representative as one would wish; but, even for the earlier periods, each may be used as a fairly satisfactory touchstone.

The Collins buying and selling dates and the Cowles Commission Industrial Stock Prices for those dates are presented in Table 2.

TABLE 2

Collins' Formula and Cowles Prices

	Date—	Industrial Stock Prices
Sell	November 1871	19.5
Buy	July 1873	23.2
Sell	April 1875	22.3
Buy	December 1876	20.3
Sell	August 1878	17.1
Buy	May 1880	19.5
Sell	January 1882	24.2
Buy	October 1883	21.4
Sell	June 1885	20.6
Buy	March 1887	25.5
Sell	November 1888	28.8
Buy	July 1890	30.7
Sell	April 1892	29.5
Buy	December 1893	22.9
Sell	August 1895	25.7
Buy	May 1897	20.6

Trading on the long side alone, beginning with a purchase at the Cowles July 1873 price of 23.2 and ending with a sale at the Cowles August 1895 price of 25.7, the operator (neglecting commissions and dividends) would have made a total profit of 17.8% compared with a profit of 10.8% which he would have made if he had bought at the July 1873 price of 23.2 and then held, without intervening sale, until he sold at the August 1895 price of 25.7. This 7% extra profit shown by the Collins formula would, of course, be offset a number of times by the fact that the hypothetical Collins trader on the long side was out of the market for a total of 10 years and three months.

Short Sales

And if, during this period, he had traded on the short side as well as on the long side of the market, his financial condition would have been still worse. If we make the assumption that he entered on the short side of the market with a sale at the April 1875 price of 22.3 with a 100% margin, covered with a buy at the December 1876 price of 20.3 and then resold the market (with a 100% margin) at the August 1878 price of 17.1 and continued until he finally covered his last short commitment at the December 1893 price of 22.9, he would have lost almost exactly 9% of the capital that he originally earmarked for short selling. And he would have had to **pay** dividends for a total of 10 years and three months.

The Collins buying and selling dates and the National Bureau of Economic Research Railroad Stock Prices for those dates are presented in Table 3.

TABLE 3

Collins' Formula and National Bureau Prices

	Date—	Railroad Stock Prices
Sell	April 1858	16.56
Buy	December 1859	15.43
Sell	August 1861	15.30
Buy	May 1863	29.96
Sell	January 1865	32.93
Buy	October 1866	33.95
Sell	June 1868	36.71
Buy	March 1870	39.05
Sell	November 1871	40.58
Buy	July 1873	43.21
Sell	April 1875	40.06
Buy	December 1876	30.55
Sell	August 1878	29.56
Buy	May 1880	42.59
Sell	January 1882	53.12
Buy	October 1883	48.45
Sell	June 1885	38.33
Buy	March 1887	50.85
Sell	November 1888	45.39
Buy	July 1890	48.14
Sell	April 1892	48.85
Buy	December 1893	38.08
Sell	August 1895	41.05
Buy	May 1897	34.84

Trading on the long side alone, beginning with a purchase at the National Bureau December 1859 price of 15.43 and ending with a sale at the National Bureau August 1895 price of 41.05, the operator (neglecting commissions and dividends) would have made a net profit of a little less than 6% on his capital. If he had bought at the December 1859 price and without any intervening sale sold at the August 1895 price, his profit would have been more than 166%. Also, trading on the long side alone, dividends would have been lost for a total period of 17 years and two months.

Operating on the short side for this period showed an extremely large net loss.

Rail Stock Record

And the two periods December 1859 to November 1871 and July 1873 to August 1895 **each** showed up very badly. Trading in the rails on the long side alone with an initial purchase at the December 1859 price of 15.43 and ending with a sale at the November 1871 price of 40.58, the operator (neglecting commissions and dividends) would have made a total profit of 22½%. But if he had bought at the December 1859 price of 15.43 and without any intervening sale sold at the November 1871 price of 40.58, he would have made a profit of 163%. And the trader missed dividends for a total period of five years and three months.

If during this early period he had also operated on the short side, his loss on that side would have been perfectly ghastly. If we make the assumption that we made in discussing the Cowles Industrials, namely, that the operations were begun with a 100% margin and each succeeding operation so margined, his loss from the first sale at the August 1861 price of 15.30 to his final covering at the March 1870 price of 39.05 would have amounted to 96% of the capital that he originally earmarked for short stelling. And this takes no notice of the dividends that he would have had to pay during a total period of five years and three months.

Trading on the long side alone from July 1873 to August 1895 showed a net loss of a little more than 13½%. Purchase at the July 1873 price and sale at the August 1895 price showed a loss of only 5%. And the trader lost dividends for a period 10 years and three months.

The short side during this period, with the 100% margin requirements we have already explained, showed a loss of more than 40%. And the seller would have had to pay dividends for 10 years and three months.

Conclusion

If, as in the opinion of this writer, we are in the midst of an uncompleted bear market, Mr. Collins' immediate forecast will be correct. But, unless the Collins formula works much better in the years following the period used by Mr. Collins to illustrate its performance than it did in the years immediately preceding that period, it will not be very consistently helpful to the investor or speculator. And the same may be said of the similar Dewey and Dakin formulae.

Thomas Wyllie V.-P. Of C. F. Cassell Co.

CHARLOTTESVILLE, VA.—Thomas H. Wyllie has been made Vice-President of C. V. Dassell & Co., 112 Second Street, Northeast.

With Boettcher & Co.

Special to THE FINANCIAL CHRONICLE

DENVER, COLO.—Phillip Dispense has been added to the staff of Boettcher & Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Our Broadened Responsibilities

(Continued from page 2)

and had nothing to do with the development of your product, and who now use and enjoy it, realize that we are the beneficiaries of an enormous amount of effort on the part of someone else, but those folks—and they are many among your customers, and among our policyholders—who have arrived on this planet within the last 25 years, know nothing of those prior days, and take your service for granted. They use it as a matter of course, and are only vocal when by some emergency, it is cut off.

You have done a magnificent job on the engineering side, and in the reductions of your costs to your customers. I am told that your costs are down 17% while the cost of living generally has gone up 55%. That's a magnificent job, and it ought to be appreciated hilariously by your customers particularly, and the general public, rather than, as it sometimes is, meanly complained of.

Not only in the development of your plants for generating and distributing, have you done a wonderful job, but in the restoration of service when some great crisis has interrupted it, like the hurricanes which I saw in the Long Island vicinity in recent years. There was terrific havoc caused to your properties, causing interruption in service which brought home so strikingly to your customers how much you entered into their daily lives. It was impressive, but even more impressive was the promptness with which you restored your service. That was a grand story of modern business performance. Have you told it? Well, I suppose you have told it at times. Have you told it to those who didn't experience it? When I say "told it," I mean, told it, and retold it, and in language that the newcomers who did not have the sense of experience will understand and appreciate?

Not only is your service good, but it is so good that you have led people to believe that there is no limit to your capacity to serve their needs and expectations. That reputation itself proves a problem. We have the same problem. Sometimes I think we have oversold the public on life insurance protection, and now, right now, we encounter some expectation on the part of the public that we aren't ready to meet. There is a negative job of selling confronting us in explaining to them why we can't do some of the things they want us to do. You are going to have that problem in the near future. My friend, Ed Barrett, almost had it with his gas customers down in Long Island last winter. He is more likely to have it next winter. A. T. & T. has had it during the war, and without going into detail, I just suggest that American Telephone and Telegraph company's efforts to explain to the people of the country why they could not give more telephones, or the service that was expected of them, is a good example of the negative side of public relations, teaching the public why they can not have that which they want.

As we look back over this period of tremendous expansion of your business, of the tremendous development of your plants, of the marvelous performance from the point of view of public welfare there are some curious facts that confront us. Not only did you need extraordinary engineering experience, but you had it. Not only did you need extraordinary amounts of capital, but you had them, and to the extent of at least two-thirds of the total electric power used by the people of this country, you had them from the holding company organizations.

The holding companies have come in for a good deal of condemnation in this country, and are now almost at the point of expiring. They deserved some of what they got but they served some useful purposes. The people of this country would not have enjoyed the electric power which has been so essential to their lives during the past few years, and is to be in the future, had it not been for the holding companies in the days when they were providing the capital, the engineering experience, the "know how" under which the smaller companies, forming parts of their system, developed and served the public. But the holding companies must have failed in some respect, and I think, as I look back on the days of 1933 and '34, their failure was in the field to which I want to direct your attention for a few moments this morning.

The public utility companies, and especially the power and light business, were not obsolete in 1934 and '35. The holding companies were under criticism resulting in the death sentence. But at that very time we in the Equitable bought a very large volume of the bonds of the operating companies, and many of those bonds were of operating companies in the systems that were under the greatest public criticism. We had faith in your business, and we had faith also that the public condemnation which was prevalent was directed at the holding companies, and not at the generating and distributing companies. We bought a very large volume of those bonds and were credited in the Street, in New York and Chicago, with investing in second rate public utilities. Well, they turned out to be first rate public utilities, and when they were refinanced, at lower rates of interest, we took a handsome profit in the call price against our cost for the benefit of our policyholders. We never tire of telling our policyholders that was for their benefit and that it resulted in benefit for them and no one else. You have a similar problem which the holding companies did not perform too well, telling your stockholders, that what you do is primarily and ultimately for their benefit.

In other words, I'm trying to say to you that the job that was well done for you in the field of engineering and financing, and not so well done for you in the field of public relations, will no longer be done for you by the holding companies; it is now on your hands — the hands of the managers of the operating companies. Are you ready for it? How are you going to see to it that you have a good product in the future which to the greatest possible extent will serve the demands of the public and how are you going to keep the public informed so that it may be enthusiastic about you, rather than critical of you?

I have only a few suggestions. In the first place, your employees form an important factor in selling your institutions and their services to the public. I don't know whether you have developed employee morale, employee enthusiasm to the extent that we in the life insurance companies have found possible and profitable. We are continuously making use of our employees and our agents to sell not only life insurance security, but to sell our company, and we derive great benefit from a satisfied, proud, interested, and appreciative group of employees. I feel sure I can say to you that you can have that to a greater, and greater degree, and thereby help to forestall some of the reckless and irresponsible criticism of our companies, to which the public listens, and which employees are either not ready or minded to resist.

Then, of course, you have your stockholders. You no longer have the one stockholder, the holding company, to tell you what the stock interest wants. You now have a great body of stockholders, but that's no disadvantage. In the long run you will like that, but it does make you find out for yourselves what the great body of stockholders wants. There is no one who can tell you authoritatively what they want or expect of you. It may be that despite the unfortunate experience from which you are still suffering, of customer ownership of some of the holding company stocks, you can still revive customer interest even in your common stocks, and thereby add greatly to their sense of partnership in the industry, and their enthusiasm in support of you, the managers, and the industry generally.

Financing Needs

I won't tell you how to conduct your public relations with either your employees, your stockholders, or the general public. All I will tell you is, that if you are to do the job that lies ahead of you, to meet the expansion of your industry, you need financing. You need equity money. You need bond investment. You need for all of those things — adequate rates. All that comes back to public opinion, and unless you get public opinion right, you cannot get the basis upon which your engineering skill is absolutely dependent. I take off my hat to that engineering skill, but it's the capital provided by the savings of the people, invested very largely by life insurance and savings-bank management that provides the capital without which the engineering skill would go very little of the way that you have gone, and that you must go in the future.

The public relations job of your future is not for some head of a department, some Assistant Secretary; it is for the top executive. The public relations job, from this point on, in your industry and in mine, is the top man's job. We can hire men to attend to every other phase of our businesses and do it with increasing success, but I tell you it is my earnest belief that we can not hire public relations men to do the public relations job for us. We can hire various instrumentalities, various kinds of talent to advise us, and help us to do a good public relations job, but the public relations job is on the desk of the top executive in every big business in this country, and that's nothing to be alarmed about. The most successful executives I know in the business world are good public relations men. What I emphasize is that you take that job on your own desk, or get away from that desk. Don't try to delegate the public relations job.

Now I have said that financing is an important part of your future problem. Of course, that's where my interest comes in. We in the life insurance business have provided the electric power and light business with 55% of their senior capital in the past. We were very happy about it in the past. We are not too happy about it right now. You, of course, have been delighted with your power to reduce your interest cost by refinancing with lower coupons during the last few years. We have not so enthusiastically bought you refinancing issues at the lower coupon rates. Those of you who are observing carefully will note that three important public utility issues, one of them for new money which came out this week, are not being distributed so rapidly, or, to put it another way, bought so enthusiastically as might have been expected a short time ago.

You are going to be in the bond market, not for refinancing your old issues at lower rates, but also for new money. The right basis for you to seek new senior money, that is, bond money, is to show a picture, of approval, not hostility, on the part of your regulating and rate-making governmental bodies. You must also show a picture of willingness of stockholders to provide the risk, or stock money. You have got to show a picture of public belief in your institutions; I was going to say, of public appreciation and enthusiasm about your institutions. Otherwise, how can you expect those of us who are responsible for long term investment of other peoples' money to be enthusiastic about putting that money into your businesses for the long term? It is going to be a large sum you will want.

You had your industry, I think, at the peak of its power to perform about 1930. You coasted through the years of the depression, and with moderate expenditures in the late '30's, you have come through the war with a magnificent record. I have even heard it said that the real secret weapon used to overwhelm our enemies was the great flood of electric power that your industry provided to other industries. But now you have come to the point where you need to expand your industry.

I don't need to tell you what my Westinghouse friends tell me. That is, that the companies that serve you with equipment are booked up to 1950, and you are still seeking additional equipment from them. I am told that $4 billions, at least, is what you will need in the next three years. That's a lot of money. That's new money. There is a lot of money around, but don't forget this, that only a small part of all that money is available for long term investment. The long term money is very largely that in the savings banks and the life insurance companies, and this low interest money that you have been getting is generally short term money. If the conditions which have given you that low rate money persist, there will be fewer lenders of money who will want to take the long term as security. There will be some few lenders for the long term, but I venture to predict that only those who have to lend for the long term will do so, and that means, practically, the life insurance companies.

Competition For New Money

You will find a lot of competitors in the market for new money. You have enjoyed, and are enjoying low rates of interest. Many of you have been seeking short term money, bank money, at ridiculously low rates of interest. I warn you—I dare to warn you—to look out. Be sure that when the short term stuff matures you're going to be able to renew it either in short term or long term and on satisfactory conditions, otherwise you will be repaying it out of your income to the detriment of your dividends. Don't kid yourselves into thinking that you are entitled to these low rates of interest. They aren't the result of your extraordinary credit. Good though your credit is (at the moment the credit of your industry is about as good as any borrower can bring into the market for borrowing money today), it isn't your good credit that maintains these low interest rates.

That's what the U. S. Treasury and the Federal Fiscal Authorities have been doing the last few years, kidding themselves into believing that it was their extraordinary credit that produced these low interest rates. That was the great boast of the foolish New Dealers who said that their administration of the Federal Government was proved to be good by the low interest rates which their high credit commanded. That's simply baloney. These low interest rates are due to a deliberate fiscal policy to create an overwhelming amount of money, and that's what we have today, an overwhelming amount of money.

The Money Supply

The money supply of this country averaged $60 billions just before this last war; it is now about $165 billions. This enormous increase has been created by the banks under our Federal Reserve System. Every time they bought bonds on the market, whether they were Federal bonds, Michigan bonds, public utility bonds, or what not, they created the money by placing a bank deposit at the disposal of the seller of the bonds, or the borrowers of their funds. When that seller of bonds, or borrower of funds made use of that bank deposit that was placed at his disposal, his checks entered into the stream of money supply of this country, and it stays there until that bond or that loan is taken out of the banking system.

The government has paid off about $28 billions of its debt, bringing the total down from $279 billions at the end of 1945 to $257 billions today. The net reduction in that payoff of $28 billions has been $22 billions, because of increases due to sales of "E" bonds, and other trust fund transactions. The government has paid off $28 billions of its debt since the end of the war, but the money supply has gone down only about $10 billions.

Why the difference? Let me put it this way to you. At the end of 1945 just after the war had closed, the money supply in this country consisted of $28 billions of paper money and some coins in circulation, and $149 billions of bank deposits. Today the money supply consists of about $137 billions of bank deposits, and about $28 billions of paper money and coins in circulation. But note this, at the end of 1945, of that $149 billions of bank deposits on which somebody had the right to draw, the U. S. Treasury had the right to draw nearly $25 billions of it, meaning that the people in the country as depositors in the banks had the right to draw about $124 billions.

Today the Federal Treasury's bank deposits are down around $2 billions, and the deposits on which the people and the corporations have the right to draw today have gone up from $124 billions to $137 billions. In other words, despite the government's reduction in its debt since the end of the war, there is an increase in the money supply in the country. This is true simply because the Federal Reserve Board and the Federal Reserve Banks continue the policies of the War. In a nutshell these policies provide that any member bank can turn in short term government bonds to the Federal and out of the proceeds obtain the means of buying longer term government bonds on the market, or Michigan bonds, or public utility bonds, for the bank's own earning purpose. Banks have been buying government bonds, and other bonds for greater earnings for their own purposes when nobody was asking them to do it—when the Treasury wasn't trying to sell them anything that called for patriotic support, when the only purpose of the buying was to increase the banks' earnings.

Our Federal Reserve system provided for increases in our money supply when bona fide borrowers from banks wanted the money, and were prepared to use it in their business, but it never contemplated an increase in our money supply to provide the banks with funds for their own earnings and nothing else.

That is what is going on today simply because the Federal Reserve Board persists in a foolish rule which was effective during the war. A rule that is all summed up in this, that any member bank holding Treasury three-months' bills, or ⅞ of 1% certificates, can take that paper to the Federal Reserve Bank and not ask them to buy it, but dump it on the Federal Reserve Bank's desk and be free to use the proceeds to go out on the market and buy other bonds. When the bank does that, the buying of those other bonds, whether they are government, state, or public utility, adds again to the money supply of the country by the amount of the purchase. What is going on, is a continual increase in the money supply of this country and that means mostly paper.

Do you think this large money supply is going to be beneficial for you? It is very largely because of there having been so much money around that refinancing has been at a low rate of interest. It is absolutely for that reason that the government has been able to maintain its low rate of interest. And it is for the purpose of maintaining those low rates of interest that the Federal Reserve continued this utterly foolish policy which in the long run will cost the people of this country very much more in increased prices for goods than an increase in the interest rate would have cost them. I submit that for your consideration.

In the life insurance world our concern about it is with respect to the question whether this huge money supply, if it is continued, or if it is increased, will increase prices, increase wages, and decrease the purchasing power of our policy proceeds. Your concern must be whether this huge money supply will increase the cost of your services to the point where you have no recourse except higher rates.

If you want every six months to quarrel with your employees over a demand for increased wages, and then the next six months to quarrel with the rate making authorities over the increases in rates that you need to pay those increases in wages, if that's what you want, for the next few years in the conduct of your business, you sit perfectly still and let the political authorities in Washington continue to do a foolish and unsound fiscal job.

If you don't want that, if you want stability on the financial side of your business, as well as competency on the engineering side, then you have got to take an interest in this question because it is at the very heart of your financing problem.

No Depression Ahead

I have already talked to long to you. That's one of the dangers of talking without an essay. I have been a little reckless, and have done a lot of prophesying. Even with all the doubts and difficutlies that I see around me, I'm going to prophesy a little more.

I don't see a depression ahead of me or ahead of you. I do see some difficulties but none that we can't overcome provided we can inject some sense into those who represent us on the political side of American activity.

We have inflation, that means an inflation of our money supply. Inflation is something that happens to money. Increased prices and demands for increased wages follow. These are the effects of the inflation of the money supply. We have had no deflation of the money supply. On the contrary, it continues to be inflated.

We have a balanced budget at the moment, or near it. We don't know what the demands on the Treasury in the next few years are going to be, either for domestic, or for international purposes. Any failure to keep the budget balanced means further deficit financing that will mean further borrowing; that will mean further increase in the money supply, and further increase in the amount of paper money floating around the community.

The expansion of your industries, the expansion of all business in so far as it results in borrowing from the banks, and the banks must certainly meet the demand for commercial loans—all of that will increase the money supply.

If the money supply goes from $165 billions to $200 billions, and from there to $250 billions, you must realize that it will force prices of commodities upwards. It will force wages upwards because the unit cannot be as valuable for purchasing purposes when there are so many dollars, as when there was one-fourth the number.

We are having a recession. I'm saying you can't have a real depression while you have all that money in the hands of the people of the U. S. You can have hesitation on their part to make use of it — that's what you have right now. That's due to propaganda for lower prices. We have propaganda for lower prices, much of it emanating from the District of Columbia, but we do not have any corrective measures deflating the money supply, which would really start a move toward lower prices.

Propaganda for lower prices can create lower prices for a time, a short time in the field of necessities; a little longer time in the field of semi-luxuries, and a still longer time in the field of luxuries. It can produce a buyers' strike which in turn can produce a reduction in production, but sooner or later, and it won't be long, the people who are holding back their buying in the hope of lower prices will despair, and when they despair of lower prices, they will rush to buy with that big supply of money available to them. When that rush comes, it will enter a market depleted by reduced production and a buyers' strike will have become a buyers' panic.

If we don't get control of this money situation, we are bound to have higher prices. We are bound to have continuing demand for higher wages, and you are bound to pay more for the money you borrow, because while in the early stages of an inflated money supply there is plenty of it, and you enjoy a low interest rate, pretty soon, there will be very few people, as I said a moment ago, except the life insurance companies who will invest for the long term, and you will be afraid to confine your borrowings to the short term.

We long-term lenders, if this inflationary situation continues—and there is no stability apparent ahead of us—will start charging you an interest rate for the inflationary risk, that is, for the risk that the money we give you will come back with less purchasing power than it had when we made our loans.

In other words, if the inflated money supply continues, you will pay more for the capital you need, and must have to meet the expansion that is ahead of you. If the inflationary tendency does not continue, it will be because of fiscal policies that get control of and stabilize the financial situation and then again you will pay more for your long-term money.

I'm saying, get your picture in order, from the point of view of the general public, from the point of view of the rate making authorities; from the point of view of the stockholders, and then we will have a lot of money to lend you at what we hope will be a reasonable rate.

Three Join Los Angeles Office of Paine, Webber

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—John H. Esbenshade, John A. MacConaty, and Willard R. Steckbauer have become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Esbenshade and Mr. Steckbauer were previously with Lester & Co. Mr. MacConaty was with Bogardus, Frost & Banning.

Wiley Bros. Announces New Vice-Presidents

NASHVILLE, TENN.—J. Lumpkin Jones and Thomas E. McLaughlin have been appointed vice-presidents of Wiley Bros., Inc., Stahlman Building.

Theodore Joiner, Jr. With Straus & Blosser Staff

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Theodore Joiner, Jr. has become associated with Straus & Blosser, 135 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Joiner was formerly with Holley, Dayton & Gernon and prior thereto was with J. R. Phillips Investment Co. of Houston, Texas.

With Gross, Rogers

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Michael C. Niccoli has become associated with Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Niccoli was previously with Walston, Hoffman & Goodman and Edgerton, Wykoff & Co.

With Shearson, Hammill

Special to THE FINANCIAL CHRONICLE

NEW ORELANS, LA.—Henry Hellberg and Morrell F. Trimble are with Shearson, Hammill & Co., 14 Wall Street, New York City. Mr. Hellberg in the past was manager of the Cotton Department of the New Orleans office of James E. Bennett & Co.

Joins Fewel & Co. Staff

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Joseph E. Thomas has become associated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Hotchkiss With Nixon Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Howard D. Hotchkiss, formerly with Buckley Brothers, has joined the staff of Francis V. Nixon & Co., 607 South Hill Street.

Now With Morrow & Co.

Special to THE FINANCIAL CHRONICLE

CLEVELAND, OHIO—John C. Bartell is now with Morrow & Co., Hanna Building, members of the Cleveland Stock Exchange. For the past ten years Mr. Bartell has been Auditing Examiner for the State of Ohio.

Prescott Adds to Staff

Special to THE FINANCIAL CHRONICLE

CLEVELAND, OHIO—Jack Brandt, Jr., has been added to the staff of Prescott & Co., Guardian Building, members of the New York and Cleveland Stock Exchanges.

With L. J. Schultz & Co.

Special to THE FINANCIAL CHRONICLE

CLEVELAND, OHIO—Charles J. Sartor is now affiliated with L. J. Schultz & Co., Union Commerce Building, members of the Cleveland Stock Exchange.

Rejoins Greene & Brock

Special to THE FINANCIAL CHRONICLE

MIDDLETOWN, OHIO—Robert D. Oglesby has rejoined the staff of Greene & Brock, First American Bank Building.

With First of Michigan

Special to THE FINANCIAL CHRONICLE

DETROIT, MICH.—Abbott Widdicombe has been added to the staff of the First of Michigan Corporation, Buhl Building, members of the Detroit Stock Exchange.

Needed: A New Program For Europe's Rehabilitation

(Continued from page 16)

rope during the war was complete. Recovery has been seriously retarded by the fact that two years after the close of hostilities a peace settlement with Germany and Austria has not been agreed upon. But even given a more prompt solution of these difficult problems, the rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than had been foreseen.

There is a phase of this matter which is both interesting and serious. The farmer has always produced the foodstuffs to exchange with the city dweller for the other necessities of life. This division of labor is the basis of modern civilization. At the present time it is threatened with breakdown. The town and city industries are not producing adequate goods to exchange with the food-producing farmer. Raw materials and fuel are in short supply. Machinery is lacking or worn out.

The farmer or the peasant cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable transaction. He, therefore, has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and finds for himself and his family an ample supply of food, however short he may be on clothing and the other ordinary gadgets of civilization. Meanwhile, people in the cities are short of food and fuel. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction. Thus a very serious situation is rapidly developing which bodes no good for the world. The modern system of the division of labor upon which the exchange of products is based is in danger of breaking down.

Europe's Requirements Too Much

The truth of the matter is that Europe's requirements for the next three or four years of foreign food and other essential products—principally from America—are so much greater than her present ability to pay that she must have substantial additional help, or face economic, social and political deterioration of a very grave character.

The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole. The manufacturer and the farmer throughout wide areas must be able and willing to exchange their products for currencies, the continuing value of which is not open to question.

Aside from the demoralizing effect on the world at large and the possibilities of disturbances arising as a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace.

Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a piecemeal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative.

Any government that is willing to assist in the task of recovery will find full cooperation, I am sure, on the part of the United States Government. Any government which maneuvers to block the recovery of other countries cannot expect help from us. Furthermore, governments, political parties or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States.

A Joint Program Essential

It is already evident that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all European nations.

An essential part of any successful action on the part of the United States is an understanding on the part of the people of America of the character of the problem and the remedies to be applied. Political passion and prejudice should have no part. With foresight, and a willingness on the part of our people to face up to the vast responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome.

Kentucky Offering Is Oversubscribed

The holdings of Standard Oil Co. of New Jersey in Standard Oil Co. of Kentucky, consisting of 243,557 shares of capital stock, were publicly offered at $28.12½ per share June 5, after the close of the stock market by a group of purchasers headed by Lehman Bros. The offering was quickly oversubscribed and the books closed a few minutes later.

The holdings of Standard Oil of New Jersey amounted to a minority interest of 9.35% of the 2,604,792 shares of outstanding stock of the Kentucky company. The Jersey company, it is understood, decided to sell the stock, inasmuch as it represented a small nonoperating interest in a non-affiliated company.

The following statement was made by Standard Oil of New Jersey:

"The relationship between Standard Oil Co. of New Jersey, as supplier, and Standard Oil Co. of Kentucky, as distributor, has continued for many years to mutual advantage and we know of nothing that would lead us to anticipate a disruption in this relationship."

What's Ahead for Business?

(Continued from page 8)

pared with 1920, or (c) the normal change in attitude and conditions which inevitably accompany the swing from a rigid seller's market to a partial buyer's market.

1920 and 1929

In circumstances of this kind in the past, and I see no reason why they should not obtain at present, the seller reluctantly clings to his market position and his attitude is usually pessimistic when the buyer gets in the saddle.

It may be that much of the pessimism which we hear is due to that fact, and to a degree from the standpoint of the seller that mental attitude has justification, because the turning of the market is due to increased competition which almost invariably causes a slight recession in price or the delivery of better quality at the same price, which usually results in a reduction in profits, particularly for the least efficient units in any given industry.

1929 With the Present

We cannot reasonably compare the present conditions with 1929.

At that time the average of 30 industrial stocks rose to 311 from 81 at the close of the War in 1918, a rise of nearly 300%.

This year for the first quarter that average stands at 178 from an average of 169 at the end of the war in 1945. So there seems little possibility of a crisis of moment in the financial market at the present time or in the near future, which was undoubtedly the primary cause, although there were many important contributing causes, of the depression of 1929-32.

90 Million Adults have had no experience in 1929.

1920 With the Present

1920 was two years after the first World War. It is now about two years after the last war. In 1945 those 30 stocks averaged 170. For the first quarter of this year they averaged 178. In 1920 prices for necessities in some instances were up 200 to 300%. The first World War lasted only 18 months. We had no restriction of products excepting one meatless day by request, a few gasolineless Sundays and rainbow sugar. We had no heavy accumulated savings, although earnings were high. Retail inventory controls were not generally in effect. Prices had spiralled on a speculative basis, and orders were cancelled when prices dropped, which tripled the number of failures in 1919 as well as the amount of liabilities.

110 Million Adults had no experience with World War I.

The Year 1947

Orders have been cancelled fairly freely in many lines during the past three months, but orders cancelled on a firm price market as at present have an entirely different effect than orders cancelled when the seller is compelled to absorb ruinous mark-downs as in 1921. In 1920 the argument advanced by the most astute business men I knew was that we could not have a business recession because of the immense total of orders on the boks of the producers. In 1947 the argument is that we will have trouble because heavy orders are not on the books. When a depression is as widely advertised as this one is, with inventories high and orders heavy, it would seem to be far more dangerous to have the orders stick than to have them cancelled as they have been, for discerning buyers invariably place orders for small amounts and for as short an advance period as possible when there are indications of a softening in price. And we should always bear in mind that free markets are never long in equilibrium, and to maintain an economic price level they must fluctuate between buyer and seller.

Prices

The level of prices is unquestionably worrying the Government and the country at large. The great majority of prices which may be out of line are due to a wider spread in profits from the raw material through every process to the consumer, rather than to exorbitant mark-ups at any given point. In a moderate percentage of instances the market prices are higher because of speculative operations but that cannot be made as a general criticism.

The comparative consumer price index shows:

1920	185
1946	160

The comparative wholesale price index shows:

1920	177
1946	181

The comparative farm price index shows:

1920	148
1946	278

Those for 1946 are each moderately higher now.

It will be seen from these figures that food prices, which enter so largely into the cost of living, for combined with clothing they constitute 66⅔% of the cost of living, are proportionately higher than any other items. And the cost of food is not likely to go down while the foreign demand continues at its present level. Apparel prices are working lower in some lines.

If prices in general are to go down they will recede largely because of increased competition, that is, business must get into maximum production. There is no other orderly way. If labor is to cost less it must produce more for it is now producing 24% less than it did before the war, and that will not change substantially unless labor gets on a more competitive basis.

The Effect of Steel Shortage on Prices

The shortage of steel has affected the prices of automobiles, freight cars, construction and many appliances because of low production schedules, although a number of household appliances and radios at the moment may be over produced. Where that has occurred there has been decided softening of prices. This steel shortage will be overcome within a reasonably short time as the steel industry has adequate capacity to fill the domestic and the foreseeable foreign demand after the first abnormal requirements are met. Of course, several other factors in addition to those mentioned require serious consideration.

The index of Industrial Production is high for any peace time year. For the first quarter it stands at 189, exceeding the two high peace time years of 1929 and 1939 of 110 by 79 points. After every war there has been a sustained increase of 50% or more in industrial production due to increased demand and higher prices. It is reasonable to expect that this figure may fluctuate from year to year with a consistently rising trend over a long period.

Consumer Credits

The National Income for the first quarter of 1947 reached 189, exceeding any previous quarter by 20 points. After other wars this index has risen 100%, which on a mathematical basis in this instance would be approximately 150—35 points below the present level. Employment at the close of the year was given 54 million against 63 million, including the armed forces, at the peak in 1944. The correctness of these figures is subject to controversy.

Consumer credits have reached $11 billions. At the close of 1929 the consumer credit on instalment sales alone was $9½ billions. It is estimated that the combined consumer credits both on instalment sales and open account has not even approached the figure which might cause concern, although the trend is upward which seems normal under present conditions as more and more durable products are available to the consumers.

63 Million Adults never traded in a free market before 1946.

Foreign Trade

Foreign trade is a difficult problem. Our exports are exceeding our imports by 3 or 4 billion dollars a year and would probably rise on a free export market. It is difficult to foresee how this trend can continue without new types of financing, particularly in the European area and in the Far East.

The Government

Until recently the Government in Washington resembled to some extent a Coalition Government. We shall know whether this is changed by the fate of the Labor and Tax Bills, which are at present before the President for approval or veto. It will be interesting to know what disposition will be made of these bills in view of what appeared to be the definite mandate of the people at the polls in November on these two subjects.

England and Russia

Great Britain is still a powerful Empire of English speaking people with unlimited resources which will gradually be developed in all parts of the world. The Commonwealth has fertile lands and rich mineral deposits of every type in almost unlimited quantities and there is little doubt but that in the long pull the British will come into their own as they invariably have in the past.

Russia is our foreign problem. Russia has been devastated west of Moscow proportionately as much as we would have been had we been invaded from the Atlantic Coast through Detroit. It will take years for Russia to rebuild. They have tremendous resources but they have not the essential minerals which will enable them to carry on a protracted major war. With all of their resources and with what they had obtained from the outside world, it required 10 years to be prepared as much as they were at the time of the German invasion. They hoped that the Germans would stop us before we reached the Rhine, giving them access to the Ruhr. Their second hope, which still exists, is that we will have a financial crack up.

For centuries there has always been sparring for the balance of power in Europe, into which we were never drawn excepting remotely until World War I. On a different basis entirely, a new realignment of Europe is going on with Russia, the strong continental nation, pushing westward to dominate as much of Europe as possible. The Russians have the same advantage over us and to some extent over the British in Europe as we would have over them if their immediate efforts were concentrated on Canada and Mexico.

Russia does not expect to fight. They are not in a position to fight. We do not intend to fight, but we cannot under any circumstances weaken our military forces while Russia pursues its present policies. Russia has come of age with bad habits.

Conclusion

In conclusion I think it is obvious to everyone that there is still a tremendous unfilled demand for goods and services. There are still unprecedented funds at the command of the consumers, and the banks and business concerns as a whole are in a strong financial condition. Inventories are still at a peak but gradually being reduced.

We are witnessing now the phenomena which invariably accompany a normal swing from a strong seller's to a spotty buyer's market.

There are factors in the situation which are unfavcrable and others, which appear to be more fundamentally important, which are decidedly favorable in balance.

There is no reason why business in general should not continue at a high profitable level with segments slowing up from time to time as production exceeds the current demand. At the present time inventories are unquestionably high but when related to the rate of sales they are not seriously out of line. Customers and buyers generally in many lines are resisting prices which they believe to be conspicuously high.

Production in several industries has caught up with demand and in a few instances producers have closed down temporarily. Several industries are crowded because of the increased capacity of the older plants and with an influx of new plants operated by producers who are untried in competitive markets, who earned substantial profits on a cost-plus basis during the war. This condition is noticeable in the metals markets.

Summarizing the situation as a whole, it is apparent that we are undergoing a swing in the balance of the market, which is a sign of health and not of weakness, although under these conditions the lines directly affected are inclined to exaggerate the unfavorable aspects of the situation.

As the only great industrial country in the world with unlimited resources to produce goods and services, with every incentive to progress and maintain a high level of employment and profit, it would be absolutely inexcusable not to look forward to a future of the greatest prosperity this country has ever known.

World Bank and Fund Jottings

(Continued from page 16)

of significance only in respect of loans made out of the Bank's paid-in capital.

"Since the securities which the Bank will issue for funds borrowed by it will not contain a so-called gold clause, there is no reason why contracts for loans made by the Bank out of borrowed funds should contain such a clause."

* * *

Mission to Poland—In connection with the World Bank's sending of a small technical mission to look over Poland from the standpoint of her application for a World Bank loan, it should be noted that Mr. Baranski, Polish executive director of the Bank returned earlier this year from a trip to Poland, one principal object of which was to procure information desired by the Bank.

Czechoslovakia also has requested the Bank to send a mission of experts there, but thus far the Bank has not done so.

The Bank evidently wishes it to be understood that it has not forgotten about the loan requests from these countries so close to the USSR. However, it has long been understood that there was no likelihood that the Bank would grant loans to these countries prior to the flotation of the first Bank debenture issue in the United States.

* * *

Danish Loan Still Unannounced—The fact that the long expected loan of the World Bank to Denmark has not yet been announced—it was first expected to be announced ahead of the French loan—is taken as a sign that the Bank has not yet received from Great Britain the requested assurances that the UK will not press Denmark for settlement of Danish sterling debts to the UK. The assumption is that the Bank had some fear that a Bank loan to Denmark might in effect constitute, in part at least, an indirect loan to Britain. The British, of course, have frankly stated that credit activities of the Fund and Bank to other countries are bound to redound to Britain's benefit, one way or another.

* * *

The Ecuadorian Sucre and the Fund—During the Bretton Woods debates in this country a major argument for the adoption of the program was that the Fund would lead to the elimination of the system of multiple exchange rates for individual currency units, which system was described by Dr. Harry White and others as a form of economic warfare. What has happened in Ecuador is that multiple rates have now been officially introduced with the Fund's doubtless unavoidable consent. Heretofore Ecuador has had only one official rate of exchange, although from time to time there has been tacit recognition of a "free market" rate through the granting of import permits without exchange permits.

The Fund's announcement may be viewed as a consequence of its decision to accept as the initial parities of members the then existing official rates of exchange, when such rates were unrealistic. In other words the new Ecuadorian system, involving temporarily three rates of exchange for the sucre, may be an effort to allow the sucre to find its own level, with a view to fixing a new parity later.

For the Fund to have allowed Ecuador to draw on it in support of the present official rate of exchange—15.04 sucres to the dollar—evidently would have been futile under present circumstances.

Ecuador, of course, is just one country where "postwar" adjustment must inevitably be made.

Kidder, Peabody Outing

Kidder, Peabody & Co., 17 Wall Street, New York City, will hold its annual outing on Friday, June 13, at the Englewood Field Club, Englewood, N. J. Activities for the day include golfing at the nearby Knickerbocker County Club and the traditional baseball game between the sales department and the clerical staff, which will be climaxed by a gala dinner in the evening.

Weston in Long Branch

LONG BRANCH, N. J. — I. George Weston is engaging in a securities business from offices at 210 Broadway. Mr. Weston was formerly with Herrick, Waddell & Co., Inc.

With King Merritt Co.

Special to THE FINANCIAL CHRONICLE

JEFFERSON CITY, MO.—Lloyd L. Grice is connected with King Merritt & Co., Jefferson Building.

We Must Be Strong to Avoid War: Truman

(Continued from first page)

tions for reclamation, power production and agriculture.

Supporting United Nations

In the course of his address the President stated:

In supporting the United Nations, we must always sustain the principle on which world peace must rest. That principle is that all people should have the right to live free from fear of aggression under institutions of their own free choice. Our responsibility to lead the peoples of the world in the search for peace takes the form of helping less fortunate peoples who are earnestly striving to improve or reconstruct the institutions of free and independent nations.

We can fulfill our obligation of service in the cause of peace only by maintaining our strength.

The will for peace without the strength for peace is of no avail.

The disintegration of our military forces since the surrender of Germany and Japan is an encouragement to nations who regard weakness on the part of peace-loving nations as an invitation to aggression. And the countries whose people share our ideals, and who look to us for leadership, but who are weak in resources or man power, lose faith in our ability to support the principles for which we stand.

Hitler's dream of controlling the world was spurred by his belief that the Western nations were weak and lacked the will to resist. Hitler's eagerness for war increased as his estimate of the strength of the democracies decreased. Unpreparedness on the part of his opponents precipitated his decision to march into Poland in 1939. Japan struck at Pearl Harbor because she thought the United States was too weak to fight back.

Hence we must maintain our Army, our Navy and our Air Force in effective readiness for any emergency. They should be organized in an efficient single military establishment and they should be supported by reserves of well trained civilians.

Must Have Prosperous Economy

Maintaining strong military forces is not the only requirement that exists in the cause of peace. We must also have a sound and prosperous economy, thriving agriculture, natural resources wisely conserved and adequately developed, and vigorous citizens conscious of our duty and confident in our destiny.

A healthy citizenry is the most important element of our national strength. We must develop a national health program which will furnish adequate public health services, and ample medical care and facilities for all areas of the country and all groups of our people.

We must also raise the level of minimum wages, broaden our social security benefits, provide decent housing, equalize educational opportunities and in every way insure that the welfare and standards of living of our citizens improve steadily. The strength that derives from a people confident in their personal security, and aware of world needs, is an overwhelming power for peace.

We must work earnestly to insure that our economy stays in high gear, and that we have maximum production, maximum employment, and maximum purchasing power. We must have an economic system that provides opportunities for all men willing and able to work. This will take much effort, and some necessary steps are long overdue, but prudent fiscal and tax policies, certain price and wage adjustments, labor-management harmony, and a carefully planned program of essential public works will go far toward insuring that the present level of productivity—the highest in our entire history—will continue.

To a greater extent than ever before, our prosperity and security depends upon our natural resources. We are fast becoming a "have not" nation with respect to many important minerals. We are short of some basic materials essential to an economy of full production and employment. We are short of copper, of steel, of lead, and of many other critical materials. We are faced with the danger of a shortage of petroleum products. The United States is now using more oil each day than did the entire world before the war. Shortages of fuel oil have already appeared in parts of the Middle West. A nation is only as strong as its productive capacity, and our capacity is now limited by our shortages.

We have laws designed to conserve and develop our natural resources and these laws if wisely administered, would largely eliminate our shortages. However, we are now in grave danger that these protecting laws will be made ineffective by the failure of the Congress to provide the money necessary for their administration.

We have a long-standing policy that public power resources should be developed for the benefit of the people. As a result of this policy our country had the means of rapidly expanding our supply of electric power in the early days of the war. These supplies of low-cost hydro-electric power, particularly in the Tennessee Valley and in the Pacific Northwest, provided the means by which we were able speedily to increase our production aluminum and other light metals and supply the huge amounts of power required for our atomic energy plants.

Face Critical Shortages

Despite the wartime expansion, however, we face critical shortages in our national supply of power in the next few years. We need more and more electrical power to expand old industries, build new ones, extract minerals from low-grade ores, produce atomic materials for peacetime use, and to expand the electrification of our farms.

Our public power program must be carried forward. We must continue to build the multiple-purpose projects that conserve our precious resources and develop low-cost energy. We must build transmission lines and substations to bring the power to markets. The hydro-electric power program is vital to the economic welfare of the nation, and in some Western states hydroelectric power is almost the sole source of available energy. All the great industries of the West—lumbering, agriculture, mining—will be retarded for want of electric power. Nothing must prevent the full development and use of public power in these areas where it is needed the most.

The great dams which harness the power of our Western rivers also store the water and make it available to reclaim lands that once were barren deserts.

Reclamation projects are providing the country with additional acreage to grow food which is needed at home and abroad in this time of world food shortages. The utilization of the water resources of the West for power and reclamation is the key to the development of the economic opportunities of this vast part of our country. It will ultimately provide millions of jobs for our citizens in areas which are now sparsely settled. . . .

Money spent for water control, reclamation, and power projects cannot be regarded in the same light as expenses for other construction programs. Appropriations for reclamation and power projects are investments which are repaid by the water and power consumers. To curtail construction on projects already begun because construction costs are high is to waste vast amounts of public capital already invested by postponing the time when repayment begins. . . .

Keep Agricultural Program

One of the great lessons of history is that no nation can be stronger than its agriculture. Hungry and ill-nourished people cannot practice the arts of democratic government and peaceful commerce. Peace cannot be built on a foundation of human want.

We in this country some years ago wisely adopted a national policy which declared that all of us must share with the farmer the responsibility of maintaining our agricultural resources. We said that the farmer must be protected against low prices and low income, against some of the hazards of weather and against the danger of inadequate credit. We decided to keep reserves of basic crops from the fat years for use in the lean years.

Because we had adopted that policy, American agriculture was able to set new production records every year of the war. Because of its reserves, in the granary and in the soil, because of its basic strength, agriculture increased its production fully one-third even though many people left the farms to join the armed forces or to work in industry.

The most remarkable aspect of our production records was that the increases were in the crops for which the government asked increases. We were able to supply our armed forces the kind of food they needed in the amount they needed. We had the best-fed fighting forces the world has ever seen, and we supplied our Allies with the kinds of food they especially required.

When the fighting ended there was a world-wide food emergency. Grain was the most needed commodity. During the war the United States had not specialized in grain production. But as a result of our farm policy our agriculture was so adaptable that we were able, almost at once, to set new world records in grain exports. We have saved millions of lives of persons abroad. Our grain shipments have helped us to meet the test as the world proponent of democracy, freedom and peace.

Now we face a new challenge. Our entire farm program is endangered by recent legislative action. I would be gravely concerned if any effort to undermine our farm policy were successful.

A year ago our government made a pledge to our farmers to carry on the program of soil conservation which is so vital to prosperous, productive farming. The farmers have a right to expect that this pledge be kept. We should guard against all efforts to destroy the program designed to carry out soil-conservation practices on our farms. . . .

We must always bear in mind the effect upon our national strength and the welfare of our people when restrictions or curtailments in our farm program are proposed. We cannot afford to deprive veterans and farm tenants of the opportunity to buy farms of their own.

Wants Appropriations Maintained

If American agriculture is to continue its rapid progress, we must maintain our important research projects in natural science and economics, and we must continue with our work of rural electrification, forest protection, and aid to locally organize soil conservation districts.

I sincerely hope that on careful reflection and consideration the Congress will provide the appropriations necessary for those projects and services which are designed to provide a better, fuller life for our people and a more stable, productive economy for our nation.

By renewing the wellsprings of our strength, by enlarging our capacities for growth, we shall be able to fulfill the obligation of service which is our heritage.

Delivers Canadian Address

In an address on June 11, 1947, delivered before the Canadian Parliament at Ottawa, Canada, President Truman stressed the need for peaceful relations among nations as has been exemplified by the long standing peace agreements between the United States and Canada. Referring to U. S.-Canadian harmony, Mr. Truman stated:

We must go back a long way, nearly a century and a half, to find a time when we were not on good terms. In the war of 1812 there was fighting across our frontier. But permanent good came of that brief campaign. It shocked Canadians and Americans into a realization that continued antagonism would be costly and perilous.

The first result of that realization was the Rush-Bagot agreement in 1817, which embodied a spirit and an attitude that have permeated our relations to this day. This agreement originally was intended to limit and to regulate the naval vessels of both countries on the Great Lakes. It has become one of the world's most effective disarmament agreements and is the basis for our much-hailed unfortified frontier.

I speak of that period of history to make the point that the friendship that has characterized Canadian-American relations for many years did not develop spontaneously. The example of accord provided by our two countries did not come about merely through the happy circumstance of geography. It is compounded of one part proximity and nine parts good will and common sense.

We have had a number of problems, but they have all been settled by adjustment, by compromise and by negotiations inspired by a spirit of mutual respect and a desire for justice on both sides. This is the peaceful way, the sensible way, and the fair way to settle problems, whether between two nations that are close neighbors or among many nations widely separated.

This way is open to all. We in Canada and the United States are justifiably proud of our joint record, but we claim no monopoly on the formula.

Canada and the United States will gladly share the formula, which rejects distrust and suspicion in favor of comon sense, mutual respect and equal justice with their fellow members of the United Nations. One of the most effective contributions which our two countries can make to the cause of the United Nations is the patient and diligent effort to apply on a global scale the principles and practices which we have tested with success on this continent.

Relations between Canada and the United States have emphasized the spirit of co-operation rather than the letter of protocol. The Rush-Bagot agreement was stated in less than 150 words. From time to time it has been revised by mutual agreement to meet changing conditions. It was amended as recently as last December.

Referring to need for Canadian cooperation in world rehabilitation, Mr. Truman said:

Today our two nations are called upon to make great contributions to world rehabilitation. This task requires broad vision and constant effort.

I am confident that we can overcome the difficulties involved, as we overcame the greater difficulties of the war. The national genius of our peoples finds its most satisfying expression in the creation of new values in peace.

The record proves that in peaceful commerce the combined efforts of our countries can produce outstanding results. Our trade with each other is far greater than that of any other two nations on earth. . . .

The St. Lawrence project stirs the imagination of men long accustomed to majestic distances and epic undertakings. The proposal for taking electric power from the river and bringing ocean shipping 2,400 miles inland, to tap the fertile heart of our continent, is economically sound and strategically important.

When this program is carried out, the waterway that is part of our boundary will more than ever unite our two countries. It will stimulate our economies to new growth and will speed the flow of trade.

Will Invest to Promote World Recovery

Concluding his Canadian address, Mr. Truman reiterated our purpose to aid free nations and world recovery in saying:

We intend to expend our energies and invest our substance in promoting world recovery by assisting those who are able and willing to make their maximum contribution to the same cause.

We intend to support those who are determined to govern themselves in their own way, and who honor the right of others to do likewise.

We intend to aid those who seek to live at peace with their neighbors, without coercing or being coerced, without intimidating or being intimidated.

We intend to uphold those who respect the dignity of the individual, who guarantee him equal treatment under law and who allow him the widest possible liberty to work out his own destiny and achieve success to the limit of his capacity.

We intend to co-operate actively and loyally with all who honestly seek, as we do, to build a better world in which mankind can live in peace and prosperity.

We count Canada in the forefront of those who share these objectives and ideals.

With such friends we face the future unafraid.

Linus T. Roehm Joins Holley, Dayton Staff

Special to THE FINANCIAL CHRONICLE

LA CROSSE, WIS.—Linus T. Roehm is now associated with Holley, Dayton & Gernon, State Bank Building. Mr. Roehm was formerly a representative for Carter H. Harrison & Co. in La Crosse for many years.

Joins A. H. Bennett Staff

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO.—Wilbur G. Stover has become affiliated with A. H. Bennett and Company, 1004 Baltimore Avenue. He was formerly an analyst with the War Department in Chicago.

Joins Merrill, Turben Staff

Special to THE FINANCIAL CHRONICLE

CLEVELAND, OHIO—Stephen J. Wolfe has become connected with Merrill, Turben & Co., Union Commerce Building, members of the Cleveland Stock Exchange.

Lee in Midlothian

MIDLOTHIAN, TEX. — Homer P. Lee is conducting an investment business from Midlothian.

Now Proprietorship

PALO ALTO, CALIF.—J. Earle May is now sole proprietor of J. Earle May & Co., 156 University Avenue.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Dullness and irregularity around present 170 level points to an incipient move. Direction will probably be up but possibility of subsequent reaction is equally real.

Reading all the statements about the coming depression and then the other side, that no depression worth the name is ahead, is very confusing. The latter point to impressive statistics and conclude that inasmuch as business is good, ergo! it will continue to be good. The depression lads point to other conditions and they, too, make out a case for bad times ahead.

* * *

It is really quite difficult to know who to believe or what figures to follow. The only clear cut barometer is the stock market; and that just "ain't a' talking."

* * *

Last week it looked as if stocks would go through the widely discussed 170 level, a condition this column pointed to. Well, it did go through. But for all the good it did the bulls it might as well not have bothered. Even though the bears didn't get any encouragement from the action either. In fact it is difficult to see who did make anything out of it. The brokers aren't making any money today. They deal with the public, and the public isn't doing anything one way or another. I suppose the floor broker managed to make expenses because he can save on commissions, but this column isn't written for the floor broker. It is primarily concerned with the man who doesn't have any easy roads or know any so-called insiders.

* * *

Last week this column wrote that once the 170 level was penetrated it was quite likely that a new reaction would follow. Let me clarify this. Right now there is probably a large short position in the market. Some of it is actual short stock and some is short against the box. Unfortunately, or fortunately, depending what side you're on, most of this short stock has been put out by people making their first venture. I believe such positions will run to cover if enough strength materializes in the immediate future. This in turn will mean further strength with the averages possibly advancing to maybe 175. It will be interesting to note the selling that will go on during such a short covering drive. You might be interested to know that some of the smartest liquidation goes on just during such a market move. After all the shorts are frightened and buy to cover. The longs, on the other hand, see an ideal opportunity to unload without breaking the market. It is such a condition that I foresee. And because I expect such a condition, the natural concomittant is a reaction once the shorts have run to cover.

* * *

If, as, and when, this comes it may find the old lows meaningless. Notice that I've hedged all these statements and forecasts with a lot of "ifs, buts and howevers." After all we are still dealing with a market subject to the whims, desires, hopes and fears of men. How such men, or the majority of them, will act under certain conditions is hard to say. Certainly the market isn't saying it.

* * *

There is one thing the market is saying and that is that a decision is a lot closer than is generally realized. The market has been in its present narrow range, above 170, for a few days. It may be eating into the offerings above; if so, a rally will come before the week is over. If, however, it backs away from present offerings then a reaction without an intervening rally will be in the cards. If that happens I don't think the reaction will carry them down far. In fact I doubt if the recent lows will even be seen, let alone broken.

* * *

You can see from the above that the market is still honeycombed with many possibilities. It is true that only on rare occasions does the market present an ideal picture. This column isn't looking for ideal conditions. It does, however, want to see something more than a lot of cross currents any one of which is likely to prove uncomfortable, if not disastrous.

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

Jewel Tea Company Preferred Offered

Lehman Brothers and Goldman, Sachs & Co. and associates on June 11 offered publicly 75,000 shares of Jewel Tea Co., Inc. 3¾% cumulative preferred stock, $100 par, at $103 per share and accrued dividends.

Approximately $4,950,000 of the net proceeds will be used by the company to redeem all of the outstanding 46,000 shares of 4¼% cumulative preferred stock and the balance of approximately $2,-500,000 will be added to the company's general funds and will be available for general corporate purposes.

Offering of the new preferred was made possible when common stockholders at a special meeting June 9, 1947, authorized the issuance of the stock. The stock holders also approved an increase in the authorized amount of common stock from 600,000 to 900,000 shares. The company, however, has no present plans for the issuance or sale of additional shares of common stock.

The new preferred stock is redeemable at prices scaled from $106.50 per share to $103 per share and also at sinking fund redemption prices ranging from $104.75 per share to $103 per share; in each case plus accrued dividends. Provision is made for a sinking fund beginning June 30, 1950 and each year thereafter sufficient to redeem annually 1,500 shares of the new preferred.

After giving effect to the sale of new preferred and the increase in authorized common, the capitalization of the company will comprise 75,000 shares of authorized and outstanding cumulative preferred stock and 900,000 shares of authorized common, of which 558,862 shares will be outstanding.

Southworth Opens

PORTLAND, MAINE—Constant Southworth is engaging in the securities business from office at 465 Congress Street. In the past Mr. Southworth was with Paul & Co., Inc.

With Herrick, Waddell

Special to THE FINANCIAL CHRONICLE

HALLAM, NEB.—Ross Gowdy has been added to the staff of Herrick, Waddell & Co., Inc., 55 Liberty Street, New York City.

With Slayton & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — Alfred E. Allcock is with Slayton & Company, Inc., 3277 Wilshire Boulevard.

Joins Hulburd, Warren

Special to THE FINANCIAL CHRONICLE

GRAND RAPIDS, MICH.—Grant D. Horton is with Hulburd, Warren & Chandler, Peoples National Bank Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The attitude of wait and let's see what will happen, which has pervaded the government market, resulted in bids being pulled, so that normal offerings by Federal have not only kept the market in line, but actually brought about declines in the restricted issues of more than a quarter of a point. . . . Volume has not been large with prices going down on quotes more than from the pressure of liquidation. . . . It is reported that only a few transactions have been consummated at the lower prices that have been prevailing. . . .

The bank-eligible obligations have given some ground, seemingly for sympathetic reasons, but these securities have acted better than the ineligible issues. . . .

With war loan accounts out of the way, the member banks are in an improved position although some temporary tightness may be felt near inomce tax date. . . . Demand for both the eligible and restricted issues is still very substantial, so that the minor recession in prices should afford a good buying opportunity for institutions that have funds to put to work. . . .

RATE DECISION BELIEVED NEAR

What will happen to short-term rates again appears to be the all important topic of conservation in money market circles. . . . It seems as though the feeling now is that if action is to be taken on these rates it will come this month. . . . Otherwise there is likely to be nothing important happening until after the September financing. . . .

Commercial banks are doing only minor buying to keep some funds at work, and there will be no important purchases by these institutions until the question of short-term rates is decided one way or another. . . .

There is nonetheless no change in the trend of commitments by the member banks because these institutions continue to lengthen maturities in order to maintain income, although volume is very much curtailed compared with past operations. . . .

DEFROSTING FIRST

In certain quarters the opinion is held that the authorities, if and when they defrost short-term rates (in order to regain control of the money markets) will unpeg the bill rate first and then wait until the effect on the money markets has been determined by actual experience before action is taken on the certificate rate. . . . The looked for result of a defrosting of the bill rate is a minor firming of the shortest rates, as well as the over-the-counter rates. . . .

The unhooking of the certificate rate would be an entirely different matter since it is believed that this action would cause unsettlement in the entire Treasury list, the longs as well as the shorts. . . .

Therefore, it is indicated that the powers that be are quite likely to be very careful in what they do in order not to upset the money markets too drastically. . . .

OPPORTUNE TIME

On the other hand, there are some money market followers who are hoping that the money managers do the whole job of defrosting short-term rates at one time. . . . They point out that the technical condition of the market is good enough so that price declines, brought about by the unpegging of both the bill and certificate rates simultaneously would not be very sharp. . . .

They believe that market unsettlement would be temporary and a very good buying opportunity would be available to investors. . . .

Commercial bank buyers as well as non-bank investors have substantial funds that will be put to work as soon as the uncertainty over short-term rates has been taken out of the market. . . .

LONGER MATURITIES FAVORED

Commercial banks, according to reports, have the September and later 1947 maturities well refinanced now. . . . They are now working on the 1948 maturities with some of these institutions shifting into the 1949s, the 1952s and the 1956s. . . .

Some have disposed of the 1948 maturities to go into the longer partially-exempt issues. The deposit institutions are still making changes in holdings in order to maintain income, which means that the trend is into the longer maturing Treasuries. . . .

This does not necessarily mean the longest securities in the eligible list because there is shifting from certificates into the 1949 and 1950 obligations. . . .

LONG-TERM RESTRICTED FAVORED

Some money market analysts believe that the powers that be should issue a long-term restricted bond in order to mop up part of the large demand that exists for these securities. . . . They point out that it would bring the general level of government prices down and would be as effective, if not more so, than a change in short-term rates. . . .

Of course, it is assumed that the authorities would be able to work out matters in such a way that non-bank investors would not dispose of their eligible obligations in order to take on a new offering of restricted securities. . . . Whether it can be done or not seems to be open to considerable question. . . .

Others call attention to the selling by Federal as being practically the same as an offering of securities by the Treasury, except that it is being done piecemeal rather than in one lump sum. . .

By this operation prices are kept within desired limits and the threat of a large new issue is always overhanging the market. . . .

MARKET ACTION

The weakness in the 2¼s due 1959/62 was attributed in part to the pulling out of the market of the savings banks, because they were interested in picking up the Telephone bonds, when the syndicate terminated. . . . To a lesser extent this is believed to be the reason also for the toning down of the demand for the restricted obligations on the part of some of the insurance companies. . . .

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y. (7/7)

June 26 filed 123,246 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 58,880 shares and four selling stockholders the proceeds from the sale of 64,366 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $2,000. Net proceeds will be used to pay current bank loans and for working capital.

Allied Finance Co., Dallas, Texas

May 26 filed 25,000 shares ($20 par) 5% cumulative convertible preferred. **Underwriting**—None. **Offering**—To be offered to present stockholders in the ratio of one share for each two shares of common held. **Price**—$20 a share. **Proceeds**—To retire present indebtedness.

American Broadcasting Co., Inc., N. Y.

June 27 filed 950,000 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. **Proceeds**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

American Cyanamid Co., New York (6/26)

May 13 filed 391,076 shares ($100 par) 3½% cumul. preferred, Series A. **Underwriter**—White, Weld & Co., New York. **Offering**—Offered for subscription to common stockholders of record June 10 on the basis of one share of new preferred for each seven shares of common held at $102 per share. Rights expire June 25. **Proceeds**—To redeem outstanding 5% cumulative preference stock and to finance expansion program.

American Machinery Corp.

Mar. 31 filed 133,000 shares (50c par) common, of which 10,000 will be offered to officers and key employees. **Underwriter**—Townsend, Graff & Co. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes including reduction of bank loans and outstanding notes.

American Water Works Co., Inc., N. Y.

March 30, 1946 filed 2,343,105 shs. of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White, Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (jointly). **Offering**—Price to public by amendment.

● **Arden Farms Co., Los Angeles, Calif.**

June 4 filed 70,000 shares (no par) preferred. **Underwriting**—No underwriting. **Offering**—The shares initially will be offered for subscription to present preferred stockholders in the ratio of one share for each 2½ shares held. Unsubscribed shares will be offered publicly. Price by amendment. **Proceeds**—To pay off bank loans and to provide funds for construction.

Armour and Co., Chicago

July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriting**—Kuhn, Loeb & Co., New York. **Offering**—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of $6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of $6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. **Price**—Public offering prices by amendment. **Proceeds**—Net proceeds will be used to retire all unexchanged shares of $6 prior stock and to redeem its outstanding 7% preferred stock.

George Eastwood, President, in letter to stockholders, Dec. 22 said "we have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan.

Atlantic City (N. J.) Electric Co.

March 19 filed 522,416 shares ($10 par) common, being offered by American Gas & Electric Co. **Underwriters**—To be determined by competitive bidding. Probable bidders include: The First Boston Corp., and Drexel & Co. (jointly); Shields & Co., and White, Weld & Co. (jointly); Dillon, Read & Co., Inc., and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Union Securities Corp. **Price**—To be determined by competitive bidding. **Proceeds**—The offering is part of American's plan to dispose of its holdings of 1,150,000 outstanding shares of Atlantic City. The shares remaining after the public offering will be distributed as dividends on American's common stock. This dividend policy will become effective June 15 and will continue to the end of 1948.

Australia (Commonwealth of) 6/16)

May 29 filed $19,000,000 10-year 3¼% bonds, due 1957, and $19,000,000 of 20-year 3½% bonds, due 1967. **Underwriter**—Morgan Stanley & Co., New York. Price by amendment. **Proceeds**—To redeem 30-year 5% external loan of 1927. In lieu of cash payment of the bonds the Commonwealth will accept the 30-year bonds in exchange for the new bonds.

Bearings Co. of America, Lancaster, Pa. (6/18-20)

May 8 filed $500,000 of first mortgage 4½% serial convertible bonds and 60,000 shares ($1 par) common. **Underwriters**—Dempsey-Tegeler & Co. and J. W. Brady & Co., St. Louis, Mo. Price by amendment. **Proceeds**—To repay bank loan and for general working funds.

Beech Aircraft Corp., Wichita, Kan.

May 2 filed $2,000,000 of 4½% convertible sinking fund debentures (subordinated), due 1957. **Underwriter**—Blair & Co., Inc., New York. Price by amendment. **Proceeds**—To be added to working capital and used to finance airplane production program. **Business**—Manufacture of airplanes.

Beech-Nut Packing Co. (6/23)

June 3 filed 140,000 shares ($10 par) common. **Underwriter**—F. Eberstadt & Co., Inc., New York. Price by amendment. **Proceeds**—The shares are being sold by executors of the estate of Bartlett Arkell, a founder of the company and President until 1940.

● **Belville Manufacturing Co., Shelley, Idaho**

June 2 (letter of notification) 8,000 shares ($10 par) Class A common and 40,000 shares ($1 par) Class B common. **Price**—$15 per unit, consisting of one share of Class A common and five shares of Class B common. To be sold through Elvin E. Cornelison. For working capital and to pay outstanding obligations.

Benrus Watch Co., Inc., New York

April 24 filed 150,000 shares ($1 par) common. **Underwriter**—Hayden, Stone & Co., New York. Price by amendment. **Proceeds**—The shares are being sold by five officers of the company who will receive proceeds.

Berbiglia, Inc., Kansas City, Mo.

Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price $6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

Berkey & Gay Furniture Co., Grand Rapids, Mich.

Feb. 3 filed 733,575 shares ($1 par) capital stock. **Underwriting**—None. **Offering**—Company said all of the shares are issued and outstanding. The purpose of the registration statement is to enable holders to effect sales by use of the prospectus.

Berkey & Gay said the shares had been sold in 1944 and 1945 to a group of about 50 persons who represented they were purchasing the shares for investment and not for distribution.

So far, 231,204 shares have been sold in the open market and the Commission had raised the question as to whether such sales had the effect of making the entire offering public. The Commission staff stated that registration is required if any of the remaining 733,575 shares are to be sold. **Price**—At market. **Proceeds**—Go to selling stockholders.

Bird Machine Co., South Walpole, Mass.

May 15 (letter of notification) 20,000 shares of (no par) common. **Price**—$12.50 a share. Offered for subscription to common stockholders of record on May 12, 1947, on the basis of one additional share for each five shares held. Rights expire June 13. Unsubscribed shares will be offered publicly. No underwriting. For additional working capital.

Blumenthal (Sidney) & Co. Inc., New York

Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting** — None. **Proceeds** — For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withould action.

Boston Store of Chicago, Inc.

Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering** — Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price** — By amendment. **Proceeds**—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of $5,268,750 and accrued interest. Offering date indefinite.

Bowman Gum, Philadelphia

Sept. 27 filed 268,875 shares ($1 par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—$7.125 per share. **Proceeds**—Stock is being sold by shareholders who will receive proceeds.

Brayton Flying Service, Inc., Robertson, Mo.

March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. **Price**—$5 per unit, consisting of one share of each. **Underwriter**—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

Brooklyn (N. Y.) Union Gas Co.

May 3, 1946 filed 70,000 shares of cumu. preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

California Electric Power Co.

May 5 filed 80,000 shares ($50 par) preferred stock. **Underwriting**—To be determined by competive bidding. Probable bidders include Dean Witter & Co.; Blyth & Co., Inc.; Otis & Co. **Proceeds**—To finance expansion and improvement program. **Bids**—The company asked for bids for the purchase of the bonds on June 3, but the sale was postponed.

California Oregon Power Co.

March 26 filed 60,000 shares ($100 par) cumulative preferred and 408,000 shares ($20 par) common. **Underwriters**—To be determined by competitive bidding. Probable bidders include: First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce Fenner & Beane and Harriman, Ripley & Co. (jointly). California Oregon will sell all of the preferred and 18,000 shares of the common, Standard Gas & Electric Co. (parent,) will sell the remaining 390,000 shares of common. **Bids**—Bids for the purchase of the securities scheduled for May and postponed to June 10, further delayed. May apply to the SEC for a negotiated sale of the issues.

California Water & Telephone Co.

May 22 filed 15,200 shares ($25 par) common. **Underwriters**—Blyth & Co., Inc., San Francisco; and H. M. Byllesby and Co. and Central Republic Co., both of Chi-

(Continued on page 46)

NEW ISSUE CALENDAR

(Showing probable date of offering)

June 16, 1947

Australia (Commonwealth of)----------------Bonds
Cawthorne (C. C.) & Co.----------------Preferred
De Puma (A.) & Co.----------------Class A
Household Service Co.----------------Debentures
Keystone Driller Co.----------------Bonds
Riatla Holding Co.----------------Bonds
Thomas (I. P.) & Son Co.----------------Preferred
Toledo Edison Co., 11a.m. (EDT)----Bonds & Pref.

June 17, 1947

Fleming-Hall Tobacco Co.----------------Common
Merchants Refrigerating Co.----------------Class B
Public Service Co. of Colorado
11 a.m. (EDT)----------Bonds and Debentures
Walker Vitamin Products, Inc.----------------Common

June 18, 1947

Bearings Co. of America------Bonds and Common
Coast Counties Gas & Electric Co.--------Preferred
Illinois Terminal RR.--------------Equip. Trust Ctfs.

June 19, 1947

Wheeling & Lake Erie Ry.-------Equip. Trust Ctfs.

June 23, 1947

Beech-Nut Packing Co.----------------Common
Seaboard Container Corp.------Pref. and Common
Southern California Gas Co.
9:30 a.m. (PST)----------------Bonds

June 24, 1947

Clopay Corp.----------------Common
National Supply Co.----------------Debenture
New York Telephone Co.
11:30 a.m. (EDT)----------------Debentures

June 26, 1947

American Cyanamid Co.----------------Preferred
May Department Stores Co.--------Debentures & Pref.

July 7, 1947

Acme Electric Corp.----------------Common

July 8, 1947

Southern Bell Telephone Co.
11:30 a.m. (EDT)----------------Debentures

(Continued from page 45)

cage. **Price**—Not less than $33 per share. **Proceeds**—To finance new construction.

Capper Publications, Inc., Topeka, Kans.
May 28 filed $2,000,000, series 6, 4% first mortgage 5-year bonds, and $2,000,000, series 7, 5% first mortgage 10-year bonds. **Underwriters**—None. **Price**—At par. **Proceeds**—To finance improvement program and to redeem outstanding bonds. Balance will be added to working capital.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario
June 24 filed 400,000 shares of common stock. **Underwriter**—No underwriters. **Offering** — To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Castleberry's Food Co., Augusta, Ga.
June 2 (letter of notification) 21,900 shares ($10 par) 5½% cumulative preferred and 10,000 shares ($1 par) common. **Price**—$10 a preferred share and $8 a common share. **Underwriter**—Johnson, Lane, Space and Co., Inc. To retire short-term bank loans and for additional working capital.

● **Cawthorne (C. C.) & Co., Union, N. J. (6/16)**
June 6 (letter of notification) 12,000 shares of 5% cumulative preferred stock. **Price**—$25 a share. No underwriting. For working capital.

Central Soya Co., Inc., Fort Wayne, Ind.
Aug. 21 filed 90,000 shares (no par) common. Underwriter—None. Offering—Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7⅓ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. Proceeds—Working capital, etc. Offering indefinitely postponed.

● **Central States Paper & Bag Co., St. Louis, Mo.**
June 5 (letter of notification) 1,500 shares ($100 par) preferred and 2,000 shares ($10 par) common. **Price**—$100 a preferred share and $16.50 a common share. No underwriting. For additional operating capital.

Claude Neon, Inc., New York
March 28 filed 223,954 shares ($1 par) common. **Underwriting**—None. **Offering**—Shares will be offered for subscription to common stockholders on basis of one share for each 10 shares held. Price by amendment. **Proceeds**—To finance airline operations and acquisition and development of oil properties. Company also plans to advance funds to Summit Airways, Inc., of whose stock it owns 61%.

Cleveland (O.) Electric Illuminating Co.
Feb. 21, filed 1,847,908 shares (no par) common. **Offering**—The North American Co. owned all the shares and offered 1,714,524 shares to common stockholders of North American of record March 19 at $15 per share to the extent of one Cleveland for every five North American shares held. Rights expired May 27 and 1,648,275 shares were subscribed for. The remaining 133,383 shares are to be sold, probably through competitive sale. Probable bidders include Dillon, Read & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co. and W. C. Langley & Co. (jointly); Otis & Co.; Blyth & Co., Inc.; Smith, Barney & Co.. **Proceeds**—For prepayment of bank loan notes of North American.

Clopay Corp., Cincinnati (6/24)
May 28 filed 250,000 shares ($1 par) common. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Price**—By amendment. **Proceeds**—Company is selling 35,000 shares and 215,000 shares are being sold by stockholders. Company will use its proceeds to repay bank loans, retire outstanding closed mortgage 4% registered serial bonds and to purchase plant property at Elmwood Place, Ohio.

Coast Counties Gas & Electric Co. (6/18-20)
May 22 filed 140,000 shares ($25 par) 4% preferred, Series A. **Underwriter**—Dean Witter & Co., San Francisco. **Offering**—Of the total, 75,000 shares will be offered in exchange for the company's ($25 par) 5% first preferred stock on a share for share basis, plus accrued dividends on the old stock. The remaining 65,000 shares and all unexchanged shares of new preferred will be offered publicly. **Price**—$26 a share. **Proceeds**—To retire all unexchanged shares of 5% preferred and to repay $1,150,000 of short term bank loans.

Cohart Refractories Co., Louisville, Ky.
Mar. 28 filed 182,520 shares ($5 par) common. **Underwriters**—Harriman Ripley & Co., and Lazard Freres & Co., both of New York. Price by amendment. **Proceeds**—The shares are being sold by Corning Glass Works, New York, and represent 88.8% of the total outstanding common of the company.

Consolidated Natural Gas Co., New York
May 15 filed 545,672 shares ($15 par) capital stock. **Underwriting**—None. **Offering**—The shares will be offered to the common stockholders of record June 20 on the basis of one share for each five shares presently held. Rights will expire July 11. **Price**—$37.50 per share. **Proceeds**—Proceeds, together with other funds, will be used to purchase additional shares of four operating companies, Peoples Natural Gas Co. (Penna.), Hope Natural Gas Co. (W. Va.), East Ohio Gas Co., and New York State Natural Gas Corp.

● **Continental Body, Inc., Bay City, Mich.**
June 6 (letter of notification) 60,000 shares ($1 par) common. **Price**—$1 a share. **Underwriter**—Moreland & Co. For additional machinery and equipment and for working capital.

● **Clarvan Corp., Milwaukee**
June 6 (letter of notification) 1,000 shares ($100 par) 5% cumulative preferred and 22,000 shares ($3 par) common. **Price**—$100 a preferred share and $7.50 per common share. Only 520 shares of preferred and 1,000 shares of common will be sold publicly. The remaining shares of preferred and common will be exchanged for the respective outstanding shares of stock. No underwriting. To augment working capital.

Crawford Clothes, Inc., L. I. City, N. Y.
Aug. 9 filed 300,000 shares ($5 par) common stock. Underwriters—First Boston Corp., New York. Price by amendment. Proceeds—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

Cyprus Mines, Ltd., Montreal, Canada
May 31 filed 500,000 shares of common stock (par $1). Underwriters—Sabiston-Hughes, Ltd., Toronto. Offering—Shares will be offered to the public at 75 cents a share. Proceeds—Net proceeds, estimated at $300,000, will be used for mining operations.

● **De Pinna (A.) Co., New York (6/16)**
June 5 (letter of notification) 20,626 shares of Class A common. To be sold at market by private negotiation with or without the assistance of brokers or agents. Being sold by Guaranty Trust Co. of New York and Vivian De Pinna, trustees under the will of Leo S. De Pinna.

Disticraft, Inc., Chicago
May 8 (letter of notification) 15,000 shares Class B common. **Price**—At market. All or part of the securities may be sold through Bennett, Spanier & Co., Chicago, as agent. The shares are being sold on behalf of three officers of the company.

Divco Corp., Detroit
April 30 filed 34,963 shares ($1 par) common. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co., both of New York. **Price**—By amendment. **Proceeds**—Shares are being sold by a stockholder. Twin Coach Co., Kent, O., which will receive all proceeds.

Douglas Oil Co. of California, Clearwater, Calif.
March 13 (letter of notification) 11,500 shares ($25 par) 5¼% cumulative convertible first preferred. To be offered at a maximum of $26 a share. **Underwriters** — Pacific Co. of California, Cruttenden & Co., Pacific Capital Corp., all of Los Angeles; Brush Slocumb & Co., San Francisco; and Adele W. Parker, Clearwater. To purchase 493 shares of capital stock of G. H. Cherry, Inc. out of a total of 625 such shares presently outstanding.

Drackett Co., Cincinnati
April 28 filed 14,300 ($1 par) common shares. **Underwriter**—Van Alstyne, Noel & Co. **Proceeds**—Stock is being sold by Harry R. Drackett, President (6,929 shares) and Charles M. Drackett, 7,371 shares). **Price** — By amendment.

Duraloy Co., Scottdale, Pa.
March 12 (letter of notification) 25,000 shares ($1 par) common on behalf of the issuer, 12,500 shares ($1 par) common for the account of Thomas R. Heyward, Jr., and 12,500 shares ($1 par) common for the account of Mrs. Thomas R. Hayward, Jr. **Price**—At market (approximately $3.25 per share). **Underwriter**—Johnson & Johson, Pittsburgh, Pa., and The First Cleveland Corp., Cleveland. The company will use its proceeds for working capital.

East Coast Electric Co.
Mar. 28 filed 60,000 shares of $10 par common. **Underwriters**—To be determined by competitive biding. Probable bidders include Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. The stock is being offered by East Coast Public Service Co., parent. Bids for purchase of the stock scheduled for May 19 has been postponed indefinitely.

● **Eastern Industries, Inc., New Haven, Conn.**
June 3 (letter of notification) 22,000 shares of common. **Price**—$1.50 a share. No underwriting. For general corporate purposes.

Edelbrew Brewery, Inc., Brooklyn, N. Y.
Dec. 31 filed 5,000 shares ($100 par) 5% non-cumulative preferred. Underwriters—None. Offering—To be offered at par to customers, officers and employees of the company. Proceeds — For corporated purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

● **Emery Air Freight Corp., New York**
June 5 (letter of notification) 17,000 shares (20 cent par) common. **Price**—$2.45 a share. **Underwriter**—Gillen & Co., New York. Shares being sold on behalf of Charles Welker, a former Vice-President of the company. Expected to be offered to employees.

● **Excell Tire & Rubber Manufacturing Co., Chicago**
June 3 (letter of notification) 43,000 shares of common. **Price**—$5 a share. To be sold through officers and directors of company. To purchase land and for erection of factory and for purchase of machinery.

● **Fairchild Engine & Airplane Corp., New York**
June 6 (letter of notification) 7,500 shares ($1 par) common. Shares are issuable upon exercise of option to be granted to Andre Planiol for purchase of the stock at $2.50 a share up to Dec. 31, 1949. No underwriting. For general corporate purposes.

Fairport Materials Corp., New York
April 29 (letter of notification) 2,250 shares (no par) $5 cumulative preferred and 22,500 shares (1c par) common. **Price**—$100.50 per unit, consisting of one share of preferred and 10 shares of common. **Underwriter**—Eastman, Dillon & Co., New York. To purchase machinery and equipment and for other working capital requirements.

● **Family Book Club of America, Inc., Springfield, Mass.**
June 5 (letter of notification) 60,000 shares 6% cumulative convertible preferred ($5 par) and 60,000 shares (10c par) common. **Price**—$5 per unit, consisting of one share of each. To be sold through officers and employees of company. For working capital.

● **Farrington Manufacturing Co., Boston**
June 4 (letter of notification) 4,000 shares 5½% preferred; warrants to subscribe for 4,000 shares of Class A common; and 4,000 shares of Class A common. **Prices**—One share of preferred and one warrant, $52.75; one share of Class A common, $11. **Underwriter**—Sides, Morse & Co., Inc., Boston. For working capital.

Federal Electric Products Co., Newark, N. J.
Feb. 26, filed 150,000 shares ($1 par) common class A. **Underwriter**—E. F. Gillespie & Co., Inc., New York. **Price**—$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B ($1 par) common at $7.25 a share, exercisable for a period of three years. **Proceeds**—Proceeds of approximately $870,000, together with $755,000 of other bonds, will be used to repay the balance of $34,000 of a property mortgage, to pay off loans in the amount of $1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

Ferguson (Harry), Inc., Detroit
Mar. 31 filed 100,000 shares ($50 par) 4¾% cumulative preferred and 250,000 shares ($1 par) common. **Underwriters**—F. Eberstadt & Co., Inc., New York, and Watling, Lerchen & Co., Detroit. Price by amendment. **Proceeds**—To equip and improve recently acquired Cleveland, O. plant. Offering postponed.

Films Inc., New York
June 25, 1946 filed 100,000 shs. ($5 par) Cl. A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each shares of class A stock is initially convertible into 2 shares of common stock. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Offering** — To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

● **Fleming Co., Inc., Topeka, Kansas**
June 4 (letter of notification) 2,500 shares of $25 par common. **Selling Price**—A minimum of $45 and a maxi-

mum of $60 a share. No underwriting. For working capital.

● **Fleming-Hall Tobacco Co., Inc. (6/17)**
June 10 (letter of notification) 50,000 shares of common stock (par $1). Name of underwriter by amendment. **Price**—To be sold at market, total price not to exceed $100,000. **Proceeds** to S. C. Korn.

Florida Power Corp., St. Petersburg, Fla.
June 4 filed 100,000 shares ($7.50 par) common. **Underwriters**—To be filed by amendment. **Offering**—The shares will be offered for subscription to common stockholders in the ratio of one share for each 10 shares held. **Price**—By amendment. **Proceeds**—To be used in $9,450,000 construction program.

Fresh Dry Foods, Inc., Columbia, S. C.
Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital.

● **Fuller & Smith & Ross, Inc., Cleveland**
June 4 (letter of notification) 1,500 shares (no par) common. **Price**—$134.24 a share. No underwriting. For increased working capital.

● **General Foods Corp.**
June 11 filed 250,000 shares of preferred stock (no par). **Underwriters**—Goldman, Sachs & Co., and Lehman Bros. **Proceeds**—Money will be used for the company's new building, for replacements and renewals and for the increased cash requirements due mainly to higher cost inventories and to repay bank loans required for these purposes.

Glensder Textile Corp., New York
Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. Underwriter — Van Alstyne, Noel & Co. Offering—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.

● **Golconda Mines, Inc., Denver, Colo.**
June 2 (letter of notification) 480,000 shares of stock. **Price**—25 cents a share. No underwriting. For mine exploration and development.

Greil Drug & Chemical Co., Pittsburgh
May 5 (letter of notification) 150,000 shares of common stock. **Price**—$1. **Underwriter**—Willis E. Burnside & Co., Inc., New York. Proceeds to buy all assets of Mid-State Pharmacal Co., Inc. of Bedford, Ind., which makes a complete line of over 150 drug items, and for additional working capital. Offering will not be made until company has qualified the sale of its shares in various bluesky states.

Griggs, Cooper & Co., St. Paul, Minn.
Sept. 3 (letter of notification) 12,000 shares ($1 par) common. Underwriters—Kalman & Co., Inc., St. Paul. Price—$25 a share. Proceeds — For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York
April 2, 1947 (by amendment), 30,000 shares at 4¾% cumulative preferred stock ($50 par) and 170,000 shares of $1 par common stock. **Underwriters**—Riter & Co. and Hemphill, Noyes & Co. **Offering**—Underwriters to purchase from the company 30,000 shares of preferred and 70,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. **Proceeds**—To retire $6 cumulative preferred, balance for reduction of bank loans.

● **Hall (C. M.) Lamp Co., Detroit, Mich.**
June 4 (letter of notification) 4,433 shares ($5 par) common. To be sold at market estimated at $10.25 a share through local brokers. Shares are being sold on behalf of Alice H. Hartz, Grosse Pointe Shores, Mich.

Hartfield Stores, Inc., Los Angeles
June 27, 1946 filed 120,000 shares ($1 par) common. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at $5 a share. **Proceeds**—Company is selling 50,000 shares and stockholders are selling 75,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

Hawaiian Electric Co., Ltd., Honolulu
Mar. 31 filed $5,000,000 first mortgage bonds, series F, due 1977. **Underwriters**—Dillon, Read & Co., Inc., New York, and Dean Witter & Co., San Francisco. Price by amendment. **Proceeds**—To repay $3,000,000 of short term promissory notes and to reimburse its treasury for previous construction expenditures.

Helena Mines, Inc., Eugene, Ore.
May 26 (letter of notification) $90,000 10-year 4% first mortgage bonds. **Price**—Par. To be sold through officers of company. For production of minerals from issuer's mines.

Helicopter Air Transport, Inc., Camden, N. J.
March 14 filed 270,000 shares of capital stock. **Underwriter**—Strauss Bros., Inc., New York. Underwriters may withdraw as such. **Price**—$3.50 a share. **Proceeds**—Net proceeds will be used to pay obligations, purchase helicopters and equipment and for working capital.

● **Home Book Publishers, San Francisco**
May 29 (letter of notification) 11,000 shares ($10 par) common and $50,000 ($10 par) 6% cumulative preferred. **Price**—$10 per share each. Underwriter for the preferred will be Hannaford & Talbot. No underwriter for common. To purchase business and for working capital.

● **Household Service, Inc., Clinton, N. Y. (6/16)**
June 9 (letter of notification) $50,000 5% sinking fund 10-year serial debentures, series B. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y. To erect plant for bulk storage of propane, for installation of equipment on customers' premises and for other plant expansion.

Hy-Grade Supply Co., Oklahoma City
Dec. 3 (letter of notification) 54,350 shares of cumulative convertible preferred and 50,000 common stock purchase warrants. **Price**—$5.50 a preferred share and 2 cents a warrant. **Underwriter**—Amos Treat & Co., New York. It is expected that a full registration will be filed later with the SEC.

Illinois Power Co., Decatur, Ill.
June 17, 1946 filed 200,000 shares ($50 par) cumu. preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

Interstate Power Co., Dubuque, Iowa
May 13 filed $19,400,000 of first mortgage bonds, due 1977, and 3,000,000 shares ($3.50 par) capital stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Goldman, Sachs & Co., and The First Boston Corp. (jointly); Halsey, Stuart & Co. Inc. (bond only); Harriman Ripley & Co., and Dillon, Read & Co. Inc. (stock only). **Proceeds**—For debt retirement, finance new construction and for working capital.

Iowa-Illinois Gas & Electric Co.
Feb. 15 filed $22,000,000 of first mortgage bonds due 1977. Underwriter—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co.; Harris, Hall & Co. (Inc.). Proceeds—Part of the proceeds will be used to pay mortgage debt of $10,578,000 and balance will be added to general funds.

Jahn & Ollier Engraving Co.
Feb. 26, filed 102,000 shares ($1 par) common. **Underwriter**—Sills, Minton & Co., Inc., Chicago. **Price**—By amendment. **Proceeds**—The shares, which constitute approximately 48.5% of company's outstanding common stock, are being sold to stockholders.

Kaman Aircraft Corp., West Hartford, Conn.
May 28 (letter of notification) 6,196 shares (no par) class A common and 400 shares (no par) class B common. **Price**—$25 a share each. **Underwriter**—Henry C. Robinson and Co., Hartford, Conn. To pay research expenses for development of aircraft.

● **Kansas-Nebraska Natural Gas Co., Phillipsburg, Kansas**
June 5 filed 5,000 shares (no par) $5 cumulative preferred and 56,992 shares ($5 par) common. **Underwriters**—Preferred shares will be underwritten by The First Trust Co. of Lincoln, Neb., and Cruttenden & Co., Chicago. **Offering**—Preferred publicly at a price to be supplied by amendment. Common will be offered initially at $10 a share to common stockholders in ratio of one share to each six shares held. **Proceeds**—For additional field lines, well drilling and new compressor units for the company's distributing system.

● **Kay's-Newport, Inc., Providence, R. I.**
June 5 (letter of notification) 4,080 shares of 5½% ($50 par) preferred. **Price** — $50 a share. **Underwriter** — G. H. Walker & Co., Providence, R. I. For payment of bank loan and expansion of business.

Kentucky Utilities Co., Lexington, Ky.
May 9 filed $24,000,000 of first mortgage bonds, Series A, due 1977, and 130,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders for securities include Blyth & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly) and Lehman Brothers and Lazard Freres & Co. (jointly). **Offering**—Bonds will be offered publicly while preferred stock initially will be offered in exchange for its outstanding ($100 par) 6% preferred and ($50 par) junior preferred. The basis of exchange will be one share of new preferred for each share of 6% preferred and one share of new preferred for each two shares of junior preferred. Shares of new preferred not issued in exchange will be sold at competitive bidding. Price to be determined by competitive bidding. **Proceeds**—Proceeds from the sale of new bonds will be used to redeem $21,000,000 of 4% first mortgage bonds, due 1970, at $105. Proceeds from the sale of new preferred will be used to redeem unexchanged shares of old preferred.

Keystone Driller Co., Beaver Falls, Pa. (6/16)
May 29 (letter of notification) $300,000 5% first mortgage bonds. **Price**—Par. **Underwriter**—S. K. Cunningham & Co., Inc., Pittsburgh, Pa., and Warren W. York & Co., Inc., Allentown, Pa. For payment of bank loans. Purchase of new machinery and for working capital.

La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa
April 30 filed 60,000 shares ($25 par) 5% cumul. convertible preferred. **Underwriter**—Paul H. Davis & Co., Chicago. **Price**—$25 per share. **Proceeds**—To be added to working capital and will be used in part to reduce current bank loans.

Lay (H. W.) & Co., Inc., Atlanta
April 18 filed 16,000 shares ($50 par) 5% cumulative convertible preferred and 15,000 shares ($1 par) common. **Underwriter**—Clement A. Evans & Co., Inc., Atlanta. **Offering**—All but 3,000 shares of the common will be sold publicly at $6.50 a share. The preferred will be offered to the public at $50 a share. The 3,000 shares of common not sold publicly will be offered to company officers and employees at $5 each. **Proceeds**—For construction of new plants at Atlanta and Memphis, Tenn. Offering indefinitely postponed.

Lerner Stores Corp., Baltimore, Md.
May 2 filed 100,000 shares ($100 par) cumulative preferred. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, N. Y. Price by amendment. **Proceeds**—To retire 31,870 shares of 4½% preferred at $105 a share and to repay $4,500,000 bank loan. Offering temporarily postponed.

Libby, McNeill & Libby
April 30 filed 100,000 shares (no par) preferred stock. **Underwriter** — Glore, Forgan & Co. **Offering** — Stockholders of record May 19 will be given the right to subscribe to the new stock at the rate of one share of preferred for each 36 shares of common owned. Rights expire June 2. **Proceeds**—The money will be used to complete a plant at Sunnyvale, Calif., and for other corporate purposes. Offering temporarily postponed.

● **Lientz (E. C.) & Co., Inc., Fillmore, Calif.**
June 3 (letter of notification) 80,000 shares of capital stock. **Price**—50 cents a share. No underwriting. For working capital.

● **Livingston Mines, Inc., Seattle, Wash.**
June 5 (letter of notification) 40,000 shares (5 cent par) common and $40,000 6% promissory notes. **Price**—5 cents per common share and notes in any denomination. **Underwriting**—Lobe, Inc., and A. M. Lind, both of Seattle. For operating expenses.

Manhattan Coil Corp., Atlanta, Ga.
May 20 filed $500,000 5% serial debentures, due 1949-1957; 12,000 shares ($25 par) 5½% cumulative convertible preferred and 85,000 shares ($1 par) common. **Underwriter**—Kirchofer & Arnold, Inc., Raleigh, N. C. **Price**—The debentures at 102.507, while the preferred shares will be offered at part and the common shares at $4 each. **Proceeds**—To retire bank indebtedness and to finance purchase of machinery and other plant equipment.

Manontqueb Explorations, Ltd., Toronto, Can.
April 10 filed 300,000 shares ($1 par) common. **Underwriter**—Name to be supplied by amendment. **Price**—40 cents a share. **Proceeds**—For exploration and development of mining claims. **Business**—Mining.

● **Marquette Cement Manufacturing Co., Chicago**
June 3 (letter of notification) 8,500 shares ($25 par) common. **Price**—$35 a share. No underwriting. For working capital.

● **May Department Stores Co. (6/26)**
June 6 filed $15,000,000 25-year debentures, due 1972, and 89,467 shares (no par) cumulative preferred. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, New York. Price by amendment. **Proceeds**—For construction of five new stores estimated to cost a total of $30,000,000. **Business**—Operation of department stores.

Mays (J. W.) Inc., Brooklyn, N. Y.
Feb. 28 filed 150,000 shares ($1 par) common. **Underwriter**—Burr & Co., Inc., New York. Price by amendment. **Proceeds**—Of the total, 100,000 shares are being sold by seven stockholders. The remaining 50,000 shares are being sold by the company, which will use its proceeds for general corporate purposes.

● **Merchants Refrigerating Co., New York (6/17)**
June 10 (letter of notification) 2,306 shares of class B stock (no par). **Underwriters**—None. **Price**—$15.50 per share. **Proceeds** to estate of William Fellowes Morgan.

Mid-Continent Airlines, Inc., Kansas City, Mo.
May 14 (letter of notification) 30,601.4 shares of common. **Price**—$7.50 a share. No underwriting. To be added to working capital.

Midland Cooperative Wholesale, Minneapolis
May 29 filed $1,000,000 4% non-cumulative preferred Stock "D." **Underwriting**—None. **Price**—$103 a share. **Proceeds**—For operating capital and other corporate purposes.

Mission Appliance Corp., Los Angeles
March 25 filed 58,000 shares ($5 par) common. **Underwriter**—Lester & Co., Los Angeles. **Price**—$11.50 a

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share. **Proceeds**—For construction of new plant building and an office building and for purchase of machinery and equipment.

Missouri Edison Co., Louisiana, Mo.

May 7 filed 80,000 shares ($5 par) common. **Underwriter**—Blair & Co., New York. **Price**—$10.50 a share. **Proceeds**—Shares being sold by L. F. Rodgers, Dallas, Tex., Treasurer and principal stockholder, who will receive proceeds.

● **Motion-Ad Corp., Philadelphia**

June 3 (letter of notification) 12,000 shares each of $1 par Class B common and Class A common. **Price**—$7.50 per unit, consisting of one share each. No underwriting. For inventory, working capital and other expenses.

● **Montgomery Elevator Co., Moline, Ill.**

June 2 (letter of notification) 2,000 shares ($100 par) preferred and 15,000 shares ($2 par) common. **Price**—$100 a preferred share and $5.50 a common share. To be sold through officers of company. To retire notes and for expansion of business.

Morris Plan Corp. of America, N. Y.

Mar. 31 filed $3,000,000 debentures. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—To retire outstanding bank loans.

National Securities & Research Corp., New York

May 29 filed 2,000,000 shares in investment trust fund, open-end diversified management type. **Underwriting**—National Securities & Research Corp., New York. **Price**—$10 a share. **Proceeds**—For investment. **Business**—Investment business.

National Supply Co., Pittsburgh, Pa. (6/24)

June 4 filed $15,000,000 debentures, due 1967. **Underwriters**—Goldman Sachs & Co. and Lehman Bros. **Price**—By amendment. **Proceeds**—To repay $11,250,000 instalment bank loans and other corporate purposes. **Business**—Manufacture of oil and gas well equipment.

● **Neptune Meter Co., New York**

June 5 (letter of notification) 4,800 shares of common. Being sold by John H. Ballantine, Herbert W. Ballantine and Gertrude D. Ballantine as executors of the estate of J. Herbert Ballantine. To be sold at market through Drysdale & Co., New York.

Nevada Gold Dredges, Inc., Reno, Nev.

June 3 (letter of notification) 30,000 shares ($10 par) preferred. **Price**—$10 a share. **Underwriters**—James K. Sloan and Ewing Harper, both of San Francisco. To acquire complete ownership of Idaho-Canadian Dredging Co.

● **Nevada Monarch Consolidated Mines Corp., Elko, Nev.**

June 5 (letter of notification) 550,000 shares ($1 par) common. **Price**—10 cents a share. No underwriting. For organization of business and for preliminary mining and development work.

Nevada-Wyoming Mines Co., Casper, Wyo.

May 26 (letter of notification) 250,000 shares ($1 par) common. **Price**—$1 a share. **Underwriter**—Steele and Co., New York. For working capital.

New York Telephone Co. (6/24)

May 23 filed $125,000,000 of 35-year debentures. **Underwriters**—To be sold at competitive bidding. Probable billers: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Harris Hall & Co (Inc.). **Proceeds**—Proceeds will be used to repay $79,300,000 of demand notes to its parent, American Telephone & Telegraph Co., and a $3,000,000 short term note owing the Chase National Bank, New York, plus $25,000,000 it expects to borrow from Chase prior to the sale of the debentures. The balance of proceeds will be used to meet further construction requirements. **Bids Invited**—Bids for the purchase of the debentures will be received up to 11:30 a.m. (EDT) June 24 at company's office Room 1600, 140 West St., New York.

● **Newport (R. I.) Post Publishing Co., Inc.**

June 3 (letter of notification) 30 shares of 4½% cumulative preferred. No underwriting. For publication of newspaper.

Nickel Cadmium Battery Corp., Easthampton, Mass.

June 2 (letter of notification) 30,000 shares ($10 par) 6% cumulative convertible preferred. **Price**—$10 a share. **Underwriter**—Harrison White, Inc., New York. **Proceeds**—To be added to general funds for general corporate purposes.

Old Poindexter Distillery, Inc., Louisville, Ky.

Mar. 31 filed 50,000 shares ($20 par) 5% convertible cumulative preferred and an unspecified number of ($1 par) common shares into which the preferred is convertible. **Underwriters**—F. S. Yantis & Co., and H. M. Byllesby & Co., both of Chicago. **Price**—At par. **Proceeds**—To be added to working capital.

● **100 W. Spring Street, Inc., Columbus, Ohio**

June 4 (letter of notification) $120,000 5% 20-year first mortgage bonds. **Price**—Par. No underwriting. To purchase group of buildings.

Oneida, Ltd., Oneida, N. Y.

May 27 (letter of notification) 20,500 shares ($12.50 par) common. **Price**—$12.50 a share. Offered at par to common stockholders of record June 13 at rate of one new share for each 10 shares held, exercisable within a 60-day period. No underwriting. For additional working capital.

● **Oregon-Washington Telephone Co., Hood River, Oregon**

June 2 (letter of notification) 1,000 shares ($100 par) preferred and 2,000 shares (no par) common. **Price**—$103 a preferred share and $20 a common share. **Underwriter**—Conrad, Bruce & Co., Seattle. To reimburse company for extensions and betterments.

Pennsylvania-Central Airlines Corp.

May 29 filed $9,850,000 15-year 3½% convertible income debentures, due 1960. The registration was filed as a step in obtaining consent of two-thirds of the holders of the outstanding income debentures to changes in the indenture to permit extension of a $4,000,000 bank loan. White, Weld & Co. will act as dealer-manager to engage in proxy solicitation. Holders of the outstanding debentures will be asked to approve changes in the indenture to eliminate present restrictions against creation of debt and give relief from any obligations to the sinking fund until 1950.

Popular Home Products Corp., N. Y.

May 9 (letter of notification) 75,000 shares of common stock (par 25c.) and 5,000 shares on behalf of Raymond Spector, President. **Price**—$3.75 per share. **Underwriter**—Eric & Drevers and Hill, Thompson & Co., Inc., New York. Proceeds will be advanced to Staze Inc., a wholly owned subsidiary, and used to eliminate factoring, to purchase packaging materials more advantageously, for working capital, etc.

Public Service Co. of Colorado (6/17)

May 16 filed $40,000,000 first mortgage bonds, due 1977, and $7,000,000 3% convertible debentures due 1962. **Underwriters**—To be sold at competitive bidding. Probable bidders include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc., and Smith, Barney & Co. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly). The debentures will be offered for subscription to the company's ($20 par) common stockholders on the basis of $8 of debentures for each share of common held. Following the sale of the bonds and debentures company intends to offer for sale 160,000 shares (par $100) new preferred, of which 62,199 shares will be offered to holders of the outstanding first preferred on a share-for-share exchange basis. **Proceeds**—The offering is in connection with a comprehensive refinancing program which provides for refunding of all the company's funded indebtedness and all presently outstanding 7, 6 and 5% first preferred stock. In addition part of the proceeds will be used to finance a $9,000,000 construction program. **Bids Invited**—Bids for the purchase of the bonds will be received up to 11 a.m. (EDT) on June 17 at office of Guaranty Trust Co., 140 Broadway, New York City. Company is also inviting bids at the same time for the underwriting of any 3% debentures not taken up by stockholders.

Public Service Co. of Indiana Inc.

March 26 filed $11,077,800 15-year 2¾% convertible debentures. **Underwriters**—None. **Offering**—For subscription by common stockholders in the ratio of $200 principal amount of debentures for each 20 shares of common held. The debentures will be convertible into common from May 1, 1947 to April 30, 1959. **Price**—Par **Proceeds**—For repayment of $11,500,000 of bank loan notes.

Public Service Co. of New Hampshire

May 12 filed $4,500,000 of first mortgage bonds, Series B, due 1977. **Underwriter**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lazard Freres & Co. and White, Weld & Co. (jointly); Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly). **Proceeds**—To finance in part a proposed construction program.

Public Service Co. of New Mexico

May 29 filed $6,800,000 30-year first mortgage bonds and 20,000 shares ($100 par) cumulative preferred. **Underwriters**—To be sold through competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp. and White Weld & Co. (jointly); Otis & Co.; Glore, Forgan & Co.; Halsey, Stuart & Co. Inc. (bonds only). **Proceeds**—For redemption and prepayment of $6,684,220 of indebtedness. The balance will be added to general funds to be used for expansion program.

Quebec Gold Rocks Exploration Ltd., Montreal

Nov. 13 filed 100,000 shares (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. **Price**—50¢ a share. **Proceeds**—For exploration and development of mining property.

● **Raleigh Red Lake Mines, Ltd., Toronto, Can.**

June 9 filed 460,000 shares of stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—25 cents a share. **Proceeds**—To finance diamond drilling and land surveys. **Business**—Mining business.

● **Ray Plastic Products, Inc., Reno, Nev.**

June 6 (letter of notification) 80,000 shares of common. **Price**—$1 a share. To be sold through Raymond L. Crump, Long Beach, Calif., a salesman. For purchase of factory site, machinery and for working capital.

● **Reed Research, Inc., Washington, D. C.**

May 27 (letter of notification) 125,000 shares (50c par) common and warrants representing the right to purchase 47,500 shares of common. **Price**—$1 a common share and ½c a warrant. **Underwriter**—Stubner & Co., New York. To pay off chattel mortgage and for working capital.

Refrigerated Cargoes, Inc., New York

Feb. 3 filed 25,000 shares ($100 par) 6% cumulative preferred and 25,000 shares (no par) common. **Underwriter**—John Martin Rolph, Vice-President and director of company. **Price**—The stocks will be sold at $105 per unit consisting of one share of preferred and one share of common. **Proceeds**—To be used in organization of business.

Republic Pictures Corp., New York

Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. **Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.**

● **Riatla Holding Co., Summit, N. J. (6/15)**

June 3 (letter of notification) 300 shares capital stock. **Price**—$50 per share. No underwriters. For development of mining claims.

Rochester (N. Y.) Gas & Electric Corp.

May 26 filed $16,677,000 first mortgage bonds, Series L, due 1977, and 50,000 shares ($100 par) preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley; Lehman Brothers; The First Boston Corp. and Smith, Barney & Co. (jointly). **Proceeds**—To redeem all of its outstanding $7,675,000 bonds and to repay $3,500,000 bank loan and to finance new construction.

● **Rochester (N. Y.) Telephohne Co.**

June 4 filed 67,500 shares ($100 par) cumulative preferred. **Underwriting**—By competitive bidding. Probable bidders—Merril Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co.; Blyth & Co., Inc.; Glore, Forgan & Co. **Proceeds**—To redeem 4½% Series A first cumulative preferred, pay off demand notes, and for property expansion and conversion of telephone system from manual to automatic dial operation in Rochester.

● **Rushmore Life Underwriters, Inc.**

June 6 (letter of notification) 756 shares of Class B common. **Price**—$200 a share. No underwriting. For construction of houses near Rapid City, S. D., and to purchase certificate of indebtedness of Rushmore Mutual Life Insurance Co.

Salant & Salant, Inc., New York

March 28 filed 240,000 shares ($2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

● **Santa Maria Mines, Ltd., Toronto, Can.**

June 10 filed 500,000 shares of stock. **Underwriting**—Mark Daniels & Co., Toronto. **Price**—50 cents a share. **Proceeds**—For mining activities. **Business**—Mining business.

Seaboard Container Corp. (6/23-27)

May 9 filed 75,000 shares ($20 par) 5% cumulative convertible preferred and 75,000 shares ($1 par) common. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$20 a preferred share and $9 a common share. **Proceeds**—The company will receive proceeds from the sale of all the preferred and 25,000 shares of the common. The remaining shares of common are being sold by stockholders. Company will use its proceeds to redeem $250,000 of 5-year debentures and to repay a $450,000 bank loan. The balance will be used to finance construction of a new plant at Bristol, Pa.

● **Selleck Industries, Inc., Portland, Ore.**

May 22 (letter of notification) 7,500 shares ($20 par) common. **Price**—$20 a share. No underwriting. To purchase rights and title to all aluminum ironing table.

Service Caster & Truck Corp., Albion, Mich.

April 10 filed 32,000 shares ($25 par) $1.40 convertible preferred and 53,962 shares ($1 par) common. **Underwriter**—Smith, Burris & Co., Chicago. **Price**—$25 a preferred share and $10 a common share. **Proceeds**—Proceeds, together with funds to be provided by a term bank loan, will be used to discharge indebtedness to Domestic Credit Corp.

Silver Creek (N. Y.) Precision Corp.

May 23 (letter of notification) 125,000 shares (40c par) common. **Price**—$2 a share. No underwriting. For working capital.

Solar Manufacturing Corp.

March 19 (by amendment) filed 110,000 shares of 75¢ cumulative convertible preferred stock, series B (par $5) **Underwriters**—Van Alstyne, Noel & Co. Price per share $12.50 **Proceeds**—Net proceeds will be applied to redemption of bank loans and to cover part of cost of expansion program.

Southern Airways, Inc., Birmingham, Ala.

May 19 (letter of notification) 81,500 shares ($1 par) common. **Price**—$1 a share. No underwriting. To reduce bank loans and to increase working capital.

● **Southern Bell Telephone & Telegraph Co. (7/8)**

June 9 filed $75,000,000 40-year debentures, due 1987. **Underwriter**—By competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. **Proceeds**—For payment of demand notes held by the company's parent, American Telephone & Telegraph Co., and to meet further requirements of its nine-state expansion program. **Bids Invited**—Bids for the purchase of the bonds will be received up to 11:30 a.m. (EDT) July 8 at 195 Broadway, New York.

Southern California Gas Co. (6/23)
May 15 filed $12,000,000 first mortgage bonds, 2⅞% series, due 1977. **Underwriting**—To be sold at competitive bidding. Probable bidders include Blyth & Co., Inc.; Halsey, Stuart & Co., Inc.; Harris Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co. **Proceeds**—To construct natural gas pipe line connection to the Hugoton-Panhandle Fields, Texas, and to reimburse company treasury for construction expenses. **Bids Invited**—Bids for purchase of bonds will be received up to 9:30 a.m. (PST) June 23, at company's office, 810 South Flower Street, Los Angeles, Calif.

Southern Webbing Mills, Inc., Greensboro, N. C.
May 20 (letter of notification) 16,215 shares ($10 par) capital stock. **Price**—$10 a share. No underwriting. For reduction of bank loans and for other current liabilities.

● **Standard Paper Box Corp., Los Angeles**
June 2 (letter of notification) 8,000 shares ($25 par) preferred and 1,600 shares of common. **Price**—Preferred $25 a share and common $35 a share. No underwriting. For business expansion.

Strauss Fasteners Inc., New York
March 25 filed 25,000 shares of 60 cents cumulative convertible preferred. **Underwriter**—Floyd D. Cerf Co. Inc., Chicago. **Offering**—The shares initially will be offered for subscription to common stockholders of Segal Lock & Hardware Co. Inc., parent, at $9 a share in the ratio of one share of preferred for each 30 shares of Segal common held. Unsubscribed shares of preferred will be offered publicly at $10 a share. **Proceeds**—For additional working capital.

● **Sun Oil Co., Chester, Pa.**
June 9 filed stock purchase plan for 8,500 employees of the Sun Oil Co., which becomes effective July 1. It is expected that a maximum of 80,000 shares (no par) common stock will be purchased under the plan during the year. Purchase will be principally through the open market. Contributions will be made by the employee and the company. The plan, started in 1926, is continued yearly.

Sussex County Distillery Co., Inc., Quarryville, N. J.
May 7 (letter of notification) $180,000 10-year 7% debenture bonds and 54,000 shares ($2 par) common. **Price** $800 per unit, consisting of one $500 bond and 150 shares of common. No underwriting. For retirement of outstanding loans and for additional working capital.

Textron Inc., Providence, R. I.
Feb. 28 filed 300,000 shares ($25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles. Price by amendment. **Proceeds**—For payment of $3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of $1-000,000 each, and for working capital. Offering date indefinite.

● **Thomas (I. P.) & Son Co., Camden (6/15)**
June 6 (letter of notification) 3,000 shares ($100 par) preferred, and 2,500 shares ($100 par) 5% preferred. **Price**—$100 a share for 3,000 shares of preferred, while the 2,500 shares of preferred are to be issued in connection with the exchange of old 7% preferred for the new. **Underwriting**—Suplee, Yeatman & Co., Inc., Philadelphia. To redeem outstanding 7% preferred and for additional working capital.

Toledo (O.) Edison Co. (6/16)
Oct. 25 filed $32,000,000 first mortgage bonds, due 1977, and 160,000 shares of ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. Price to be determined by competitive bidding. **Proceeds**—Net proceeds together with $4,-500,000 bank loan and if necessary, the $5,000,000 to be contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of $55,906,590, exclusive of interest and dividends. **Bids**—Bids for the purchase of the securities will be received up to 11 a.m. (EDT) June 16, at Room 1600, 70 Pine Street, New York City.

Tucker Corp., Chicago
May 6 filed 4,000,000 shares ($1 par) Class A common. **Underwriter**—Floyd D. Cerf Co., Chicago. **Price**—$5 a share. The underwriting discount will be 70 cents a share. **Proceeds**—To lease and equip manufacturing plant at Chicago, and for other operating expenses.

● **United Wholesale Druggists of Portland, Inc., Portland, Ore.**
May 29 (letter of notification) 1,000 shares (no par) capital stock. **Price**—$50 a share. No underwriting. For purchase of merchandise and for working capital.

Utah Chemical & Carbon Co., Salt Lake City
Dec. 20 filed $700,000 15-year convertible debentures due 1962, and 225,000 shares ($1 par) common. The statement also covers 112,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. **Price**—Debentures 98; common $3.75 per share. **Proceeds**—For plant construction, purchase of equipment and for working capital.

Vauze Dufault Mines, Ltd., Toronto, Canada
Mar. 31 filed 500,000 shares ($1 par) common. **Underwriter**—Name to be filed by amendment. **Price**—50 cents a share. **Proceeds**—For general operating expenses.

Victory Gold Mines Ltd., Montreal, Canada
Nov. 13 filed 400,000 shares ($1 par) capital stock. **Underwriter**—Paul E. Frechette. **Price**—25 cents a share. **Proceeds**—For developing mining property. **Business**—Acquiring and developing mining properties.

● **Walker Vitamin Products, Inc., Mt. Vernon, N. Y. (6/17)**
June 10 (letter of notification) 5,995 shares of class B common stock (par 50c) and 705 shares of class A common stock (par 50c). **Underwriters**—None. **Price**—$7.50 per share. **Proceeds** to Theodore Blanchard.

Weber Showcase & Fixture Co., Inc.
Mar. 31 filed 108,763 shares ($5 par) common. **Underwriters**—Blair & Co., Inc. and Wm. R. Staats Co. **Offering**—Shares will be offered for subscription to Weber's common stockholders. Certain shareholders have waived subscription rights. The unsubscribed shares will be offered publicly through underwriters. Price by amendment. **Proceeds**—To retire preferred stock and to reduce bank loans.

● **West Star Mining Co., Coeur d'Alene, Idaho**
June 6 (letter of notification) 400,000 shares of common. **Price**—50 cents a share. To be sold through officers, employees and agents. For prospecting of mining property.

Western Electric Co., New York
April 16 (letter of notification) 1,500,000 shares (no par) common. Stockholders of record May 14 are given the right to subscribe for the additional shares at $40 per share in ratio of one new for each five shares held. Rights expire June 27. No underwriting. To reduce indebtedness and to reimburse its treasury.

Wisconsin Power & Light Co., Madison, Wis.
May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co.; Dillon, Read & Co., Inc. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

Workers Finance Co., Newark, N. J.
May 26 (letter of notification) $225,000 6% 20-year debentures. **Price**—$100 per unit. No underwriting. To be sold direct or in exchange for outstanding preferred and debentures. **Purpose**—To eliminate outstanding preferred and debentures and to carry on business.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● **Butterworth (H. W.) & Sons**
June 5 reported company is negotiating a stock issue of about $1,000,000 with R. S. Dickson & Co. as underwriter.

● **Dow Chemical Co.**
July 22 stockholders will vote on splitting common shares four-for-one and on creating a new issue of 200,000 shares of second preferred to be offered publicly. Traditional underwriter: Smith Barney & Co.

● **Hooker Electrochemical Co.**
June 28 stockholders will vote on authorizing a new issue of 200,000 shares of preferred stock (no par) and on changing presently authorized common from 385,000 (par $10) to 770,000 shares (par $5) and on authorizing an additional 730,000 shares of common stock (par $5). It is planned to issue through underwriters for sale to public, 100,000 to 120,000 shares of preferred stock, a portion of the proceeds to be used to retire 50,000 $4.25 preferred stock. Company has under consideration the offering for subscription to common stockholders between 150,000 and 175,000 shares of common stock. Proceeds would be used for capital expenditures, etc. Probable underwriter of preferred: Smith Barney & Co.

Illinois Terminal RR. (6/18)
Bids for the purchase of $1,030,000 serial equipment trust certificates will be opened June 18. Certificates will be dated July 1 and will mature in 20 semi-annual instalments.

● **New York Chicago & St. Louis RR.**
June 4, should be ICC find that severance of association of the Chesapeake & Ohio Ry. with the "Nickel Plate" is not adverse to the latter, certain restrictions are advocated by representatives of the Nickel Plate, according to a petition filed with the Commission. Oliver R. Grace, a director of the Nickel Plate, asked the ICC to favor the severance and to require the C & O to sell its Nickel Plate holdings at competitive bidding within six months after approval of any relationship or interlocking directorship between the C & O and the New York Central Railroad.

● **Pittsburgh Coke & Chemical Co.**
Aug. 4 stockholders will vote on increasing authorized $5 preferred stock from 60,000 to 120,000 shares. There are currently outstanding 23,782 of these shares, not including those in the company's treasury and those held by a wholly owned subsidiary. Management does not have any present plans for issuing extra preferred shares, but directors feel the company should be in a position to take prompt advantage of any opportunity which may make advisable the issuance of additional preferred stock. Traditional underwriters: Hemphill, Noyes & Co.; Riter & Co.; E. H. Rollins & Sons, Inc.

● **Public Service Electric & Gas Co.**
June 9 reported Halsey, Stuart & Co. Inc. has formed group to bid on any new bond financing undertaken by company. Company has $26,000,000 1st ref. 3¼% bonds due 1966 outstanding, in addition to some $27,000,000 non-callable assumed bonds due in 1949.

● **Warren Petroleum Corp.**
June 30 stockholders will vote on authorizing an issue of 150,000 shares of preferred stock (par $100). Traditional underwriter, Merrill Lynch, Pierce, Fenner & Beane.

Wheeling & Lake Erie Ry. (6/19)
Bids for the purchase of $2,940,000 equipment trust certificates will be received by the company up to June 19. The certificates will mature semi-annually from January, 1948, to July, 1957, and will finance not more than 80% of the cost of the equipment. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Halsey, Stuart Offers Michigan Consolidated Gas Bond Issue

An underwriting syndicate headed by Halsey, Stuart & Co. Inc., is offering today an issue of $6,-000,000 Michigan Consolidated Gas Co. first mortgage 25-year 2⅞% bonds at 102.05 and interest, to yield 2.75%. The issue was awarded June 9 on a bid of 101.269. The net proceeds, together with funds to be received from the sale of additional common shares to Michigan's parent, American Light & Traction Co., will be used to finance its property construction and equipment program and to reimburse its treasury for previous construction expenditures.

SEC Stops Tucker Stock Registration

On June 11, 1947, the Securities and Exchange Commision announced it was starting stop-order proceedings against a registration statement submitted by the Tucker Corp., Chicago, auto manufacturing concern organized a year ago by Preston Tucker, well-known builder of racing cars.

Halsey Stuart Offers Edison Company Bonds

Halsey, Stuart & Co. Inc. and associates offered publicly June 11 $30,000,000 Consolidated Edison Co. of New York, Inc. first and refunding mortgage bonds, 2¾% series C, due June 1, 1972 at 102% and accrued interest. The group won the award of the bonds at competitive bidding.

Net proceeds will be applied by Consolidated Edison toward the cost of redeeming, at 101½% of the principal amount thereof, $35,-000,000 20-year 3½% debenture series due April 1, 1956 and to the payment of the principal of short-term bank loans aggregating $24,-050,000. The balance of the proceeds, amounting to $1,280,594, is to be deposited in a special fund which may be drawn upon from time to time for additions to utility plant (over and above such additions as may be constructed through funds originating from credits to the depreciation reserve and net salvage) or as otherwise authorized by the Public Service Commission of the State of N. Y.

Indications of Business Activity

The following statistical tabulation, which we are giving in this form for the first time, covers production and other figures for the latest week available (dates shown in first column are either for the week ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 15	96.9%	97.0%	94.2%	76.1%
Equivalent to—					
Steel ingots and castings produced (net tons)		1,695,700	1,697,400	1,648,400	1,341,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls.)	May 31	5,024,350	5,024,850	4,950,900	4,755,900
Crude runs to stills—daily average (bbls.)	May 31	5,000,000	4,970,000	4,816,000	4,826,000
Gasoline output (bbls.)	May 31	14,709,000	14,927,000	14,383,000	14,247,000
Kerosine output (bbls.)	May 31	2,002,000	2,010,000	1,904,000	2,069,000
Gas oil and distillate fuel oil output (bbls.)	May 31	5,732,000	5,518,000	5,294,000	4,932,000
Residual fuel oil output (bbls.)	May 31	8,910,000	8,292,000	7,836,000	8,619,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 31	95,876,000	97,827,000	103,505,000	93,960,000
Kerosine (bbls.) at	May 31	12,066,000	11,074,000	9,560,000	12,741,000
Gas oil and distillate fuel oil (bbls.) at	May 31	36,032,000	35,212,000	31,899,000	33,885,000
Residual fuel oil (bbls.) at	May 31	45,224,000	44,499,000	42,944,000	43,845,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight cars loaded	May 31	830,383	890,605	882,684	626,885
COAL (U. S. BUREAU OF MINES AND NATIONAL COAL ASSOC.):					
Bituminous coal and lignite (tons)	May 31	12,050,000	12,820,000	12,570,000	3,589,000
Pennsylvania anthracite (tons)	May 31	835,000	1,084,000	1,094,000	749,000
Beehive coke (tons)	May 31	124,400	134,700	128,600	8,900
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	June 5	$121,077,000	$72,226,000	$95,160,000	$182,168,000
Private construction	June 5	48,970,000	39,037,000	41,724,000	119,838,000
Public construction	June 5	72,107,000	33,189,000	53,436,000	62,330,000
State and municipal	June 5	39,297,000	27,433,000	36,279,000	53,590,000
Federal	June 5	32,810,000	5,756,000	17,157,000	8,740,000
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 7	4,635,218	4,429,109	4,653,137	3,920,444
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 4	21.625c	22.000c	21.225c	14.150c
Export refinery at	June 4	22.825c	23.675c	23.675c	14.325c
Straits tin (New York) at	June 4	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	June 4	15.000c	15.000c	15.000c	8.250c
Lead (St. Louis) at	June 4	14.800c	14.800c	14.800c	8.100c
Zinc (East St. Louis) at	June 4	10.500c	10.500c	10.500c	8.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	June 10	121.64	121.70	121.64	124.02
Average corporate	June 10	116.80	117.00	117.40	118.80
Aaa	June 10	122.09	122.50	122.50	123.13
Aa	June 10	120.02	120.43	120.43	121.46
A	June 10	116.61	116.43	116.80	118.40
Baa	June 10	109.06	109.42	110.34	112.56
Railroad Group	June 10	111.25	111.62	112.37	116.02
Public Utilities Group	June 10	118.60	118.60	118.80	119.00
Industrials Group	June 10	120.84	120.84	121.25	121.25
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	June 10	1.57	1.57	1.57	1.47
Average corporate	June 10	2.81	2.80	2.78	2.71
Aaa	June 10	2.54	2.53	2.53	2.50
Aa	June 10	2.64	2.63	2.63	2.58
A	June 10	2.82	2.83	2.81	2.73
Baa	June 10	3.22	3.20	3.15	3.03
Railroad Group	June 10	3.10	3.08	3.04	2.85
Public Utilities Group	June 10	2.72	2.72	2.71	2.70
Industrials Group	June 10	2.61	2.61	2.60	2.59
MOODY'S COMMODITY INDEX	June 10	397.8	395.1	401.4	286.0
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	June 7	216.3	215.6	214.6	147.4
Fats and oils	June 7	214.6	215.9	227.8	147.4
Cottonseed oil	June 7	273.5	279.2	302.0	163.1
Farm products	June 7	245.4	245.6	246.5	179.3
Cotton	June 7	347.7	343.2	344.9	267.8
Grains	June 7	259.2	268.1	250.2	190.3
Livestock	June 7	227.6	226.2	232.5	162.4
Fuels	June 7	172.2	172.2	170.4	131.4
Miscellaneous commodities	June 7	158.4	157.6	157.9	138.6
Textiles	June 7	216.4	215.5	216.4	168.4
Metals	June 7	150.6	149.4	147.9	122.2
Building materials	June 7	187.2	188.2	203.3	167.8
Chemical and drugs	June 7	154.7	157.4	157.5	127.5
Fertilizer materials	June 7	125.8	128.0	127.5	114.8
Fertilizers	June 7	134.5	134.5	134.5	119.8
Farm machinery	June 7	125.3	125.3	125.5	105.8
All groups combined	June 7	196.7	196.5	196.8	148.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 31	181,398	148,740	232,682	142,001
Production (tons)	May 31	177,998	179,001	181,063	139,693
Percentage of activity	May 31	98	101	102	85
Unfilled orders (tons) at	May 31	511,918	507,171	582,603	567,068
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	May 31	147.4	146.9	146.8	111.1
Farm products	May 31	178.4	177.2	177.6	138.8
Foods	May 31	161.6	160.3	160.3	111.8
Hides and leather products	May 31	166.5	166.4	171.9	120.9
Textile products	May 31	138.5	138.3	137.8	108.2
Fuel and lighting materials	May 31	104.1	104.3	103.9	86.7
Metal and metal products	May 31	142.3	141.8	140.8	109.5
Building materials	May 31	178.0	177.0	178.0	127.8
Chemicals and allied products	May 31	126.4	126.0	130.5	96.6
Housefurnishing goods	May 31	129.5	129.4	128.6	110.0
Miscellaneous commodities	May 31	116.1	116.5	115.2	97.8
Special groups—					
Raw materials	May 31	161.1	160.3	161.3	125.1
Semi-manufactured articles	May 31	143.1	142.6	144.7	101.7
Manufactured products	May 31	142.5	142.1	141.1	106.5
All commodities other than farm products	May 31	140.7	140.4	140.1	105.1
All commodities other than farm products and foods	May 31	132.3	132.2	132.0	104.3

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

F. Abbot Goodhue, President of **The Bank of the Manhattan Co. of New York**, announced the appointment on June 6 of George Senn as a member of the bank's Queens County Committee. Mr. Senn, a graduate of Stevens Institute, is President of the Senn Products Corp. of Brooklyn and President of the National Preservers Association. During the war Mr. Senn served on advisory boards in Washington for the War Food Administration.

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Co. of New York**, announced on June 6 that Arthur Rudolph and Ernest L. DeFillips of the Midtown office, 39th Street and Seventh Avenue, were appointed Assistant Cashiers.

* * *

The **Chartered Bank of India, Australia & China** announces the receipt of advices from its Saigon agent advising that the bank's Haiphong Agency reopened for business on May 12.

* * *

The **National Bronx Bank of New York, N. Y.**, increased its capital, effective May 28, from $750,000 to $1,000,000 by the sale of new stock.

* * *

An increase in the capital stock of the **National State Bank of Elizabeth, N. J.**, from $700,000 to $800,000 by the sale of 100,000 of new stock became effective May 26, according to a recent bulletin of the Comptroller of the Currency.

* * *

The **Pennsylvania Company for Banking and Trusts in Philadelphia** announces the inauguration of a new service to the public available beginning June 9 at each of its 17 branch offices, located in metropolitan Philadelphia and its suburbs. Known as Trust Advisory Service, confidential advice will be offered on matters having to do with the protection and management of property by a staff of trained and experienced trust advisors.

* * *

The newly-organized **Fayette National Bank & Trust Co. of Uniontown, Uniontown, Pa.**, has become a member of the Federal Reserve System, it is announced by President Ray M. Gidney of the Federal Reserve Bank of Cleveland. S. Ray Shelby is President of the newly organized bank and other officers are: Alson C. Eggers and Earl Huston, Vice-Presidents; Howard B. Johnston, Cashier, and Linn V. Phillips, Trust Officer.

* * *

The Commerce National Bank of Toledo, Ohio, formerly the Commerce Guardian Bank, began operating as a National bank on June 2. This bank is the only institution in Toledo having a national charter. The Toledo "Blade" in making this known on June 2 also said: "Shareholders in the bank approved the change-over May 6. At the same time they authorized a recapitalization plan to increase its capital surplus to $3,100,000 and its lending limit to $310,000."

* * *

The **First National Bank of Danville, Ill.**, celebrated on May 12 its 75th Anniversary. It was chartered on May 12, 1872, only seven years after the end of the Civil War, with a paid in capital of $100,000. During the span of 75 years, 10 major depressions have come and gone and three wars have been fought and won by our country. To commemorate its anniversary the bank on May 12 increased its surplus account from $900,000 to $1,000,000 by transferring $100,000 from reserves not needed in the conduct of the business. The Surplus Account is now 3 1/3 times the amount of the capital stock.

* * *

A proposal to split the stock of the **Jefferson Bank & Trust Company of St. Louis** 5 to 1 was approved by the stockholders on June 3, thereby increasing the number of shares from 2,000 to 10,000, it was stated in the St. Louis "Globe Democrat" of June 4. The same paper notes that Byron Moser was elected Chairman of the Board, to succeeed Thomas T. Poleman, from whom Mr. Moser and associates bought 9,000 of the 10,000 shares. The bank has a capital of $200,000.

* * *

The election of Charles W. Brooks as Chairman of the Board of the **Stock Yards Bank of Louisville, Ky.**, was announced on June 4 by L. M. Sanders, President of the institution. Mr. Brooks succeeds the late Foster H. Embry, it was noted in the Louisville "Courier-Journal" from which we also take the following:

"Mr. Sanders also announced the election of H. Foster Embry as a member of the board of directors, succeeding his late uncle. Both young Embry and Brooks have been active in livestock trade here for years.

"Mr. Brooks has been a director of the bank since 1932. Mr. Brooks organized C. W. Brooks & Co., livestock brokers, 25 years ago. Five years later, he merged with a similar firm into the present Kennett, Murray & Brooks, of which he is general manager.

"Mr. Embry has been Treasurer of Tatum-Embry & Co., livestock brokers, for the last 10 years. He is a partner in Embry & Co., livestock order buyers, and Vice-President of Embry Brothers, material handling equipment."

* * *

The **National Deposit Bank in Owensboro, Ky.**, is reported by the Comptroller of the Currency to have changed its name to the Owensboro National Bank. The change became effective on June 2.

* * *

With an extensive modernizing program within the structure of **The First National Bank of Miami, Fla.**, nearing completion, Wiley R. Reynolds, President, announced announced on June 1, the ratification of the merger of the American National Bank of Miami and The First Trust Company with and into The First National Bank of Miami, effective at the close of business June 14 and operative on the opening of business Monday, June 16. Approval of the merger by shareholders of the institutions concerned was given on May 28 without a dissenting vote. The Certificate of Approval of the consolidation agreement, issued by the Comptroller of the Currency of the United States was received by the bank on May 31. Federal Deposit Insurance Corporation approval was also obtained. The merger, the President announced, brings the entire personnel, operating officers and board members of the American National Bank into The First National. The First Trust Company at the same time, becomes a part of the Trust Department of The First National Bank of Miami.

The present board of directors of The First National Bank of Miami will remain unchanged with the merger and will continue to guide the affairs of the consolidated bank. Wiley R. Reynolds, Sr., and his family purchased the controlling interest of the bank from E. C. Romfh in May 1946. The following now head the three institutions to be consolidated: Wiley R. Reynolds, President, The First National Bank of Miami; Clement B. Chinn, President, American National Bank of Miami; R. C. Houser, President, The First Trust Company, who is one of the oldest directors of The First National Bank.

* * *

The **United States National Bank of Portland, Oregon,** purchased the First National Bank in Vale, operating it as its Vale Branch effective June 2, according to an announcement by E. C. Sammons, President of the Portland bank. The Vale purchase marks the fifth branch opened by The United States National Bank in less than two years and brings to a total of 33 the branches now operated by it. The United States National Bank had deposits totaling more than $550,000,000 at the end of last year. The First National Bank in Vale had deposits in excess of $2,800,000 at the time of the transfer of ownership. D. E. Masterson, who has been Vice-President in charge of the Vale institution, has been named Manager of the new branch. Verl W. Dowers, who has been Cashier, will be Assistant Manager.

Puerto Rico Sugar Crop

The current Puerto Rican sugar crop, harvesting and grinding of which is gradually coming to a close, is now forecast at 1,060,000 short tons, according to cable advices from San Juan received by Lamborn & Co., 99 Wall Street, New York City. Early this year, the estimate was for a crop of 1,000,000 tons, and subsequently was raised to 1,035,000 tons.

Should the current estimate of 1,060,000 tons be reached, it will be the largest crop since 1942 when 1,148,000 tons were harvested, and will reflect an increase of 16.6 percent when compared with the 1946 outturn of 909,000 tons.

Sugar production to May 31 this year amounted to 932,000 tons while last year to the same date 861,000 tons were produced, according to Lamborn & Co.

With Holley, Dayton

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — William D. Fox has been added to the staff of Holley, Dayton & Gernon, 105 South La Salle Street, members of the Chicago Stock Exchange.

Dividends Up Sharply

WASHINGTON, June 11 (Special to the "Chronicle")—According to an analysis just completed by the Department of Commerce, dividend payments distributed during the first quarter of this year were 21% above the first quarter of 1946.

DIVIDEND NOTICES

OFFICE OF
LOUISVILLE GAS AND ELECTRIC COMPANY

The Board of Directors of Louisville Gas and Electric Company (Delaware) at a meeting held on June 6, 1947, declared a quarterly dividend of thirty-seven and one-half cents (37½c) per share on the Class A Common Stock of the Company for the quarter ending May 31, 1947, payable by check June 25, 1947, to stockholders of record as of the close of business June 16, 1947.

At the same meeting a dividend of twenty-five cents (25c) per share was declared on the Class B Common Stock of the Company, for the quarter ending May 31, 1947, payable by check June 25, 1947, to stockholders of record as of the close of business June 16, 1947.

G. W. KNOUREK, Treasurer.

New York, N. Y.
June 6, 1947

Philip Morris & Co. Ltd., Inc.

The regular quarterly dividend of $1.00 per share on the Cumulative Preferred Stock, 4% Series, and the regular quarterly dividend of 90¢ per share on the Cumulative Preferred Stock, 3.60% Series have been declared payable August 1, 1947 to holders of Preferred Stock of the respective series of record at the close of business on July 15, 1947.

There has also been declared the quarterly dividend of 37½¢ per share on the Common Stock, ($5 Par), payable July 15, 1947 to holders of Common Stock of record at the close of business on June 30, 1947.

Pursuant to a resolution adopted at the Stockholders' Meeting held on July 10, 1945, no Certificate representing a share or shares of Common Stock of the par value of $10 each is recognized, for any purpose, until surrendered, and a Certificate or Certificates for new Common Stock of the par value of $5 each shall have been issued therefor. Holders of Certificates for shares of Common Stock of the par value of $10 each are, therefore, urged to exchange such Certificates, for Certificates for new Common Stock of the par value of $5 per share, on the basis of two shares of new Common Stock $5 par value, for each share of Common Stock of the par value of $10.

L. G. HANSON, Treasurer.

SITUATIONS WANTED

TRADER

Wishes position to give service and execute orders in over-the-counter securities. Box M522, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

Unlisted Trader

Many years experience. Well acquainted with unlisted dealers in and out of town. Salary and Commission. Box S529 Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.

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TRADER-SALESMAN

Active over-the-counter house desires an experienced salesman-trader with clientele. Good salary, liberal commission, full cooperation. Box G65, The Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

FINANCIAL WRITER

With intimate acquaintance with the New York money and securities market processes **DESIRES EDITORIAL POSITION** with financial department of metropolitan daily or with national business magazine. Has wide newspaper experience. Education includes graduate work in banking, business cycles and economic history. Write to Box S 612, The Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

DIVIDEND NOTICES

DIVIDEND NOTICE
WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on July 10, 1947, to the holders of record of such shares at the close of business on June 26, 1947.

E. H. BACH, Treasurer

LION OIL COMPANY

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable July 15, 1947, to stockholders of record June 27, 1947. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

June 5, 1947

RKO

RADIO-KEITH-ORPHEUM CORPORATION

THE Board of Directors has declared a quarterly dividend of 30 cents per share on the Common Stock of the Corporation payable on July 1, 1947 to stockholders of record at the close of business on June 16, 1947.

J. MILLER WALKER
Secretary

June 5, 1947

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

187th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of seventy-five cents ($.75) per share on the Common Stock, payable June 30, 1947, to stockholders of record at the close of business on June 16, 1947. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, June 6, 1947

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

NOTICE TO HOLDERS OF STOCK WARRANTS TO BEARER.

NOTICE IS HEREBY GIVEN that the Company has terminated, as from the 30th June, 1947, the scheme which was devised in December 1941 for the benefit of stockholders in America, whereby such stockholders could, for the purpose of obtaining payment of future dividends, deposit Talon No. 3 (from which all relative coupons had then been detached) with the Guaranty Trust Company in New York, instead of sending the same to London to be exchanged for Talon No. 4.

The exceptional circumstances prevailing at that time no longer exist, and the Company has decided that the normal procedure for the collection of future dividends must now be reverted to. Therefore, in order to obtain payment of future dividends payable in respect of Stock Warrants to which the outstanding Talons No. 3 relate, it will be necessary for the holders to exchange them for Talon No. 4 and new coupon sheets and to present the appropriate coupon for collection.

With a view to assisting stockholders and eliminating insurance on the shipment of Talon No. 3, the Company has made arrangements whereby outstanding Talons No. 3 may be cancelled by the Company's representatives in New York before being despatched to London for exchange, provided they are lodged with the Guaranty Trust Company of New York, 140 Broadway, New York, for that purpose *not later than 30th June, 1947*.

Stockholders who desire to avail themselves of this special facility may obtain details of procedure and cost from the Guaranty Trust Company of New York.

This special arrangement for the cancellation of talons in New York will only apply to talons lodged with the Guaranty Trust Company for that purpose on or before the 30th June 1947 and no extension of that date is possible.

DATED: June 9, 1947.

BY ORDER OF THE BOARD,
E. G. LANGFORD, Secretary.
Rusham House, Whitehall Lane,
Egham, Surrey.

DIVIDEND NOTICES

New York & Honduras Rosario Mining Company

120 Broadway, New York 5, N. Y.

June 11, 1947.

DIVIDEND NO. 379

The Board of Directors of this Company, at a meeting held this day, declared an interim dividend for the second quarter of 1947, of Fifty Cents ($.50) a share on the outstanding capital stock of this Company, payable on June 28, 1947, to stockholders of record at the close of business on June 18, 1947.

W. C. LANGLEY, Treasurer.

RADIO CORPORATION OF AMERICA

Dividend on First Preferred Stock

At the meeting of the Board of Directors held today, a dividend of 87½ cents per share, for the period April 1, 1947 to June 30, 1947, was declared on the $3.50 Cumulative First Preferred Stock, payable July 1, 1947, to holders of record at the close of business June 16, 1947.

A. B. TUTTLE, *Treasurer*

New York, N. Y., June 6, 1947

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND

The regular dividend of one dollar thirty-seven and one-half cents ($1.375) a share on the outstanding 5½% cumulative convertible preferred stock has been declared for the quarter ending June 30, 1947, payable July 1, 1947, to holders of record at the close of business June 20, 1947.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, Secretary

Dated, June 6, 1947

DIVIDEND NOTICES

THE GARLOCK PACKING COMPANY

June 10, 1947

COMMON DIVIDEND No. 284

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share was declared on the common stock of the Company, payable June 30, 1947, to stockholders of record at the close of business June 20, 1947.

R. M. WAPLES, *Secretary*

THE TEXAS COMPANY

179th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on July 1, 1947, to stockholders of record as shown by the books of the company at the close of business on June 6, 1947. The stock transfer books will remain open.

L. H. LINDEMAN
Treasurer

May 27, 1947

UNITED FRUIT COMPANY

DIVIDEND No. 192

A dividend of fifty cents per share on the capital stock of this Company has been declared payable July 15, 1947 to stockholders of record June 19, 1947.

LIONEL W. UDELL
Treasurer

The Chesapeake and Ohio Railway Co.

A dividend for the second quarter of 1947 of seventy-five cents per share on $25 par common stock will be paid July 1, 1947, to stockholders of record at close of business June 6, 1947. Transfer books will not close.

H. F. LOHMEYER, *Secretary and Treasurer*

FINANCIAL NOTICE

The Comptroller of the State of New York

will sell at his office in the
Governor Alfred E. Smith State Office Building
at Albany, New York

June 17, 1947, at 12:30 o'clock P. M.
(Eastern Daylight Time)

$28,175,000

Housing (Serial) Bonds

of the

State of New York

Dated June 18, 1947 and maturing as follows: $575,000—annually June 18, 1949 to 1997 inclusive.

Redeemable by State on notice, on June 18, 1987, or any interest payment date thereafter.

Principal and semi-annual interest June 18 and December 18 payable in lawful money of the United States of America, at the Bank of the Manhattan Company, New York City.

Descriptive circular will be mailed upon application to

FRANK C. MOORE, State Comptroller, Albany 1, N. Y.

Dated: June 10, 1947

Washington . . . And You

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

The American Bankers Association is to lose—for the time being at any rate—its fight to get the government out of the credit business. Congressional committees which have been hearing the ABA plea are sympathetic but not acquiescent. They feel Federal lending may be abated but not yet ended.

* * *

The ABA will be rebuffed on three fronts: (1) RFC will retain its lending authority; (2) Federal farm loans will be continued, and (3) Government agencies will go right ahead guaranteeing loans.

* * *

RFC friends quote the following facts as evidence private lenders can't or won't meet business credit needs: RFC loans increased from 1,533 in 1944 to 2,437 in 1945, to 12,247 in 1946 and have mounted this year to a rate of 16,772. Last year banks participated in 70.2% of RFC loans, this year in only 42.9%.

* * *

It begins to look like Congress will adjourn without enacting legislation either continuing or terminating Regulation W. In this connection, remember the promise by Federal Reserve Governor Eccles that in the absence of such legislation he would recommend presidential scuttling of W.

* * *

Thirty-eight finance and insurance executives are contributing to the birdseye view of trends which the congressional Joint Committee on the Economic Report hopes to project through the questionnaire compounded by Dun & Bradstreet. The quiz on business expectations and governmental policies went to 908 business, industry, farm and labor keymen, including 57 operators in finance and insurance. Of these 57, 38 have submitted completed questionnaires, six have declined to answer, and 13 are listed by the committee as having been out of reach or late with their replies.

* * *

Twenty of the 38 are bankers, 11 insurance men, and seven operate in miscellaneous financial fields. Majority of the 38 foresee lower industrial employment, production and profit in 1947's second half—a recession of about 10% below 1946 second half levels.

* * *

Here's how the percentage majority of the 38 predict specific downward trends in the coming six months: (1) lower employment, 64%; (2) lower dollar volume of net sales, 59%; (3) lower unit volume of sales, 64%; (4) lower industrial output, 67%; (5) smaller dollar profit after taxes, 81%; (6) reduced profit as percent of net sales, 86%.

* * *

And here's how the 38 visualize conditions next December as compared with the middle 10 days of May: (1) 82% say the prices of raw materials and semifinished goods will be down; (2) 66% phophesy the prices of consumer durable goods will be lower, and (3) 94% anticipate a decline in the prices of consumer soft goods. Wage rates will be unchanged, 56% of the 38 say, and 53% believe the selling prices of producers durable goods will remain stable.

* * *

On governmental policies, here's the majority opinion of the 38 financiers: (1) 68% favor rent control retention; (2) 76% want Federal encouragement of housing construction reduced; (3) 92% favor lower individual income and 63% back lower corporation income taxes; (4) 57% believe farm price supports should be eliminated after their expiration date at the end of 1948; (5) 97% urge budget and national debt reductions. The 38 split evenly on consumer credit restrictions, 50% for their continuation and 50% for their revocation.

* * *

Commerce Department analysts are privately bullish on the grocery chains. Chain grocery store sales have risen steeply since the war's end, now account for 40% of the nation's retail food business as against only 30% of V-J Day. Federal chartists who have just projected the trend expect the chains' share to go beyond the 50% mark. An economic recession would spur this movement.

* * *

Federal Power Commission is to be called before a House Commerce subcommittee to show cause why Congress shouldn't enact bills (1) walling off from FPC jurisdiction small manufacturers generating electricity for their own consumption, and (2) shrinking FPC's domain by redefining navigable streams and interstate commerce. Committee hearings will open soon, possibly June 23. Passage can't be hoped for until next session.

* * *

There won't be any forced consolidation of American overseas airlines into one common carrier. Legislation looking that direction is being talked to death before Senate and House Commerce Committees.

* * *

Watch for a new slant in Export-Import Bank operations. The Bank is ending its program of large emergency reconstruction credits, will now emphasize smaller advances for export and import encouragement. Says President William McG. Martin, Jr., of this new phase . . . "The Bank is making a study of how it may facilitate imports and expects to become increasingly active in this field during fiscal 1948."

* * *

The House Appropriations Committee has heard from President Martin that eventually private lenders will shoulder most of the financing now conducted by the Export-Import Bank but that right now "we feel we are coming into our more difficult period." He added . . . "Until public confidence revives, further extensive international financing by private capital is still definitely limited. Nevertheless, the Bank should be able in an increasing number of instances to secure participation by private institutions."

* * *

Here are keynotes of current Export-Import Bank work sheets: (1) operating profit to date, $54,000,000; (2) loans and undisbursed credit authorizations totaled $2,680,000,000 June 30, 1946, estimated to total $3,402,000,000 June 30 this year and $3,467,000,000 June 30 next year; (3) loan disbursements estimated at $1,216,000,000 in current fiscal year and $904,000,000 in fiscal period commencing June 30.

* * *

The farm finance horizon isn't so rosy as it was. Here's why: (1) from Jan. 1, 1940, to Jan. 1, 1946, bank deposits, cash and savings bonds owned by farmers increased from $4,157 million to $19,019 million and mortgage debt to leading lenders fell $1,500 million; (2) from Jan. 1, 1946, to Jan. 1, this year, the mortgaged indebtedness rose $204 million and is still going up; (3) 70% of all farm loans are now being financing by commercial banks and private lenders on a short-term basis.

* * *

Says Farm Credit Governor I. W. Duggan of this mortgage concentration in individuals and commercial banks . . . "Those loans are usually for a period of four or five years which we feel is a little dangerous for a farm mortgage loan."

* * *

You'll buy transcripts of hearings before Government agencies at reduced prices if a new Federal Communications Commission policy takes root. For years stenographic reporters have made a racket of such transcripts, have paid agencies a bonus for exclusive privilege of reporting hearings, have thereafter forced business and industry to disgorge blackmail prices for transcript copies. Hereafter FCC will accept no bonus payments, will base its reporting contract awards partially on a reasonable price of transcripts to the public.

* * *

Legislation adding to the Clayton Act language prohibiting one corporation from reducing competition by acquiring the physical assets of another has been OK'd by the House Judiciary Committee but has little chance of plodding through Congress before adjournment. The bill would apply to the acquisition of physical assets the same curbs the Clayton Act now imposes on the acquisition of securities.

* * *

Agriculture Secretary Anderson fears there can be a lot of economic fire as well as smoke in the mounting leaf tobacco surplus. He has revised upward from $57,000,000 to $90,000,000 estimated price support expenditures in the current fiscal year, and expects "a great deal of trouble" with the leaf crop now in the ground. The Department of Agriculture will end 1947 with many millions of pounds surplus on hand.

* * *

Congressional demand for a centralization of all Federal power activities is becoming more articulate, but don't look for positive action in that direction before next year.

* * *

Federal Power Commission is out with a staff report that (1) need for a replacement fuel for natural gas is certain, and (2) the natural gas, petroleum and coal industries might well all share in the development of a new synthetic replacement. Copies are available.

* * *

Soft drink bottlers can expect an improvement in the bottle supply after midyear. Demand for beer bottles and glass containers for food is on the wane, will release raw materials and machinery for production of beverage bottles.

Let's Give It a Chance

"It will be better to seek high returns (for the farmer) per worker through large-volume, low-cost production than to try to get the same high return by means of high prices for scarce, limited production.

Chester C. Davis

"But the rest of the economy must play the game under the same set of rules. This calls for genuine teamwork of agriculture and labor and business management, based on the principle that we have to produce something before we can divide it up and that we have to divide fairly if we are to keep on producing as we should.

* * *

"Farm prices may show a tendency to break before other prices do. If I could be granted the fulfillment of one wish for the growth and prosperity of agriculture, it would be this:

"Let the non-agricultural industries and labor find the way to keep working at full efficiency and capacity, turning out goods and services that can be absorbed by this country in a high standard of living. . . . With steady work and efficient production prices could go down without cutting profits or wages.

"Real wages would increase, for the laborer is like the farmer—it isn't the number of dollars but what he can buy with his product or labor that counts. Under such conditions the farmer could produce abundantly and still trade on good terms. . . . He could prosper at lower price levels. I think that really is the way out."—Chester C. Davis.

Natural law had its answer — and it is THE answer—to all this centuries ago.

Why not give it a chance?

John B. Dunbar & Co. Formed in Los Angeles

LOS ANGELES, CALIF.—John B. Dunbar & Co. has been formed with offices at 634 South Spring Street to conduct a general investment business. Officers of the new firm, which holds affiliate memberships in the Los Angeles and San Francisco Stock Exchanges, are John B. Dunbar, President; F. C. De Lap, Executive Vice-President; Eugene C. Baldwin, and Edward J. Mayner, Vice-Presidents; William A. Johnson, Treasurer; and Ann Claney, Secretary.

The firm will maintain a branch office at 443 North Camden Drive, Beverly Hills, under the management of Victor E. Hicks.

Also connected with the firm are Ernest Howarth, James R. Plant, Sam H. Sheley, William A. Sibley, William Troutman, Walter M. Wells, John M. Woods, and Richard J. Zarn.

Officers and others associated with John B. Dunbar & Co. were all previously with Cruttenden & Co.

A. E. Vondermuhll Dead

Alfred E. Vondermuhll, retired investment banker, died at Vineyard Haven, Mass., at the age of 67. Mr. Vondermuhll had been with the Guaranty Trust Company, A. Iselin & Co. and Bernard Scholle & Co., all of New York. Later he became a partner in Arthur J. Rosenthal & Co. and its successor firms.