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Is Labor Peace Possible Under Taft-Hartley Act?

By HON. RALPH W. GWINN
Member House of Representatives Committee on Education and Labor

House Labor Committee declares new law abolishes lawlessness, monopoly, intimidation, disorder, and political racketeering under Wagner Act; making possible free economy and labor-management peace.

So long as one organized group tries to dominate another and Government itself becomes the tool of groups to compel or balance or favor one group as against another, labor peace was and is impossible. Thirteen years of the Wagner Act made each year worse than the one before. The new labor-management law (Taft-Hartley) designed to destroy the compulsion and control of monopoly and restore the freedom of invention and production and price with a disciplined people to enforce the law, makes peace possible. It may take ten years to achieve it. But certainly we as a people have de-

Ralph W. Gwinn

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Labor and Business Look at Each Other

IF I WERE A BUSINESS LEADER

By JAMES B. CAREY
Secretary-Treasurer, CIO

Labor leader—hypothetically transplanting himself to role of constructive businessman—states he would desist from selfish usurpation of power and "licentious independence." In his relations with labor he would feel that: (1) His employees are really his employers; (2) The worker should not be degraded; (3) He is merely the broker for the community; and (4) Labor must not be gouged. "Would insist so-called business leaders cut out the double-talk," and follow majority rule.

If I were a business leader, my first step would be to orientate myself in the only free economy that remains in the world today. I would break with the past—with the old mercantilist school, with the vicious formulas of Adam Smith, John Stuart Mill, David Ricardo and Robert Thomas Malthus, all of which and all of whom have contributed so much to the increasing deterioration of the concept they proposed to advance—Free Enterprise.

James B. Carey

I would recognize frankly that unbridled license is the greatest threat to freedom, and that the most vicious of all forms of unbridled license are unlimited free competition on the one hand, and economic domination on the other.

Above all, I would reject our present nebulous and irresponsible industrial leadership that carries no credentials from American businessmen generally, that always, when challenged, admits rather shamefacedly that it is speaking only for its own rich,

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IF I WERE A LABOR LEADER

By HERMAN W. STEINKRAUS
President and Chairman, Bridgeport Brass Co.; Chairman, Committee on Labor Relations, U. S. Chamber of Commerce

Industry spokesman states if he were labor leader, he would shun opportunism and dictatorship. As constructive conduct he would: (1) Cooperate with management; (2) Avoid smearing; (3) Advocate pay proportioned to actual performance; and (4) Adopt constructive and cooperative leadership. Would make lasting contribution to union organization, not at expense of public, but strengthening America's entire democracy.

If I were a labor leader I would determine that I would be a labor leader and not a labor boss. If we look over the record of labor leadership, Samuel Gompers stands out as a man who was a real leader.

H. W. Steinkraus

A leader does not dictate to his followers. He makes sound plans to which they can wholeheartedly subscribe, and which they can support because they have full confidence in him.

Having determined that I would be a leader, I would establish for myself a code of principles which I knew to be absolutely sound from a long-range standpoint. I would avoid opportunistic tactics, but would carry out those principles day by day, knowing that if my principles were sound I would gain a substantial following which

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EDITORIAL

As We See It

Missing the Real Point

In all the heated debate about the merits of the "Labor-Management Relations Act, 1947," the public may well miss the real point of this measure, and, more particularly, of the strength it has been able to muster in both houses of Congress. The precise meaning of its provisions must in any event await court decisions in a number of instances. Whether the law will in actual practice work as claimed by this party or that, the future will disclose, and what the future discloses on the point will depend in no small measure upon the trend of public opinion from this point forward and upon the wisdom with which various parties conform their policies and practices to it.

What is really significant is that such a measure as this has become law, and that it was able to command such strength in Congress at a time when all politicians have their eyes and their ears directed with great intensity toward next year's elections. It is difficult to understand how any doubt can remain in any reasonable man's mind that a very large majority of the politicians of the country, Democrats as well as Republicans, are now convinced that the great

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How to Maintain Prosperity

By S. SLOAN COLT*
President, Bankers Trust Company, New York

Prominent banker, although stating a business recession comparable to 1920-21 is not likely, warns against reversion to policies of 1930's, with its low prices, sharply increased wages, high taxes and government spending as means of achieving prosperity. Says present corporate profits are overstated, and denies profits decrease purchasing power. Stresses need for more risk capital and investment encouragement to maintain full employment.

While I speak primarily as a New York banker, I also speak as a businessman. It has been my opportunity, for many years, to serve on the boards of directors of industrial corporations. This has enabled me, I trust, to appreciate the factors that enter into the business decisions which play such an important part in economic progress. From these contacts and experiences has evolved a point of view that I should like to present before this committee.


S. Sloan Colt

There can be little disagreement as to the fundamental objectives of the Employment Act of 1946. What differences of opinion there are relate to the methods by which the purposes of the Act can be most effectively advanced, and to the policies that should be established by Government. It is to be hoped that through collective wisdom and patience we may work out programs of action that are practical when viewed in the light of the realities of business and economic life.

Business Sentiment

In retrospect, I think we can agree that the reconversion from production for war to production for peace has been achieved with greater facility than many of us thought possible in 1945. In reconversion, as in war, the American productive system stands preeminent in the world, and the whole nation is the beneficiary. However, the success of the reconversion process has not resulted in complacency about the future. Two years after the end of the war, we see a world in which very little real progress toward rebuilding has been made. The responsibilities of this country in world reconstruction are great, but there is obscurity as to how far our efforts abroad are to go, how effective the program is likely to be, and what it is going to cost. The committees which have just been appointed by President Truman have a great opportunity to perform constructive action on a very important problem.

We face the problem of providing, whether by means of credits or purchases from abroad, the dollars required by the rest of the world. In no event can we provide dollars in the long run unless we are willing to let more of the products of the rest of the world come into our markets.

At home, we see a price structure at levels almost twice those of prewar, and remember what happened to prices in 1920 and 1921. Many people are concerned about the future of agricultural prices, when world agricultural production recovers. We are wor-

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*A statement by Mr. Colt before the Joint Congressional Committee on The Economic Report, Washington, D. C., June 24, 1947.

The 1947-1948 Business Outlook

By PAUL MILLIANS*
Vice-President, Commercial Credit Co.

Mr. Millians predicts that production, distribution and employment will fall but degree of adjustment will vary greatly from area to area. Holds return of severe competition will healthily restore American pattern of high production at low prices. Pleads for sound federal and private credit policies.

Businessmen must look ahead to the future and try to plan constructively for it because the future is being purchased by the present . . . all values in business are anticipations of the future . . . and it is therefore dangerous to live too much in the past and present.

In thinking about our topic it seems logical to divide it into two parts . . . the immediate outlook, and the outlook beyond the immediate . . . and I should like to group predictions in that order. The point of view I shall try to reach is that the immediate outlook has its darker shades, reflected there by adjustments that must still come in an economy distorted by temporary war and primary postwar conditions: that beyond the immediate, the outlook is bright with possibilities, but with important qualifications we shall discuss.


Paul M. Millians

Consider with me the reasons for believing this.

To say that adjustments must come is to an extent historical rather than a prediction. In important ways, industry by industry and commodity by commodity, adjustments are taking place every day as freely moving market prices rearrange values of things in line with what people can and will pay. Luxury lines, for example, like jewelry and furs, took quite a correction on the downward price side some time ago; and currently textiles are in the middle of a declining price movement that has caused considerable lag in production. In New York a few days ago retailers cut tire prices $4.00-$6.00 to unload heavy stocks.

You will think of a dozen other adjustments that are going on. Retailers, more than other groups, are familiar with what is happening price-wise and their inventories and outstanding orders are being adjusted accordingly.

But the point is that more adjustments are to come, and that some of them may have painful repercussions in those areas of business where supply-demand relationships have been thrown seriously out of balance.

The popular idea that the price of things is determined by the so-called "law of supply and demand" is only partially true . . . it's like saying a man's business success is due to "industry and thrift" . . . and it is less true today than ever before because natural economic laws are being so circumvented by the political considerations we mentioned. However, supply and demand is the price-making principle in our economy and it is the first consideration when price movements are discussed.

Supply and Demand Will Cause Readjustments

Generally speaking, on the basis of the supply-demand principle we can look for further price adjustments in the immediate future on the downward side.

Our capacity to produce both technically and in size was enormously increased by demands of war, and since war ended a further expansion has taken place

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*An address by Mr. Millians at 33rd annual business conference of National Retail Credit Ass'n, St. Louis, June 17, 1947.

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Major Problems in Creating Full Employment

C. E. Wilson, General Motors head, lists (1) balancing of supply and demand; (2) the business cycle; and (3) maintaining and increasing productivity, as unsolved problems in maintaining full opportunity for employment. Stresses need for cooperative attitude on part of workers and government to business.

In a statement made on June 24 before the Joint Congressional Committee on The Economic Report (of the National Economic Council), C. E. Wilson, President of General Motors Corporation, analyzed what he considered the major problems in maintaining full opportunity for employment. These problems are listed as the need for balancing supply and demand by dealing properly with tempcrary shortages and surpluses of goods and services; (2) the preventing of depressions; and (3) increasing productivity of workers and industry. His remarks on these matters follow:

C. E. Wilson

Balancing Supply and Demand

Ordinarily, a free competitive system if allowed to function normally has inherent within it the power to balance supply and demand effectively. However, this requires that everyone concerned be informed of the facts so that they will be in a position to act intelligently and promptly in remedying the situation.

If the production of a certain product is in excess of the demand so that inventories are increasing unduly, production and/or prices must be adjusted to meet the situation. An accruate knowledge of the facts regarding such situations is very important because otherwise the producers may continue to produce and only add to the surplus supply, thus making the eventual readjustment that much worse. Conversely, if items continue in short supply and in great demand it is normal for the prices to increase, thereby stimulating production and to some extent temporarily curtailing the current demand, tending to bring supply and demand into balance. The balancing of supply and demand for all items can be taken care of only by a gradual shift in the employment of labor and capital from one industry to another and of labor from one occupation to another. The system must be flexible enough to allow this to be done promptly.

Of course, when the normal functioning of the system is interfered with for a considerable period of time, as by wars or major strikes, it takes longer afterward and more patience to surmount the problems created by such wars or strikes and to bring supply and demand into balance.

Accurate knowledge of the current level of production, demand and inventories of all major commodities at the various levels of the economic process—manufacturing, wholesaling and retailing—is essential. It is clearly a proper function of government to assist in the collection and publication of such business statistics. Obviously, we must have accurate information of this nature to assist producers and consumers in appraising the market.

The Business Cycle

In the report of your committee to the Congress on the President's economic report your committee made this statement:

"The basic problem which this committee has to consider is the method of preventing depressions so that substantially full employment may be continuously maintained. No problem before the American people is more vital to our welfare, to the very existence of our way of life and to the peace of the world. It is the most complex and difficult of the long-range domestic problems we have to face. It involves a study of price levels and wage levels and their relation to each other, a study of methods of preventing monopoly control in industry and labor from distorting prices and wages, a study of spending for consumption and for capital investment, a study of individual and corporate savings, and a study of many other economic forces bearing on a stable economy."

This is indeed a difficult problem because it involves not only balanced production but willingness to buy, which depends both on ability to buy and confidence to buy. This is why it is so desirable to preserve the integrity of the monetary system of the nation, why it is so necessary to have a favorable attitude toward business on the part of government and why the confidence of the buying public must be maintained by having them feel that they are getting value received for the current dollars they are spending. The problem of maintaining confidence on the part of the buying public and of investors can be compared with the problem of maintaining harmonious labor relations and industrial peace.

I am sure your committee is fully aware of the intricate nature of this problem which is of such vital concern to all citizens. Judging from previous business depressions, the causes were never exactly the same. Furthermore, many of these causes lie beyond any control which businessmen or the consuming public themselves can directly exercise on the situation. Among these are warts, crop failures, economic restrictions imposed by foreign nations that have domestic repercussions, legislation affecting the integrity of the currency and unsound political policies which take some time for the public to correct. Any one of these may temporarily undermine the confidence of the buying public and result in a recession.

There are other causes which are within the control of the people of the nation, individually and as producing and consuming groups; for example, overconfidence and speculation on credit, artificial shortening of working hours, monopolies of any kind which interfere with the move-

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How Much Recession?

By RAYMOND RODGERS*
Professor of Banking, New York University

Although asserting depression is not imminent, Dr. Rodgers contends we face a recession because: (1) consumer resistance against high prices is developing; (2) people, in general, are depleting their savings; (3) inventories are becoming excessive; (4) construction industry is hampered and not up to expectations; (5) a financial and political crisis is developing in Europe; and (6) a regime of severe competition in industry is approaching. Says economic millennium has not arrived.

With all our inventive genius, no flying machine has yet been invented which can stay up in the air all of the time nor do we expect such a machine. Likewise, even with our enormous capital and our great volume of purchasing power, no economic machine has yet been devised which can stay up in the air forever, but some businessmen seem to think that we at last have found such a system. They act as if they think that the laws of economic gravity have been repealed. They would have you believe that economic "perpetual motion" has been discovered. They insist that prices will stay up, but, paradoxically, expect people to buy more and more. They demand greater profit margins than before the war, yet profess to believe that business volume will continue to grow. And, as for competition, what's that?


Raymond Rodgers

These bright boys forget that competitive capitalism has not functioned for several years; and, the return of the savage, ruthless competition so characteristic of our brand of capitalism is the last thing in the world they expect. To all such optimists I say, "You didn't earn your wartime and conversion period profits in the hard, old-fashioned way. These profits were largely given to you by the shortages of war accompanying the greatest credit expansion the world has ever known; but, if you continue on the it-can't-happen-here-path, you will have the 'pleasure' of losing your wartime windfalls — and more, too!"

*An address by Dr. Rodgers before the Tanners' Council of America, Hot Springs, Va., June 19, 1947.

No, gentlemen, the economic millennium has not yet arrived. Profits are not inevitable. Business success is not guaranteed. Costs do not yet determine prices no matter what your accountants tell you. Costs once more have to be fitted to market price, painful though it may be. The consumer is still king because all business effort, all expenditures, are a total loss unless a customer says, "I will take it." And, customers are no longer fighting to buy. Don't be misled by the increased volume of department store sales. In addition to higher prices, these increases reflect the steadily growing deliveries of durable consumer goods and the return to store shelves of long-scarce soft goods, such as shirts and men's clothing. Although sales volume and many other statistics are cited to prove that we are still on our way upward, I am convinced that we hit our peak at the beginning of April and that we can look forward to declining business activity for the third and fourth quarters. True, we now have a very high level of business activity, but we have a very unstable equilibrium. In fact, the various economic factors seem to be sparring for position, with the real battle yet to come.

It is my considered opinion that while physical reconversion has been completed, business has a great deal of psychological and policy reconversion ahead. Wartime emphasis on production, regardless of cost, must be succeeded by peacetime emphasis on cost-cutting and consumer satisfaction. I stress this because the consumer has a deep-seated conviction that prices are too high. Whether this view is warranted or not, is beside the point. Cost accounting explanations of the necessity of higher prices because of higher

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BUSINESS BUZZ

"I'm sorry, Mr. MacFoop, I'm afraid you're not the kind of runner we have in mind."

No Bad Inventory Situation

By A. M. SULLIVAN*
Associate Editor "Dun's Review"

Pointing out, with exception of women's wear, current wholesale inventories are lower in ratio to net working capital than they were in 1941, Mr. Sullivan urges as means of avoiding excess inventory accumulation, pegging of inventories to 75% of net working capital for manufacturing and 100% of net working capital for retailing. Warns of danger of relating inventories to changes in sales volume and foresees some decline in prices.

Inventory control is a problem in momentum. Sales accelerate or slow down with equal rapidity as the customer loosens or tightens his grip on the dollar. Not so inventory which gathers force in its movement through the various stages of processing. You can't pace a jeep with a steam roller. When the retailer attempts to halt deliveries of goods on order, he may have to reach back from two to six months to retard the flow of unwanted merchandise. Inventory momentum usually rides on for several months after a sales peak.

Take women's cloth coats last year. Salesmen were still talking allotments in the spring of 1946. Retailers overbought expecting to get half their orders. They accepted September billing with the hope of early autumn deliveries. They were not too fussy about the range of colors and sizes. People were used to hearing "take it or leave it." Turnover had been abnormal. Coats and dresses were turning as fast as groceries, and women took the garments home, up-graded, scant-sized and indifferently finished. But something happened in the summer of 1946. Manufacturers somehow managed to fill all orders without resorting to allotments. Deliveries came ahead of schedule and bills were payable before the bathing suits were off the racks. Coats were displayed but summer lingered on through September. Autumn and the frosty nip of winter winds stayed up in the Canadian wilds. Indian summer ran on to almost Thanksgiving Day. The retailers were faced with a sudden reversal in their sales and inventory position. The whim of weather, a quality conscious public, and over-eager sales programs jammed up the racks of the retailer. Some goods were returned, trade disputes followed, and clearance sales followed right through January. Other cases could be cited. The painful deflation of the fur market is too recent for comment here. The distress in the radio, aviation, and metal trades is largely the result of excessive inventory.

The dissimilarity in sales and inventory momentum has been reflected in other lines — costume jewelry, cosmetics, handbags, hosiery, dry goods, certain electrical appliances, and quite recently, low-grade building lumber. The ability of the supplier to cushion

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*An address by Mr. Sullivan before the Commerce and Industry Association of New York, New York City, June 24, 1947.

The State of Trade and Industry

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

High prices for some time past regarded as the main stumbling block to greater business activity and a retarding influence to industrial production, again came into focus, with the publication by the National Industrial Conference Board the past week-end of its survey, which concludes that higher production costs and prospects of a shift from a seller's to a buyer's market are responsible for management's present consideration of industrial standardization as a means of turning out a quality product at the lowest price consistent with satisfactory performance.

This fresh interest in standardization is not something new, the study reveals, but rather springs from industry's experiences in war production, which necessitated broad use of "the best techniques, methods and materials, simplification of design to reduce the number of parts, models and varieties and maximum interchangeability."

In search of greater benefits from such a procedure, the study arrived at the following:

"Better and quicker servicing of customers, smaller inventory requirements from manufacturer to retailer, and closer coordination between the purchasing, engineering, manufacturing and sales departments of the company through joint consideration of standardization proposals affecting all groups."

A wider application of simplicity in performance standards be put into practice in contrast to detailed and rigid specifications, such as in the building materials field, was also recommended. The automotive industry where parts are standardized and the final product is not, was cited as an example of the "wise use of standards."

The survey was undertaken with 93 companies participating, and approximately one-third this number reporting the existence of formal standards departments, while most of the others stated that they are engaged in standardization work both within their own companies and in cooperation with industry-wide and national organizations.

INDUSTRIAL OUTPUT HOLDS CLOSE TO HIGH LEVEL

Industrial activity the past week was maintained for the most part at about the high point which prevailed in previous weeks and overall employment too, held close to peak levels.

In many lines orders for future delivery declined primarily because of price uncertainties. As for the delivery situation, items continued to come through rather speedily, although the maritime strike and the resultant rail embargo was causing some accumulation of goods for export.

Scattered coal strikes in steel company mines last week, according to reports, had slight effect on steel operating rates and for the 24th consecutive week operations held above 90% of capacity. Steel output the current week is scheduled at 95.6% of capacity. Most steel mills continued the past week to build their stockpiles of coal in case of a coal strike at the end of this month.

In the textile industry output for last week was generally large, although new advance orders suffered some decline due to the usual seasonal drop occasioned by vacations which have already begun in apparel plants. Shoe production rose fractionally in the week with output consisting mainly of summer whites. Ordering, it was noted, was slow.

STEEL OPERATION FRACTIONALLY LOWER FOR WEEK

Wildcat shutdowns at steel company captive mines this week in advance of the miners' vacation period will cut coal supplies for the industry to a dangerously low point, according to "The Iron Age," national metalworking weekly. Steel operations must be reduced as the result of these protest strikes. How far the decline will go is unimportant compared with what will happen if there is a nation-wide coal strike on July 7, when the vacation period will officially be over.

While many steel plants had been able to build up some coal supplies, the high operating rate has been a continual drain on these stocks and the 10- to 11-day shutdown now in progress will force some of the larger units to take off blast furnaces, the magazine states.

There are still many in the industry who cling to the hope that the United Mine Workers will not test public opinion again with another major strike. Some sources insist that a prompt meeting of minds between John L. Lewis and the coal operators could result in a firm contract "within an hour's time," the paper points out.

It appears that the basic steel contracts (which reflect excellent labor relations between the steel companies and the union) are, according to makers of the new labor act, frozen at least until July 1, 1948. Before that time, however, it is believed that the steel companies and the union must reopen their contracts and make new agreements on the checkoff and union shop provisions know as "maintenance of membership" in the steel contracts. This information was obtained by "The Iron Age" from sponsors of the new labor bill.

The scrap markets throughout the country this week are more jittery than at any time since early this year when prices reached all-time peaks. The new figure is now $34.75 compared with $33.25 a gross ton a week ago. There were indications that the rush for material by some steel consumers had assumed almost frenzied proportions with evidence that some large consumers have been raiding each other's territory for additional scrap in the Midwest and in the Southwest. Whether this hysterical activity will turn eastward remains to be seen, but presently the Philadelphia market is rapidly approaching its recent peaks.

Control of consumers' inventories continues unabated this week. Manufacturing plant shutdown periods will enable officials to attempt a better balancing out of current inventories. Some stocks, however, have been forced on the open market by banks who have ordered inventory sold as a prerequisite to securing additional credit.

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Observations . . . .

By A. WILFRED MAY

THE TRULY "SHOCKING" THING

The Taft-Hartley labor bill "is a shocking piece of legislation," the President told his fellow-countrymen over the air last Friday evening. Then he went on to characterize it as "bad for labor, bad for management, and bad for the country." Admittedly the merits of the legislation may be the subject of legitimate controversy; but there can be no objective doubt whatever that what is really "shocking" (! ! !), and bad for labor, management, *and the entire future of our democratic processes* is the President's own behavior in the situation.

A. Wilfred May

In the first place, the President's activities surrounding the sorely-needed labor, as well as tax reform measure, must be characterized basically as the frantic gyrations of a desperate vote-buying candidate for political office. That the overwhelming vote-gathering influence over the proceedings was not unrealized by the "boys in the know" is indicated by the addressing by Saul Mills, Secretary of the Greater New York CIO Council, of his 11th-hour pleading telegram right to headquarters—namely to Gael Sullivan, Mr. Truman's political braintruster and Executive Director of the Democratic National Committee.

Pride may understandably compel a man who has been catapulted into the White House by a political accident followed by an Act of God, to go to desperate lengths to win his first election; but the prostitution of the high office of the Presidency of the United States to gain that end is *really* "shocking."

The most shocking thing of all in the President's behavior is his deliberate sabotaging not only of national unity, but of law enforcement itself. Witness his veto message and broadcast statement about a legislative enactment which had received the overwhelming support of the Congress, and which obviously was at least likely to become the law of the land. The following amazing statements come from a President presumably charged with furthering national unity at a most crucial period in world history: "It would cause the people of our country to divide into opposing groups"; "if conflict is created as this bill would create it—if seeds of discord are sown as this bill would sow them—our unity would suffer and our strength will be impaired"; "it is a clear threat to the successful working of our democratic society"; it would "develop a class basis for political action"; "anything which weakens our economy or weakens the unity of our people—as I am thoroughly convinced this bill would do—I cannot approve." But most shocking of all for the Chief Executive charged with enforcing the law of the land was for him to devote Section 111 of his Veto Message to the pronouncement that the bill is *"unworkable"*—behavior which at least makes him highly vulnerable to the charge of breeding disrespect for the law, if not of actual insurrection. At the very least, it must be recognized that the President deliberately emasculated himself as a subsequent law-enforcer.

And in his 11th-hour message to Senator Barkley before the final overriding vote, Mr. Truman again did his utmost toward incubating disunity by including this: "This is a critical period in our history and any measure which will adversely affect our national unity will render a distinct disservice not only to this nation but to the world." This from one objecting to the overwhelmingly expressed 3-1 Senate and 4-1 House votes after five months of the most careful democratic fashioning of legislation of recent years. In flouting the clearly expressed will of the voters as well—to carry through on his gesture to CIO, PCA, ADA., et al—as their chosen representatives, Mr. Truman must have on his conscience the grossest disservice to the cause of democracy!

The Veto At Home

Has Mr. Truman by chance been reading the UN "Bulletin"? Our President's recurrent and wanton use of his veto power is somewhat reminiscent of the methods practiced by Mr. Gromyko in "cooperating" at the UN proceedings. In degree and in kind, Mr. Truman's technique admittedly falls short of the Russian behavior, Mr. Truman being limited by our laws to a bloc of 15 extra votes in the Senate and 72 in the House, whereas Mr. Gromyko's "cleverly strategic" use of the veto lets him nullify all the votes on the Security Council's procedural questions. But in arbitrary and capricious distortion of spirit and intended practice—of the United States Constitution by our President, and of the San Francisco Charter by Mr. Gromyko—the twain are not far apart. Mr. Gromyko time and again has mechanistically emasculated the carefully deliberated and unanimously expressed will of the world's large and small Powers. Similarly the President of the United States takes advantage of the veto power in trying to negate the carefully and overwhelmingly expressed will of the people through their chosen representatives.

Surely it is no exaggeration to conclude that—apart from his feelings about the substantive merits or demerits of the legislation—the President has compromised his obligation, sworn to under the Constitution, to enforce the law of the land.

Caffrey Re-Elected Chairman of SEC

The re-election of James J. Caffrey as Chairman of the Securities and Exchange Commission

James J. Caffrey

for the year ending June 30, 1948, was announced by the Commission on June 24.

With Stone & Webster In Chicago Office

CHICAGO, ILL. — John S. Weatherston has become associated with Stone & Webster Securities Corporation, 33 South Clark Street, in charge of the municipal department. He was formerly in charge of the municipal department of the Chicago office of Graham, Parsons & Co.

Earl K. Bassett to Be W. E. Hutton Partner

Earl K. Bassett will be admitted to partnership in W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other leading national exchanges, on July 2. Mr. Bassett has been with the firm for some time in charge of the syndicate department.

What's Ahead for Business and Banking?

By ARTHUR R. UPGREN*
Associate Editor, "The Minneapolis Star"
Professor of Economics, University of Minnesota

Prof. Upgren reviews readjustments in postwar period and stresses increase in capital formation which he states leaped ahead five to ten fold in last two years. This "jet propulsion of our economy," he says, is generating instability and, if continued may lead to heavy future unemployment. Holds banking has both responsibility and opportunity to prevent this by sound financing plans. Looks to increased housing and construction of modern highways as an offset to future decline in private capital outlays.

What has been happening to business, the changes in the current business situation, and the future outlook for business are not easy questions to discuss. However, owing to recent improvements in business statistics, the subject now is at least approachable with figures. We don't have to rely upon the chrystal ball entirely.

Arthur R. Upgren

What has happened since the end of the war has involved a pattern that, in its main outlines, was fairly well discerned before the end of the war. To be sure, there are those who complain that a wide error appeared in the estimates of unemployment at the time of reconversion immediately after the end of the war. But let those who deride the fact that estimates of 6,000,000 unemployed were not reached and that a figure of only about 2,700,000 was reached recall that the potential range of unemployment in the United States is to be measured now upon a labor force of over 60,000,000. Prior to the war there were never more than about 45,000,000 gainfully employed in the United States. A new higher level of employment has been reached. A total of 58,330,000 are now gainfully employed, exclusive of those in the armed services. When the residual amount of estimated postwar unemployment, 6,000,000 is cast against such a grand total of jobs, the implied error in estimating employment appears to be of the order of 5%.

War Heritage

But the reason for the buoyant economy we have had since the war's end is one that can be spelled out arithmetically. But before doing that, we should first review the tremendous forces that were developed during the war to produce this great postwar buoyancy. That buoyancy has served us well revealing again, as in 1919-1920, that if there is to be postwar economic bias or even error, we should make it persistently and deliberately on the side of boom. Doing so gives us the high tide that can float away the refuse of readjustment. It can assure as well that high degree of employment which alone can underwrite freedom for experimentation and automatic readjustment upon which a free country will always have to depend to win the race for survival.

Of the great wartime-generated pressures to produce the boom situation we have experienced, the first was the doubling of the total output of the economy in war. That is perhaps the most significant single fact of the first half of this twentieth century. It gives to us, if we can learn how to command it to our advantage, a chance for prosperity for all classes far beyond our present imaginations. The total gross product or output of the country rose from the twin $100 billion peaks of 1929 and 1940 to new peaks twice as high, or $200 billion. These were reached in war, and we now have reached them again in each of the past few quarters.

When peace came, direct expenditures for war fell by $75 billion. The fact that total national expenditures or outlays were restored, after a temporary decline of 10% for a few quarters, is accounted for by the postwar rise in private outlays. The new balance struck was as follows:

The "Statistical" Conversion from War to Peace
(in billions of dollars)

	Total Expenditures 2nd Qtr. 1945 ("Peak" war effort)	4th Qtr. 1946 ("Full" conversion to peace)	Dec. — or Gain + From 1945 to '46
War expenditures	$ 85.7	$ 10.0	—$75.7
Private capital formation	13.7	54.6	+ 40.9
Consumers outlays	94.7	119.3	+ 24.6
All non-war government outlays	14.1	20.8	+ 6.7
Total national expenditures	$208.2	$204.7	—$ 3.5

Thus the economy in its two-hundred-billion dollar level of output has been reconverted without material loss. The decline in war expenditures of $75 billion was offset (1) by $40 billion of private capital formation; (2) by a rise of $25 billion on consumer outlays, and (3) by a rise of $7 billion in Governmental non-war expenses, leaving only three billion by which we failed to achieve a full recovery in the total value of the national product.

It should also be pointed out that much of the gain in consumer outlays was the result of a price rise owing to the over-hasty abandonment of price control due to the confusion of the economic termination of the war (a full decline in war expenditures) with the end of the military or fighting part of the war.

Rise in Savings

The second great wartime force that accompanied the rise in incomes was the tremendous rise in savings from $8 billion a year before the war to $38 billion a year of personal savings during the war. That has led to an increase in liquid assets equal to very considerably more than a whole year's net national income of the American people. Bankers are aware that any time some one issues a debt instrument that is good, the purchaser has acquired an asset that is also good.

Thus, the rise in liquid assets necessarily had to equal the rise in Government debt during the war. These liquid assets are not being used frivolously by the American people (except possibly in a necessary way by the very lowest level income receivers) but are being held in the main either as permanent investments or for use in acquiring some other important investment such as a new home when purchasable at a reasonable figure.

Deferred Demands

The third great wartime force was the accrual of deferred and unsatisfied demands throughout the entire years of the war. The War Production Board sought out different kinds of civilian output to which it could apply a tourniquet, or a "cease-and-desist" order, so that the resources producing those products could be converted over to wartime production. As a result, the American people "went without" during the war and there have been large areas of unsatisfied demand which they are steadily seeking to make good. In addition to these areas of deferred demand, there is the very immense amount of enlarged output American industry must provide if the American people are going fully to live up to their new (more than doubled) net national income.

As one banker some time ago observed, it appeared to him as though every industry in his great manufacturing area were seeking to increase capacity by "about 30%." That happens to be in real terms about the amount of the increase in product which the American people, on the basis of their newly-found prosperity, can afford to buy.

Capital Formation

That the American economy was jet-propelled in 1946 therefore is revealed in the private capital formation figures which show that "capital formation" has zoomed from $13 billion, in 1944, to a rate of $56 billion, in late 1946.

This unsteadying acceleration grows out of the fact that ours is a machine-using economy of immense horsepower and capital investment. There has been a tremendous spurt in the building of factories, machinery, houses, equipment and other products—all durable goods which will not be used up for many years and which become national capital.

Private capital formation is the essential, but highly variable, driving force in our economy. Because the consumer provides himself with machinery and equipment that also are durable—the automobile and electrical appliances, for example—they are included within "capital formation." Its opposite is current consumption—or what is all annually used up, instead of saved.

The most striking illustration of accelerated capital expenditure is when an American family builds a home. Because it is acceptable to borrow on mortgage an amount equal to two years of income when a house is built, a family's spending in that year rises to 300% of a year's income.

Generating Instability

Because private capital formation can leap ahead in a year by 500 to 1,000% as ours did in the last two years, our economy is generating instability. We are sending our economic machine into little-explored upper areas. Yet, never in the past have we controlled it to prevent economic nosedives that occur when such

(Continued on page 35)

*An address by Prof. Upgren at the Washington Bankers Association, Seattle, Wash., June 19, 1947.

From Washington Ahead of the News

By CARLISLE BARGERON

Of all the bright ideas that were thought up in the welter of debate over the Taft-Hartley labor bill, the most apt; indeed, about the only one that had any application, was that it is a great bonanza for the lawyers. That, it unquestionably is. But organized labor became a prey for these gentlemen when it got the Wagner Act. Since that time, the lawyers have taken over, they even handle most of the wage negotiations for the employer. It hasn't been to the liking of the A. F. of L. old-timers who once worked at trades themselves and believe in keeping the cleanings to themselves. But the CIO is largely governed by men who never had a tool in their hands. Eocnomists, professors, lawyers and whatnots have moved in here on one of the greatest human exploitations of all times.

Carlisle Bargeron

The new law scarcely changes this. It calls for new routines, new approaches here and there, but the poor fellow in the ranks will find the going just as hard, and management, insofar as the general workings of this bill are concerned, isn't going to find his labor problems any easier.

The overall accomplishment is that the public satisfied itself that a labor law could be passed over the opposition of the union bosses, and unquestionably it breathed a happy sigh of relief. The screams about its being a "slave labor" bill were sheer trumped up nonsense and undoubtedly served to make management think it was getting more than it did.

The most important part of the whole bill is not readily apparent and it was not the theme of those who clamored for a law or who had to do with its passage, save one, the wisest of them all, Bob Taft.

From the outset this able mind has felt that it was not the law, but its administration that was important. He felt that no law could be enacted without turning the country upside down, that would really right the wrongs. The mess was created when the Wagner Act was passed, and the only way to have cleaned it up was to repeal the act which was impossible as a practical proposition.

What has happened, though, out of all the wordage and energy, is that the CIO, particularly, and all organized labor, has lost control of the National Labor Relations Board. This was Taft's accomplishment, something he had his mind on all the time, and which he finally deftly accomplished when the House and Senate bills were in conference.

Administration of the new law will go largely to a new man, the general counsel. He will determine what cases are to be brought before the board, what complaints are legitimate and what complaints are not. And the Republicans will have a say in the selection of that man. Taft will have a say. He must be confirmed by the Senate. He may even be a Republican. At any rate he will be a conservative.

This means that no longer will the NLRB be a source of harassment to employers as it has been in the past. It will no longer be a hammer which the union leaders used to bludgeon employers whether they were right or wrong.

This is the main accomplishment of the bill. And it is but another step in the revolution of the board that has been taking place with shifting public opinion for sometime. It has been taking place at an accelerated pace ever since last Nov. 5. There would have been a complete reformation with the Republicans' capture of the Presidency. With the passage of the new law, it will take place now.

It remains to be seen whether a nasty fight develops over the selection of the new man. Mr. Truman, if he accepts his defeat gracefully, may call in the Republican leaders and say that since it is their law, their man should administer it. Or he may elect to be stubborn. It is around this that the Republicans have aimed their appeals to him that the law not be sabotaged, that it be administered fairly. His present mood is one of bitterness.

It is an old trick for the Republicans to do things this way. Every time the Democrats come in, they pass laws which tend to straitjacket business. When the Republicans return to power, they simply change the administration of the laws. It doesn't cut down on the bureaucracy, simply clips its fangs.

A case in point was the Federal Trade Commission, creation of Woodrow Wilson. When the Republicans came back in 1920, they made it an instrument of "help to business."

That they do this doesn't give them a popular selling point in such campaigns as that of '40 and '44. Always they were being tormented with the question: Which one of the great FDR's noble acts would you repeal? They would try to explain they would change the administration but they did this so unconvincingly that their best friends were often disgusted.

We ought to be able to get an example of what they mean now. Even if Mr. Truman should act bull-headedly and the Republicans not get exactly the type of man they want as general counsel, you can rest assured that the NLRB has been thoroughly chastized. It would take more than the driving power which Mr. Truman or his brain trust might possess to restore the crusading or harassing spirit to them.

S. R. Livingstone Co. Adds

(Special to THE FINANCIAL CHRONICLE)

JACKSON, MICH. — John W. Hazelworth has become associated with S. R. Livingstone & Co., Penobscot Building, Detroit, members of the Detroit Stock Exchange. He was formerly with H. H. Butterfield & Co. and E. H. Rollins & Sons, Inc.

With Marxer & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Norman D. Lamar has become affiliated with Marxer & Co., Penobscot Building, members of the Detroit Stock Exchange.

With Rollins Staff

Special to THE FINANCIAL CHRONICLE

DETROIT, MICH.—William C. McCartney has been added to the staff of E. H. Rollins & Sons, Inc., Penobscot Building.

Holds Marshall Plan No Loan Commitment

Secretary of Treasury Snyder denies under it European countries are asked to agree on what they need or want and then get it.

In a press conference, held in Washington on June 25, John W. Snyder, Secretary of the Treasury, denied that it was the intention of Secretary of State Marshall to imply the United States stands ready to supply European countries with their needs, if they can get together as a group and decide upon a plan for economic recovery.

John W Snyder

"My interpretation of Secretary Marshall's statement," Secretary Snyder said, "is that he is asking them to make a self-inventory and see what they can do for themselves." "He invited them to sit down," the Secretary continued, "and see what their problem is. He didn't say anything about letting the United States know how much is wanted. He said they should get together and make up their own minds as to what they ought to do in their own countries."

In this statement Mr. Snyder referred to the proposal of U. S. help to European countries conditioned on an agreement among them on a general plan for economic recovery of the Continent and an inventory of their individual needs. The "plan" was first set forth by Gen. Marshall in an address at Harvard University on June 5, and published in the "Chronicle" of June 12th.

John G. Hopkins With Walter Stokes & Co.

PHILADELPHIA, PA.—John G. Hopkins has become associated with Walter Stokes & Co., 1411 Walnut Street. Mr. Hopkins, a member of the Philadelphia Stock Exchange, was formerly head of John G. Hopkins & Co.

John G. Hopkins

Sees Adjustments in Construction Costs

Thomas S. Holden of F. W. Dodge Corp. ascribes current slowdown in construction to investors' cautions. Says deflation of materials and construction costs must take place, though scale will be considerably less than after World War I.

According to a leaflet, entitled "Market Adjustment in Construction," by Thomas S. Holden, President of F. W. Dodge Corp., "the tempo and duration of the current construction movement will depend on the speed with which price and cost adjustments are made."

Thomas S. Holden

"There is," Mr. Holden says, "a slowdown in construction activity. Needs and potential demands for construction continue very strong, the American economy is highly prosperous, and there is plenty of money available. In spite of these things urgently needed projects are being deferred and postwar recovery interrupted. The trouble is easy to diagnose. Construction costs have risen to such heights that investors are refusing to buy. The slowdown is necessary in order to reestablish the normal peacetime buyers' market in construction and to pave the way for the eventual stabilization of the building industry."

"The most sensitive barometer of construction trends, namely, the movement of investments into construction as revealed by contract commitments," Mr. Holden continues, "pointed to uncertain conditions as early as February, and indicated a decline in effective demand in March. Downward pressure was accelerated in April and continued through May: The value of contracts awarded in the first five months was 6% below that of the corresponding five months of 1946 in the 37 states east of the Rocky Mountains. Hopes that price and wage increases would be moderate after removal of controls were not realized. Some factors tending toward stabilization, notably increased production of materials and equipment, were at work during the first quarter, but they did not work fast enough. Consequently material prices and construction costs continued to rise at a rate that priced many projects out of the market."

In reviewing materials price trends, Mr. Holden predicts no drastic price reductions:

"It is likely," he says, "that the amount of deflation of building material prices and construction costs that must take place this time is considerably less than it was 27 years ago. At that time construction costs rose to a peak about 150% over World War I, dropped spectacularly about a hundred points and rose again to a stabilized level about 100% over the prewar level of costs. This time the peak has not been nearly so high.

"Construction cost index numbers," he points out, "are in a sense theoretical. They take account of quoted material prices, official hourly wage scales and normal contractors' overhead and profit. They do not take into account excess costs incurred by unusual difficulties in the procurement of materials, frequent stops and starts on projects, abnormal overtime pay combined with bonuses, and the general low level of labor productivity. Such factors have added 15 to 25% to the costs based on current material prices, current standard wage rates and normal overhead and profit. Some of these excess costs have already begun to disappear."

Mr. Holden concludes that as far as construction is concerned we are "not in a boom or bust." "Since necessary stabilization of costs could not, apparently, be achieved without a slowdown of construction activity," he states, "the coming of the slowdown at this time is a far better indication of economic health than would be a boom this year accompanied by further price, wage and construction cost increases.

"The present sound situation could be upset by (a) political tinkering with the market, or (b) development of a panic psychology, which seems to be the object of some of the current boom and bust propaganda, or (c) economic collapse in other countries."

With J. Arthur Warner

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Clarence A. Pierce is with J. Arthur Warner & Co., Inc., Chapman Building.

With Bache & Co.

Special to THE FINANCIAL CHRONICLE

MINNEAPOLIS, MINN. — Walter R. Woodworth is with Bache & Co., Chamber of Commerce Building.

Joins King Merritt Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Peter B. Dick is with King Merritt & Co., Inc., Pence Building.

100 Stocks Far Below 1946 Highs*

Investment service organization points out, though it is time for farsighted investors to consider purchases, they should be on a selective basis, with cash reserves held back for use when special buying opportunities appear and when outlook is more clarified. Shows percentage rate decline of 100 different stocks.

The time has come for farsighted investors to consider the purchase of outstanding values in stocks, leaving, however, cash reserves for use on later occasions when especial buying opportunities in particular issues appear to be presented, and when the outlook becomes more clarified.

L. Scudder Mott
Editor
"Investment Timing"

A Field Worth Examining

One of the fields in which to look for advantageous purchases is among those stocks which have declined most from their highs of 1946, the year in which the bull market that began in 1942 ended.

The accompanying table gives 100 stocks, listed on the New York Stock Exchange, that have had unusually severe declines. The computation is not to the low, reached since the high, but to last Friday (June 13). Some have risen appreciably in the market rally since May 17.

Of course, the mere fact that a stock has experienced a very marked decline does not make it a desirable purchase. There may be ample reason for its drop in price and even for expecting it not to recover appreciably. And we do not mean to imply that investors should overlook standard issues or other well-placed stocks that did not fall so far below last year's tops. And in some cases stocks that have fallen least may have excellent reasons behind the action, and be good buys also. Nevertheless, the field of stocks which have fallen very far in price should remain a good one to examine carefully for "bargains."

Importance of Selection

Careful selection is a prerequisite of sensible investment at all times and with all types of securities. It is, if possible, even more important with issues in this category. Perhaps the first consideration is to try to determine the reasons back of the decline. For example, if the stock was greatly overpriced at its 1946 high; if its fundamental situation has taken a definite and substantial turn for the worse; if it had been a dividend payer and dividends have been omitted or greatly reduced (especially without prospects of resumption or increase); if it is a marginal company in its field and the restoration of competitive conditions makes its position dubious; if it is in an industry with an unfavorable outlook; then the decline may well be justified and the issue will not represent an advantageous purchase.

On the other hand, the decline might have resulted from factors not basically unfavorable. It might have been caused mainly by lack of market interest during dull market periods in the last several months, or from a temporary lack of market "popularity" either for the issue itself or for the industry group to which it belongs. Actual unfavorable factors may have existed but since have been largely or entirely corrected without the better turn being reflected by the price. Where the decline or the present relative low level can be attributed to some such factors, issues should be worthy of further examination with a view to making opportune purchases.

Consider Prosperity Period

Issues selected should, of course, be in position to weather

(Continued on page 31)

*Reprinted from "Investment Timing" published by the Economics and Investment Department of the National Securities and Research Corp., New York City.

Labor Bill Needs Public Relations Aid To Be Effective

Advertising Technics Advocated by Public Relations Authority to keep public informed.

By RAYMOND C. MAYER*

Public opinion, which always bides its time patiently before deciding, is setting back waiting to see who will assume the "Stinker" role, now that the Taft-Hartley Bill has become law.

Raymond C. Mayer

Will it be labor or industry? Or will it be both? Or will enlightened leadership come into play and make a decent effort to make the provisions of the law work?

No matter what the outcome, management has a heavy responsibility to meet, equal to that of labor's, if not greater. So it behooves management to keep the record and public mind clear by continuous and wide use of the technics of advertising and other public relations tools, in reporting how industry is doing its share to make the law work for the benefit of all concerned. In order to do this informational job effectively, it will call for the most judicious use of institutional or educational advertising and publicity in the press, magazines, trade journals, over the radio, in stockholder-employee reports and over other channels of communication to the public. Success of the legislation in actual practice will depend in large measure on how widely and completely the public is kept informed on how the act is working out.

Of course, the advertising technics could be used for propaganda purposes. To do this ill-advisedly would do an injustice to all concerned and would defeat its purpose—for the public generally reaches the proper conclusion in the final analysis.

The exponents of provisions of the Taft-Hartley Bill will find that the enforcement of it will be much more difficult if those who have the biggest stake do not take the public into their confidence. Also case histories demonstrating how it is being successfully worked out will be an aid to those who may be floundering in applying its provisions to their own plans and management policies.

*Mr. Mayer, who has offices in the Time & Life Building, New York City is Past President of the National Association of Public Relations Counsel.—*Editor.*

Dealer-Broker Investment Recommendations and Literature

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

Canadian Mining Maps—Wayne's Atlas containing 36 maps of all important areas—Wayne Map Co., 28 Wellington Street, West, Toronto 1, Ont., Canada—$1.00 postpaid.

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

Steel Industry, The—Detailed study, surveying seventeen companies—Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

* * *

American Car and Foundry Co.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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, Argo Oil Corp.** and **Consolidated Dearborn.**

Filtrol Co. of Calif.—Analytical memorandum—The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

Also available are memoranda on **Murphy Chair Co.; Peaslee-Gaulbert Corp.; Stratton & Terstegge Co.;** and **Consider H. Willett, Inc.**

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

Graham-Paige Motors Corp.—Memorandum on 4% convertible debentures due 1956—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

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

Lanova Corp.—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

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

National Supply Co.—Analysis and opinion—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Niagara Hudson Power Corp.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Northwest Utilities—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Oil Exploration Co.—Bulletin—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

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

Also available are analyses on **Stern & Stern Textile, Inc.,** and **Rome Cable Corp.**

Rockwell Manufacturing Co.—New descriptive brochure—Scherck, Richter Co., Landreth Building, St. Louis 2, Mo.

Shenandoah Dives Mining Co.—Recent analysis—McDonald & Co., 1009 Baltimore Avenue, Kansas City 6, Mo.

Shenandoah-Dives Mining Co.—Detailed descriptive circular—Prugh, Combest & Land, Inc., 1016 Baltimore Avenue, Kansas City 6, Mo.

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

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

Standard Silica Corp.—Descriptive memorandum—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill.

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.

Merrill Lynch to Open Branch in Baltimore

BALTIMORE, MD.—Effective June 30th, Merrill Lynch, Pierce, Fenner & Beane will take over the offices of Hornblower & Weeks in the Keyser Building, the latter firm transferring their Baltimore business to Philadelphia.

The personnel now attached to the Baltimore office of Hornblower & Weeks will remain with Merrill Lynch, Pierce, Fenner & Beane.

With Sidney B. Hook & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Thomas J. Edwards has become associated with Sidney B. Hook & Co., Van Nuys Building. He was formerly with the First California Corp.

Joins Maxwell, Marshall

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John F. Roth has become associated with Maxwell, Marshall & Co., 647 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Roth was formerly in the trading department of the Los Angeles office of Cruttenden & Co.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William C. Jackson has become connected with King Merritt & Co., Inc., Chamber of Commerce Building.

With Conrad, Bruce

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—John S. Hassan has become affiliated with Conrad, Bruce & Co., Russ Building. He was formerly with First California Co.

Joins Ted Weiner Staff

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF.—John F. Schofield has been added to the staff of Ted Weiner & Co., 41 Sutter Street.

Hincks Bros. Add to Staff

Special to THE FINANCIAL CHRONICLE

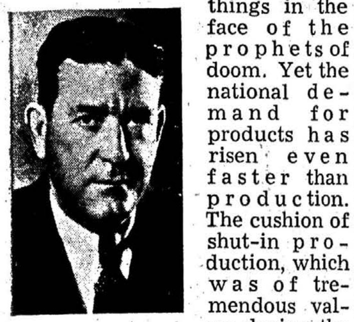
BRIDGEPORT, CONN.—William F. Mercer has been added to the staff of Hincks Bros. & Co., Inc., 272 Main Street.

Oil Industry's Future

By EUGENE HOLMAN*
President, Standard Oil Company (N. J.)

Leading oil executive calls attention to increasing and unsatisfied demand for petroleum products and points out present consumption exceeds wartime peak. Says though U. S. reserves have not been fully exploited, nation's petroleum resources are not likely to be enough for future needs, and we must rely on imports and synthetic liquid fuels. Sees steady upward pressure on prices, and warns only low price of oil products will enable people to enjoy their benefit and bring stabilization to industry.

Today the American oil industry is producing more than 5,000,000 barrels daily of crude—a rate higher than even the peak of war output and 30% more than the average for the year 1941. This is really an astonishing performance and a tribute to the industry's way of doing things in the face of the prophets of doom. Yet the national demand for products has risen even faster than production. The cushion of shut-in production, which was of tremendous value during the last decade, is rapidly being reduced.



Eugene Holman

It seems certain that there will be a tight situation—although not a critical one that would seriously affect our national economy—in supplying of both crude oil and products for the coming 12 or 18 months. The reason is simple. It is not a shortage of crude oil reserves.

It is just that the industry has not been able to drill the number of additional new wells, to provide the transportation, and to build the new facilities necessary rapidly enough to produce and handle present record demands for oil with its customary margin of safety. And this situation has been aggravated because demand on our product has increased even more rapidly than normal—producers of other kinds of fuel world-wide have failed to meet their normal demand. During the war efforts were concentrated principally on maintaining production with the minimum expenditure of manpower and material. The industry built special units for war use, such as 100 octane gasoline plants. But these did not in themselves result in an important addition to total refining capacity. Now, in the shortest possible time, it is necessary to catch up with normal replacements and at the same time greatly expand capacity in every operation from the drilling rig to the tank truck.

The industry today is in the midst of the largest construction program of all time. Everyone in the industry is affected. It is going to take all the ingenuity and hard work of everyone to minimize the temporary inconveniences to the public that will result. And it is going to take a lot of broad gauge thinking to get through this period without bad feelings among ourselves that do no one any good but those who would like to see the whole industry discredited.

But this is only the short range picture. For the long range we have to look at estimates of demand, of discovery rates, of price. We must consider possibilities of synthetic oils from gas, coal and shale and perhaps other materials, to say nothing of possible competition from atomic energy and other new sources of power.

All of us are, fundamentally, "peddlers of energy." We sell energy in liquid form and are in competition with all other forms of energy from wood through coal to the atom.

Of course—you understand—I do not intend to slight the widely known special qualities of the oil with which nature has so thoughtfully blessed this particular ground.

The total demand for crude and products, including natural gasoline, imports, etc., in the United States today amounts to around 5,600,000 barrels daily. By 1951 Jersey's economic forecasts, which agree pretty well with others I have heard, foresee a total demand for over 6,200,000 barrels daily.

And further increases are predicted for succeeding years.

Where Will the Oil Come From?

Where will the industry get this oil? Even to maintain present crude production—which is coming out at the rate of 1.8 billion barrels per year—means that really tremendous amounts of new oil must be found. Obviously, it will be difficult to add nearly two billion barrels to crude oil reserves each year over an indefinite period. Yet, even greater discovery rates will be needed if domestic demand is to be met without turning to supplementary sources.

There remain wide sedimentary areas practically untested in this country. And in the vertical horizon there is much room to explore by deeper drilling in many producing areas. Further, great opportunities exist to obtain practically new oil by more intensive and technically improved secondary recovery methods—a point on which you all here are contributing so much. Most geologists—certainly Jersey's—feel confident that much more oil remains to be found in this country, at least as much again as the 53-odd billion barrels found so far. But the timing or rate of discoveries is almost as important as the quantity—and this will depend on the intensity of effort and on the skill which is applied.

To the extent that discovery technology fails to keep pace with needs, substitutes must fill in, for people cannot do without oil products or the energy from oil.

Regardless of whether there remain 50 billion barrels to find, or many times as much, studies show that the country's natural petroleum resources are not likely to be enough for all needs when we look far ahead—for several decades and more. Two major supplementary sources can now be seen. One is imports, the other synthetic fuel. Both of these will be available if needed. Already they are important factors in the industry's long-range planning.

Oil Imports

The question of imports brings up foreign oil. It is sometimes difficult—accustomed as we are to thinking of the United States as far and away ahead of the rest of the world in petroleum—to realize the rapid strides made abroad in recent years. Today, foreign oil reserves far exceed those in the United States. Of world reserves estimated at approximately 60 billion barrels, 40 billions are abroad. The Middle East alone, in the estimates of many competent geologists, has present reserves substantially greater than those here.

But these large foreign reserves are not yet, as some seem to fear, pressing for a market in the States. I do not know whether they ever will. Demand for oil abroad is rising rapidly, and the potential rate of increase of this demand is far greater than our own. In this connection, a simple comparison is useful to keep in mind. The annual per capita consumption of petroleum in the United States today is around 571 gallons. In the Eastern Hemisphere it is 14 gallons per capita, and in the Western Hemisphere outside the United States 95 gallons per capital.

Paths of oil flow throughout the world are changing. In the past the United States and other countries of the Western Hemisphere, chiefly Venezuela, have supplied most of the oil needs elsewhere in the world.

Over the long future, however, it seems likely that the Western Hemisphere will need all of its own oil for its own needs. By that time there seems little doubt that the Middle East will become the great supply center for Europe and many other parts of the Eastern Hemisphere.

American oil companies have played big parts in developing foreign oil resources and supplying the oil needs of foreign peoples. Much of this, incidentally, is an interesting phase of American foreign trade, carried out entirely outside our shores from production to marketing. American companies today operate about 40% of all foreign oil reserves outside Russia. Over the course of time the domestic industry can draw on these reserves to supplement domestic production and help fill any gap between domestic demand and production. For a long period of time imports will be used primarily to increase supplies of fuel oil products. This will permit conversion of an increasing percentage of domestic crude into more valuable, more highly refined products.

Incidentally, I think it a very encouraging and helpful thing that much of the controversy has been removed from the import question—controversy which I have always felt was based largely on misunderstanding. Today all in the industry seem to agree that imports must be such as to supplement domestic supply—not displace it. As a major element in the nation's economy, the domestic industry must remain strong and virile. It must be able to continue aggressively to develop the nation's oil resources. Jersey Standard has gone on record many times in support of such policy.

Synthetic Liquid Fuel

Turning to the field of synthetic liquid fuel, most of you here today are, I believe, familiar with the broad outlines of the picture. Processes have been developed whereby almost any source of carbon and hydrogen can be converted into synthetic liquid products. Natural gas, coal and oil shale appear to be the most economic sources, in approximately the order named. Wood and other plant waste are potential sources which may compete with oil shale at least.

This is no distant situation. Synthesis is with us today. In several plants, commercial operations will commence not far in the future to

(Continued on page 34)

*An address by Mr. Holman before the Bradford District Penna. Oil Producers Association, Bradford, Pa., June 19, 1947.

Public Utility Securities

Virginia Electric & Power

Engineers Public Service has tentatively set July 10 as the record date for distribution to its own stockholders of common shares of Virginia Electric & Power and El Paso Electric. The actual distribution would be about July 21 (these dates will be changed or confirmed on June 30). Engineers by that time will have completed the sale of Gulf States Utilities through subscription rights. Disposal of the three holdings will complete the major part of the company's integration program.

Virginia Electric & Power is a $163,000,000 utility serving electricity at retail to 987 communities and adjacent areas in Virginia and small areas of West Virginia and North Carolina, with a population of 1,687,000. More important cities include Richmond, Norfolk, Portsmouth, Newport News, Fredericksburg, Williamsburg, etc. Power is also wholesaled to eleven municipal systems and fourteen other utilities. With one small exception, the entire system is interconnected and tie-ins are maintained with Carolina Power & Light and Braddock Light & Power 93% of the business is electric and 7% gas.

Major industries in the territory are tobacco, shipbuilding, rayon and other textiles, food products, chemicals, paper, wood products, metals and machinery, stone and clay products and trunks and bags.

The company's rates seem low considering the diversified area served. In 1946 residential revenues per KWH averaged 3.1c (below the national average) and average annual use by each residential customer was 1,452, better than the national figure. Commercial rates averaged 2.3c and industrial 1.1c.

Plant account is carried at original cost except for $11,330,000 plant acquisition adjustments which are being amortized. The depreciation reserve at the end of 1946 was about 15% of plant account and the amortization reserve about 30% of the plant acquisition adjustments.

Capital structure was about 52% debt, 23% preferred stock and 25% common stock equity. This conforms reasonably well with the SEC formula (50-25-25) and the debt ratio should gradually improve as the serial note issue is paid off. However, if plant account were fully adjusted to original cost by a charge to surplus, the ratios would be 57% debt, 25% preferred and 18% common.

It is difficult to trace the company's earnings record with respect to the common stock because of the important merger in 1944 with Virginia Public Service (Asociated Gas System), the bond refunding of 1945 and the various resulting adjustments in federal taxes. In the twelve months ended May 31, 1947, $1.59 a share was earned compared with $1.61 in the previous period. This was after about 23c for amortization of plant adjustments. However, the combined depreciation and maintenance expenditures totaled less than 15% of revenues (considered on the low side) and another 3% (after tax adjustment) would more than offset the amortization item.

The stock is currently quoted over-counter about 15½ "when distributed" or slightly less than ten times current earnings. The quotation would probably be a little higher were it not for the peculiar fact that no dividend will be forthcoming until June, 1948 (the company paid a special dividend of $1 to Engineers Public Service to aid in that company's program). If the $1 dividend rate is continued the yield would be about 6½%. However, if the company paid out three-quarters of earnings the present indicated rate would be in the neighborhood of $1.20, and on this basis, the yield on the present price would be 7.7%. Such a rate would compare favorably with average yields for more seasoned issues.

With Municipal Sec. Co.

Special to THE FINANCIAL CHRONICLE

GREENSBORO, N. C.—Louis L. Morrman, Jr., has rejoined the staff of Municipal Securities Co., Guilford Building. He has recently been with Carolina Securities Corp.

With First Securities Corp.

Special to THE FINANCIAL CHRONICLE

CHARLOTTE, N. C.—Philip T. Williams is now with First Securities Corp., Liberty Life Building.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Bank Stocks

The veto of the tax bill postpones until 1948 whatever help lower individual taxes might afford the bank stock market, through making these relatively high and steady income stocks more attractive to the investor. Collaterally, the Treasury will be enabled to retire some additional $3 to $4 billion of debt before the end of the year, thus further shrinking the earnings assets of the banks.

There are some offsetting factors in the situation, however. First, commercial loans are expected to experience a seasonal upturn in the latter part of July; second, the banks lengthened moderately the maturities of their Government bond portfolios during the second quarter; third, it appears possible that the Treasury may unpeg short-term interest rates in line with the recommendations of the Federal Reserve.

New York City bank stocks staged an unimpressive market performance during the past two weeks, part of the time moving contrary to the direction of the general stock market. The following table shows the record as measured by the American Banker Index and the Dow Jones Industrial Average:

Date	Amer. Banker Index	Dow Jones Industrial Average
June 9	39.1	169.88
10	39.1	171.10
11	39.5	174.68
12	39.5	173.78
13	39.6	175.49
16	39.3	*175.81
17	39.2	174.98
18	38.9	174.94
19	39.0	176.14
20	39.2	176.44
	†+0.1	+6.56
	‡+0.25	+3.9%

*Tax bill vetoed. †Gain at end of Period (Points). ‡Gain at end of Period (%).

It may be of interest to observe how individual bank stocks compare with the bank stock index and the Dow Jones Averages. Two tables are presented, one comprising banks of New York City and a second comprising banks of other cities, as follows:

NEW YORK CITY BANKS

Name	Asked Prices 6/9/47	6/20/47	% Change
Bank of Manhattan	25¾	26	+1.0%
Bank of New York	357	355	—0.6
Bankers Trust	40¼	40	—0.6
Central Hanover	97	95¾	—1.3
Chase National	36¼	36¼	†
Chemical Bank & Trust	41¼	40¾	—1.2
Commercial National	41¼	43	+4.2
Continental Bank & Trust	17	16⅞	—0.7
Corn Exchange	56¼	58¾	+4.4
First National	1,450	1,440	—0.7
Guaranty Trust	270	274	+1.5
Irving Trust	15¾	15⅞	+0.8
Manufacturers Trust	50¾	51	+0.5
National City	40⅜	41¼	+2.2
New York Trust	92¾	92¼	—0.5
Public National	41½	41½	†
U. S. Trust	660	660	†
Average			+0.5%

†No change.

BANKS OF OTHER CITIES

Name	Asked Prices 6/9/47	6/20/47	% Change
BOSTON:			
First National	50	49½	—1.0%
Merchants National	355	335	—5.6
National Shawmut	27	26½	—1.9
CHICAGO:			
Cont. Ill. Nat. Bank & Trust	83	85	+2.4
First National	200	208	+4.0
Harris Trust	360	360	†
Northern Trust	635	630	—0.8
PHILADELPHIA:			
Corn Exchange	47½	47	—1.1
Fidelity-Philadelphia	274	274	†
First National	36½	35	—4.1
Girard Trust	47½	46½	—2.1
Pennsylvania Co.	37½	37½	†
SAN FRANCISCO:			
Bank of America	42¾	42¼	—1.2
Average			—0.9%

†No change.

A few stocks made moderate gains, such as Commercial National, Corn Exchange and National City of New York, also Continental Illinois and First National of Chicago. Merchants National of Boston and First National of Philadelphia sustained moderate loses. Seven stocks show no change in prices, while the balance show only fractional gains or losses.

Thus, for the time being there is not much life in the bank stock market. Meanwhile, however, well selected bank stocks provide attractive dividend income, well secured by earnings, with prospective market appreciation over the longer term.

World Bank and the SEC

Vice-President Garner says Bank has no objection to registering its securities. Discloses as still unsettled questions of dealers' registration, underwriting liability, and exemption from Trust Indenture Act. Reveals Bank's proposal to push Ruhr coal production.

WASHINGTON, June 24—The relations of the World Bank and some of the likely complications were indicated by Robert L. Garner in a press conference here today. There has been no question raised against registration of the institution's forthcoming debentures Mr. Garner indicated saying: "We haven't raised question of whether Bretton Woods Act passed subsequently would exempt this Bank from SEC. We have said we are glad to register. The thing that we were interested in was that there were certain restrictions operating under SEC we felt were inapplicable to our situation. We have been discussing with them and asking them to give us either clearances or exemptions on them."

Robert L. Garner

Such restrictions were cited by Mr. Garner as follows:

"One is the necessity of dealers' registering. Another, whether the dealers would be underwriters in the terms of the Act. On that point, you realize we are not going to have an Underwriting Division. It is set up to be a selling group but if it isn't an underwriting, the next stage down is a selling group; and if this was a corporate issue, they would be underwriters in the sense of the Act.

"We pointed out, and most people agree, there is no underwriting liability set up under SEC, not applicable to us. The question is a technical thing. What they are going to do about it we don't know.

"One other is exemption from Trust Indenture Act. I think that's agreed on. After all, there is no point in having private trust companies as trustees. These are the important things. There are perhaps some other technical things."

No Difficulties With Securities Dealers

On the question of conflict with security dealers, Mr. Garner stated:

"So far as I know, we haven't had any objections from anyone of the members to that. That's one of the technical things. Dealers have talked to us and agree that we ought to have both registered dealers and municipal and government dealers."

Bank to Stimulate Ruhr Coal Production

Revealing that the Bank considers revival of the Ruhr's coal production vital to the reconstruction of Western Europe, Mr. Garner said:

"Next to food, coal is the most critical commodity in the world today and is the primary limiting factor on increased production. It is natural that Mr. McCloy would be interested in ways to increase the supply of coal in Europe. The fact that the Ruhr, which has been the principal producing area of coal in Western Europe, is operating well under capacity made it natural for the Bank to try to develop some ideas which might result in increased coal production there. It hasn't gone beyond the idea stage and we have no fixed thoughts on how it might be done. The Bank would be willing to do anything within its power that it felt to be sound and within the scope of the Articles of Agreement to achieve this end."

When asked to whom the money would be lent under this plan, Mr. Garner stated that it hadn't been worked out but that if possible through an authority set up through concerted action of several governments, Mr. Garner continued.

In answer to a question as to the extent of need for coal producing machinery against the need for food and housing, Mr. Garner stated that the Bank is trying to get more information on that and the present indications are that the amount of equipment and machinery needed is secondary to the increase of manpower and the production of the manpower based on housing and more food and consumers goods. On this basis, the loan would not necessarily be a long-term loan.

Mr. Garner explained that the Bank would be concerned with the allocation of the coal and when asked what nations might be included in the authority, said that certainly the nations surrounding the Ruhr would be interested and that because Britain and the U. S. are carrying the burden of occupation in western Germany they should be interested in getting Germany on a self-sustaining basis. "We would like everyone in who could help," he said.

When asked if the authority might be compared with TVA, Mr. Garner said that it was not a TVA idea but compared more closely to such a thing as a port authority.

Mr. Garner pointed out that the idea has not been tried out officially on anybody. He indicated that the Government knows about it.

France Has Drawn Down 25% of Her Loan

Mr. Garner further revealed that France thus far has used from $60,000,000 to $70,000,000 of her $250,000,000 total loan.

World Bank Bonds Legal in New Jersey

We have been informed by the Governor's office in Trenton that Governor Alfred E. Driscoll of New Jersey has signed a bill making it legal for banks, insurance companies, and certain others, to invest in obligations issued or guaranteed by the International Bank for Reconstruction and Development.

The new law specifically includes insurance companies and associations; banks and trust companies; executors, receivers and others occupying similar fiduciary positions; investment companies and other financial institutions; credit unions and benevolent associations; pension funds and sinking fund systems, as well as the state and its political subdivisions.

Toronto Stock Exch. Elects New Officers

TORONTO, ONT., CANADA—R. J. Breckenridge, Breckenridge & McDonald, was elected president of the Toronto Stock Exchange by acclamation at the annual meeting. Mr. Breckenridge succeeds J. B. White of J. B. White & Company. Other officers elected by acclamation were A. L. A. Richardson, Dickson, Jolliffe & Co., Vice-President; J. T. Cannon, J. P. Cannon & Company, Secretary; and D'Arcy Manning Doherty, OBE, Doherty, Roadhouse & Co., Treasurer.

Members of the managing committee also elected by acclamation were Frank G. Lawson, Moss, Lawson & Co.; W. G. Malcolm, A. E. Ames & Company; Gordon W. Nicholson, G. W. Nicholson & Co.; T. A. Richardson, T. A. Richardson & Co.;; George L. Jennison, Wills, Bickle & Co.; and J. B. White, the retiring president.

With Holley, Dayton Firm

Special to THE FINANCIAL CHRONICLE

EAU CLAIRE, WIS.—Wilbur V. Malkson has become associated with Holley, Dayton & Gernon, S. A. F. Building. Mr. Malkson was formerly local representative for Loewi & Co.

Factors in World Bank Success

By GEORGE R. ERICSON*
Financial Editor, Christian Science Monitor

Financial observer points out World Bank must be part of high economic planning, and says it can supply need for machinery and materials to increase old world's productive capacities. Predicts Bank will soon issue $300,000,000 debentures, and despite difficulties is likely to win confidence of investors. However, looks to Export-Import Bank and reconstruction Finance Corporation to take up unsold bonds, and concludes present set-up of Bank keeps its borrowing within conservative bounds.

It may be well at the start of my talk to point to recent developments on the international scene which materially alter the circumstances affecting World Bank policy. One of these is the continental plan for aid to Europe put forward by Secretary of State Marshall on June 5. His idea that help to the nations of Europe should be on an over-all, coordinated or unified basis, and that these nations should get together and show how America can best help them, is a historic proposal and a credit to high statesmanship. If it is accepted and a customs union of Europe results, then piece meal assistance to the needy countries will be subordinated to a master plan. This is high economic planning and the World Bank must needs be a part of it; at least it will have to co-ordinate its policies and actions with whatever commission or group is to implement the Marshall plan.


George R. Ericson

At the same time, the World Bank must take cognizance of Senator Vanderberg's suggestion that the United States take inventory of its resources to determine how much it can afford to export. For no nation can continue to be an arsenal of democracy if it irretrievably damages its economy by sending too large a proportion of its economic wealth abroad. This inventory taking presupposes a total balance sheet of Europe's needs and American resources. With such a picture of international assets and liabilities before it, the Bank can act with greater clarity and precision. As relief becomes less necessary and rehabilitation abroad proceeds, the larger will loom the part the World Bank plays. Ex-President Herbert Hoover's letter this week to Senator Bridges of New Hampshire (Full letter appeared in "Chronicle" of June 19 starting on page 6—Ed.) has given added force to the Vandenberg proposal that a bi-partisan advisory group of our ablest citizens examine how far America can go in saving Europe from Communism without causing "drains which cripple our own productivity."

We are exporting today at a rate of some $19 billion annually, and are importing at a rate of less than $8 billion. Unless we are eventually going to call this export excess of $10 to $11 billion a gift, we must make it possible for foreign countries to send us more of their goods. Theoretically we all advocate a two-way trade highway. Actually most of the traffic is going in one direction.

The action of Congress in voting a price support program for wool that means higher tariffs indicates an attitude that is indifferent to the success of the International Trade Conference at Geneva. That conference is aimed specifically at trade barriers. Its failure has implications for the World Bank. Unless a way can be found for expanding our imports, in other words, for making it possible for our debtors to pay us, then World Bank loans are a misnomer. They had better be called gifts.

The World Bank Set-Up

We could get on with the gist of our discussion more quickly if it were assumed that bankers generally knew about the origin of the International Bank for Reconstruction and Development, its structure and the need for it or ultimate objective. Nevertheless, at the risk of telling you something with which you are familiar, I shall take a few minutes to give an outline of the bank's makeup before we try to assay its usefulness. For brevity's sake let us call it, as the headline writers do, the World Bank.

No doubt you remember those summer days three years ago when the theorists and the realists met at Bretton Woods, New Hampshire, to see if they could agree on some procedures to restore the flow of international capital investment and to stabilize foreign exchanges. In the process of adjusting the differing points of view, who shall say that the compromise worked out is more a triumph of the hard money proponents or of the easy credit boys. This much can be said. It resulted in an institution—or two institutions—which have begun to function in a period far more perilous than foreseen at their inception. We cannot deal with the International Monetary Fund here except to say that its business, besides fostering cooperation among the nations as to monetary problems, is to help members to meet tem-

(Continued on page 40)

*An address by Mr. Ericson before the Maine Bankers Association, Poland Springs, Me., June 21, 1947.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The Advertising Committee of the National Association of Security Dealers reports as follows to the members of the Association:

Fellow Members:

Your Advertising Committee is pleased to report the following Vice-Chairmen:

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We are now communicating with the Presidents of all Affiliates to represent this committee from their own Affiliates. In other words, we believe it pays to advertise and we are confident advertising space in our Post Convention Special 1947 Issue of the Commercial & Financial Chronicle will quickly be subscribed to when our membership through our National Advertising Committee is fully aware of the fact that in this instance it pays the NSTA too because of its participation in the advertising receipts.

A letter is now in the mail to the members and we earnestly request that you give it your attention.

Gross advertising to date $5,900.

Let us prove our loyalty to our National Organization by supporting your Advertising Committee which in turn greatly strengthens your NSTA Treasury.

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

Railroad Securities

Some railroad analysts have recently been pointing out to their clients that the present spread of more than six points between Southern Railway common and Southern Pacific stock is historically wide and that there might be considerable advantage in switching into the former. Some sacrifice in income return would be involved but it is contended that this should be more than offset by improved price enhancement potentialities. Both dividends are considered well protected but in neither case is an increase in the current rate anticipated. At last week's closing price of 34¾ Southern Railway afforded a return of 8.63% on the $3.00 dividend. Southern Pacific at its closing price of 41¼ afforded a return of 9.70% on the $4.00 dividend.

It is being pointed out that at their respective 1947 highs Southern Railway sold more than three points above Southern Pacific, whereas the latter is now more than six points higher. In the three preceding years, based on respective annual highs and lows, Southern Pacific ranged from a maximum of eight points above Southern Railway at the 1944 peaks to two and a half points above it at the 1945 highs. Four years ago the two stocks fluctuated in an identical range while in 1942 both the high and low of Southern Railway common were above those of Southern Pacific. Aside from the present dividend rates there has been no change in the relative status of the two stocks that would warrant a revision in the historical price relationship.

Fundamentally, both of these roads are considered to be in a favored position. Both have benefited materially from long-term trends towards greater industrialization of their service areas and Southern Pacific in particular has experienced sharp population growth in parts of its territory. It is indicated that these long-term trends have not as yet run their full course. As a matter of fact, in both sections the trends were accentuated and accelerated by war needs. Long before the war both of the roads were experiencing traffic and revenue trends superior to those of the industry as a whole or other roads operating in the same territories. There is every reason to expect that these favorable influences will be continued in the postwar era.

From the point of view of share earnings, Southern Railway has fairly consistently run ahead of Southern Pacific. For one thing, it is the more efficient of the two properties. On the average in normal prewar years Southern carried around 20% of gross through to net operating income before Federal income taxes. During the same period Southern Pacific carried through somewhat less than 13%. This differential in operating performance will presumably return now that war distortions of the traffic flow are being eliminated.

For the ten years 1937-1946 Southern reported average earnings of $8.34 a share on its common, compared with $7.37 a share for Southern Pacific. In each of the seven years 1939 through 1945 Southern was ahead of Southern Pacific in share earnings, and this record would have been maintained in 1946 had it not been for tax considerations. Last year Southern Pacific reported earnings of $6.70 a share, but this was entirely due to tax credits. Had it not been for these credits the road would have covered only a small fraction of its fixed charges. On the other hand, Southern Railway last year reported earnings of $4.82 a share which was after a Federal tax debit of close to $2,500,000.

Both of the roads have been active in reducing debt and charges in recent years. To a certain extent the activities of Southern Railway have been hampered in this respect because its high coupon debt is non-callable. Despite this handicap its present charges are the equivalent of $2.03 per common share below the average charged during the ten years 1937-1946. On a similar basis charges of Southern Pacific have been reduced the equivalent of $1.31 a share.

Charles E. Saltzman Asst. Secy. of State

Charles E. Saltzman, Vice-President of the New York Stock

Charles E. Saltzman

Exchange, was nominated by President Truman on June 19th for the post of an Assistant Secretary of State. He will succeed Maj. Gen. John H. Hildring, retired, Assistant Secretary of State in charge of affairs of occupied areas, who is resigning for personal reasons effective Sept. 1.

Jos. R. Donaldson With Kingsbury & Alvis

JACKSON, MISS.—Joseph R. Donaldson has become associated with Kingsbury & Alvis, Lamar Building, where he will handle mutual investment funds.

Mr. Donaldson was previously located in New York City.

Two With William Walters

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Edwin H. Boyer and Laurence E. McBride are now connected with William Walters Securities Co., 3923 West Sixth Street.

Join Dean Witter Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Louis R. Aragon and Richard E. Eckert, both previously with First California Company, are now associated with Dean Witter & Co., 632 South Spring Street.

Reappraising Our American Opportunity

By HENRY C. LINK, Ph.D*

Vice-President, The Psychological Corporation, New York City

Dr. Link contends, though our social structure is unique among nations, it is not understood even by ourselves. Points out public misconceptions of American opportunity and urges campaign of education to foster and improve American System. Asserts emotional appeals are needed in technique of communing ideas and advises industry to give more attention to ethics.

The profitable sale of services and products is, we know, the immediate concern of every private business. However, every day it is becoming more obvious that the underlying concern of every business is not the sale of its products, not the sale of the company as a public institution, not the sale of an entire industry, but the sale of that one great institution which makes all these others possible, that is, "the American System." This unique American system has been rapidly dying from neglect. America, for some years now, has been living on the momentum of her great past.

Henry C. Link

No less a person than Dr. Conant, President of Harvard University, recently gave broad expression to this situation. Speaking at the conference of the New England Council last November, he said: "It is my contention that the social structure of the American nation is unique; it is something the world has never seen before." Then, observing that he had found many well-educated foreigners unable to understand the unique structure of the American system, he said: "But do we understand it ourselves? Do we realize how important it is for our future to nourish those elements of strength in our chaotic democracy which, like taproots, reach back into our history?" One would like to ask Dr. Conant whether the great universities in recent years have not done more to starve than to nourish those taproots.

In one of our community and plant surveys last year we found that many of the townspeople were displeased with a certain plant because of the smoke nuisance. As a matter of fact, this plant, within the past five years, had spent enormous sums to reduce the soot content of its smoke by over 70%. People were simply not aware of this great improvement. This survey finding illustrates the situation regarding free enterprise and the American system generally. People have become more and more conscious of its faults and less and less conscious of its merits.

Some people claim that the Americans are already so completely sold on America that it is foolish to speak of selling it to them again. To be sure, they are sold on her comforts, her pie a-la-mode, her radios, automobiles, refrigerators, but they are not sold on the principles, the taproots, which make those comforts possible. The real America lies not in her present wealth, her present luxuries, but in the system which produced them. It is not nearly so important for Americans to know that one in every five has a telephone, as compared with one in every 125 in Russia as to know the reasons why.

Public Misconceptions

Today we find many Americans not only unconscious of the foundations of the American system, but even believing certain things which are definitely untrue. Our nation-wide surveys and those of other research organizations, have revealed highly erroneous beliefs in respect to wages and profits, advertising, the advantages of government control of business, of government grade labeling, and in other areas. To give but one example:

Last year we asked a cross-section of 5,000 people this question: "If the government owned and managed industries, would you get more or less for your money than you do now?" The results were:

Gen. Pop. Oct. '45	College Students Oct. '45	Gen. Pop. May '46	Gen. Pop. May '47	
43%	63%	33%	34%	Said they would get as much or more under govt. ownership.
38	26	35	36	Said they would get less under government ownership.
19	11	32	30	Were uncertain.

When asked why they could get more under government ownership, the two principal reasons given were "government ownership would eliminate profits," and "would eliminate unnecessary advertising." In short, many millions of Americans believe that Socialism or State Capitalism would be more efficient than the American system of private capitalism.

Where do people get these beliefs and how can they be dealt with? One of the popular answers in recent years has been that they grow out of the failures of free enterprise and can be dealt with only by improving that system. As one writer put it, quite typically, "If we are afraid of Communism in this country, let us work to make our own system better. Then standards of honest comparison will leave little doubt as to the relative merits of each."

Improve American System

What have we been doing for 300 years, if not improving that system? While still not perfect, there is today little or no comparison between the American system of private capitalism and any socialist or communist system in the world. As Dr. Conant said, the American system is unique. Never in all history have the great masses of a nation achieved so high a level of economic equality and freedom. As compared with the common man in Europe, Russia, China and in fact most of the world, the common man in America, even the man on unemployment relief, is a bloated plutocrat. Therefore, to say that the best or the only way to stop Communism or Socialism is to improve our present system is not only naive, it is sheer nonsense. The one point at which Socialism and Communism has excelled Americanism, with all its faults, is in its promises, its propaganda, its missionary zeal, its education. We Americans have practically stopped indoctrinating the youth of America in those principles which made America unique, which Dr. Conant referred to in such nostalgic fashion.

No, it is not in the economic or material realm that American capitalism has failed—even including its depressions—but in the realm of ideas, in the educational realm. It has almost completely failed to develop its own ideology. It has distributed wealth, but not the principles and morals which made that wealth possible. It has educated people in slogans about its products, such as "ask the man who owns one," "When better cars are built, Buick will build them," but it has not educated the public in the moral significance of such slogans. The thousands of brands and trademarks of American business are the very promises men live by, promises far more reliable than those in the fields of politics, government, or international relations. Its surplus wealth supports the largest, I will not say the greatest, educational system in history, but its lack of an adequate ideology encourages that system to turn out more and more Socialists who would destroy the very system which made their education possible. That is one reason why I have described the American educational system in some of my writings as "the most elaborate plan ever conceived for obscuring and even denying the elementary facts of life." But let us not blame the educators, let us blame ourselves, because while we have supported education with our dollars, we have neglected to guide it without principles.

A Basic Educational Campaign

Within the past year there have been the first important developments of concerted activity to educate Americans by direct methods. The United States Chamber of Commerce, the Association of National Advertisers, and the American Association of Advertising Agencies, through joint committee, have developed a basic outline for an educational campaign through national advertising and also through local activities. The Chamber of Commerce launched its part of the program at the national session in Washington in April, under the excellent slogan "American Opportunity." The outline of this program is available through local Chambers and the Washington office. It is primarily a program for local application to which the banks could contribute enormously—not in money but in cooperation.

The greatest problem is not whether or not such education should be undertaken, but **how to do it.** Therefore, it is my purpose here to concentrate on a few practical suggestions, or "do's" and "don't's" in connection with this program. These suggestions grow out of a series of studies we have been making since 1945 in what we call the "Techniques of Communicating Ideas," as contrasted with products. As you know, some of the nation's leading companies have been conducting large educational and advertising campaigns in defense of free enterprise. Our studies in "Communicating Ideas" included many tests with national and local advertising campaigns, tests of articles in plant or employee magazines, tests of financial statements or advertisements, and tests of pamphlets and booklets. I shall not burden you here with the details of these tests except to say they were tests of three main points: (1) Was the material interesting enough to be read?, (2) If read, was it understood, and

(Continued on page 32)

*An address by Dr. Link before the convention of the New York State Bankers Association, Quebec, Que., Canada, June 17, 1947.

British Reactions to Marshall Offer

By PAUL EINZIG

Pointing out widespread approval in Britain of the Marshall plan to aid Europe, Dr. Einzig holds it will ease the burden of sterling convertibility since it will mean end of dollar shortage on European continent.

Mr. Marshall's Harvard speech had an almost unanimously favorable reception in Britain. The only quarters in which the proposal for assistance to Europe has been viewed with suspicion and hostility are those of the Communists and their sympathizers among Left-wing Socialists. Apart from them the scheme has been welcomed with enthusiasm. It is considered an almost ideal solution of the problem with which Britain will find itself confronted when the proceeds of the American loan are exhausted.

Dr. Paul Einzig

For one thing, paradoxical as it may sound, in London it is believed that a plan providing aid for the whole of Europe stands a much better chance of being passed by Congress than a smaller second loan to Britain. This belief is based on the assumption that all the many millions of Americans of continental origin whose countries stand to benefit by the scheme would support it, and their combined weight should go a long way towards influencing Congressional opinion. Another consideration is that, if any "strings" are attached to the scheme it is as well if they apply to a number of countries instead of to Britain alone. One of the reasons why the convertibilty of sterling undertaken in the Loan Agreement of Dec. 6, 1945, is considered a burdensome liability is that it does not apply to other countries which, under the Bretton Woods Agreement, are at liberty to postpone convertibility for five years.

Moreover, in any case the easing of the European dollar position would tend to lessen the burden of the convertibility of sterling. As continental countries will not be so short of dollars, there will be less inducement for them to make full use of their right to convert their sterling balances. In any case, Britain's own dollar position will become much easier as a result of the assistance received through the Marshall scheme, and she will be in a better position to face the liabilities arising from the convertibility of sterling.

One of the welcome results of Mr. Marshall's speech will be the postponement of the Government's decision on the proposals for very drastic cuts in the allocation of dollars for imports. A section of the Government, headed by the Minister of Food, has been all along strongly against the cuts, but their view was likely to have been overruled by the Chancellor of the Exchequer who is gravely perturbed by the pace at which the proceeds of the loan have to be drawn upon. His argument is believed to be that unless the Government accepted his cuts now it will be necessary to accept much more drastic cuts next year when the dollar resources have come to an end. The announcement of the scheme to aid Europe does not in itself rule out the necessity for economy. There is a long way from the announcement to the conclusion of an agreement, and an even longer way to the ratification of the agreement. Meanwhile the British dollar resources might easily come to an end if they are used at the present rate. In any case, it is believed that drastic curtailment of British purchases in America would constitute a powerful argument in favor of the speedy ratification of the agreement. Nevertheless, the cuts may not now be so drastic as they were intended to be, and posibly the Government may postpone their application.

From an internal British political point of view the Marshall scheme comes as a great relief to the Government. For there would have been strong opposition to a second British loan from the United States, not only by Conservatives but also by a large number of Socialists. Resistance would have been even stronger than it was against the first loan. Apart from other reasons, it would have more time to be organized; the reason why the first loan was passed comparatively easily was that the Government rushed it through Parliament in a few days, before its opponents had time to work up a campaign against it. Moreover, many of the adverse effects foretold by opponents of the first loan have in the meantime materialized, and the prestige of the opponents has risen in consequence.

As the new scheme appeals to the imagination of the public and is very popular, even those who are against a second loan are reluctant to come out against it in public. They also feel that Britain could not keep aloof from a European reconstruction plan. There is bound to be, however, a small but very vocal opposition if, for no matter what reason, Soviet Russia should remain outside the scheme. That opposition would be easily overruled by the weight of Mr. Bevin's authority. His foreign policy has just been endorsed by the overwhelming majority of the Labor Party, and he will find it easy to secure an overwhelming majority for the Marshall plan.

National City Bank Group Offering Connecticut Bonds

The National City Bank of New York and associates on Tuesday won the award of $50,000,000 State of Connecticut 1⅛% Veterans Bonds, due July 15, 1948-1957 and $2,200,000 of that State's 1¼% University Bonds, due July 15, 1948-1967. The group re-offered the Veterans Bonds at prices scaled from 0.55% to 1.10%, according to maturity, and the University Bonds at prices ranging from 0.55% to a dollar price of 99½. The Bonds met strong investment demand at retail, according to the underwriters.

The group was awarded the Veterans Bonds on a bid of 100.4399 or a net interest cost of 1.0450% and the University Bonds on a bid of 100.315 or a net interest cost of 1.22%.

Associated with The National City Bank of New York in the offering were Halsey, Stuart & Co. Inc.; Harris Trust and Savings Bank; Bank of America N. T. & S. A.; Stone & Webster Securities Corp.; Blair & Co., Inc.; Phelps, Fenn & Co.; Hallgarten & Co.; Hornblower & Weeks; First of Michigan Corporation; Adams, McEntee & Co., Inc.; C. F. Childs and Company, Incorporated; Weeden & Co., Inc.; Dick & Merle-Smith; Roosevelt & Cross, Inc.; Reynolds & Co.; Darby & Co.; Otis & Co. (Incorporated) Robert Winthrop & Co.; Lincoln R. Young & Company; and F. S. Smithers & Co.

COMING EVENTS

In Investment Field

June 27, 1947 (Westfield, N. J.)

Bond Club of New Jersey Spring Field Day at the Echo Lake Country Club, Westfield, New Jersey.

July 1, 1947 (Mamaroneck, N. Y.)

New York Stock Exchange 48th Annual Golf Tournament at the Winged Foot Golf Club.

July 10, 1947 (Boston, Mass.)

Boston Securities Traders Association annual outing at the Woodland Golf Club, Newton, Mass.

July 11, 1947 (Philadelphia, Pa.)

Investment Traders Association of Philadelphia Silver Jubilee and 25th summer outing at Llanerch Country Club, Havertown, Pa.

July 22, 1947 (Detroit, Mich.)

Security Traders Association of Detroit & Michigan Annual Summer Golf Party, Orchard Lake Country Club. Also a cocktail party and buffet dinner on July 21 at the Savoyard Club, Detroit.

Aug. 10-14, 1947 (Boston, Mass.)

National Security Traders Association annual convention.

Sept. 20, 1947 (Chicago, Ill.)

Municipal Bond Club of Chicago Outing.

Nov. 30-Dec. 5, 1947 (Hollywood, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Gordon Buckhout With Paine, Webber Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Gordon E. Buckhout has become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Buckhout was formerly Vice-President of Livingstone & Co. and was with Cruttenden & Co. in Los Angeles.

Can the Administration Control a Recession Before 1948 Election?

Dr. Julius Hirsch predicts mil recession beginning next Fall, marked by stagnation in soft goods. However, expects no serious break before 1949.

The Better Vision Institute, Inc., at a luncheon meeting on June 20 heard Dr. Julius Hirsch, consulting economist, explain the forces which will influence the business outlook and purchasing power for the rest of the year and during the 1948 election year.

Julius Hirsch

"We have undoubtedly reached a peak in production and sales volume, and employment is higher than ever before in American history," Dr. Hirsch said. "The President is probably right when he says that no imminent recession is visible. Owing to wage increases, expansion of instalment sales and our extremely high exports, our mass purchasing power is still growing However, it will very probably stop growing a few weeks after Labor Day, because then unemployment will increase by the release of two million or more agricultural workers, the rent increase that seems inevitable will diminish mass purchasing power, and the reduction in food prices that we hoped for has become doubtful because of bad weather for the all-important corn crop."

Soft Goods Recession

Dr. Hirsch assumes that first, in the Fall of 1947, because of these factors there will be a period of stagnation which will be felt not in hard goods but in the soft goods industries. This, he thinks, will mark the beginning of a tendency towards a mild recession during the winter.

He is convinced that then the administration will do all in its power to stop or even to reverse a downward trend before and during the election campaign of 1948. It will certainly try to bolster mass purchasing power by permitting instalment sales to expand, enacting the now vetoed tax cut, encouraging residential construction and perhaps even inaugurating some public works.

Exports to Drop

However, he thinks it improbable that exports can continue next year at the unparalleled rate of $18 billion which they are reaching this year. Dr. Hirsch emphasizes that the load which our economy can bear for government expenses and unpaid exports should not substantially exceed 25% of national income; since Bernard Baruch as well as former President Hoover has endorsed this viewpoint, any administration will find it difficult to continue at the present rate, although it will certainly do as much as possible to stem a downward trend.

As the outcome of this struggle is not beyond doubt, there may be oscillations during the year. Dr. Hirsch thinks that the outlook for 1949 might not be as favorable as that for 1948 and its experience, but that no very serious break need be expected before Election Day, 1948. After that the picture might look somewhat different; the open recession that follows may not be sudden or very deep, but it will probably be of longer duration than most observers now are inclined to think.

Mutual Funds

By HENRY HUNT

Jesse Jones Sees No Depression

Vance, Sanders' "Brevits" quotes Mr. Jesse H. Jones, former Chairman of the RFC, who recently spoke on the business outlook as follows:

"I see no possibility of a depression in the near future. . . .

"While there is considerable talk nowadays about a recession in business, I do not believe we can talk ourselves into a depression. . . .

"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 improvements, that have been neglected during the war period.

"Most public utilities have improvement or expansion programs.

"Railroads, highway construction, public schools, hospitals and civic improvements generally are far behind.

"Industry is having to replace outmoded and inefficient buildings and equipment on a substantial scale.

"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."

1947 Earnings $15,000,000,000 (?)

The following excerpt was culled from an article by Harold B. Dorsey in the current issues of "The Exchange," official organ of the New York Stock Exchange: "Net corporation profits last year totaled $12,000,000,000 and currently are stimated to be running at an annual rate of around $15,000,000,000, in contrast with $1,700,000,000 in the depression year of 1938. It will be recalled that the 1938 depression low for the Dow-Jones Industrial Average was about 98. In 1936, the low point for the average was about 142, and net corporation profits totaled only $3,800,000,000, it would take a recession far greater than anything suggested by most economists to bring corporate profits down to a point anywhere near the 1936 level—to say nothing of the 1938 figure."

Hugh W. Long Launches New Type Fund

Hugh W. Long & Co. Inc. announced last week the initial offering of 500,000 shares of Pacific Coast Investment Fund at $11.89 a share. The fund is the first ever set up for investment of assets in a specified region. The prospectus states that assets may be invested only in securities of companies with principal offices on the Pacific Coast, or doing business mainly there. The fund is one of the series of New York Stocks, Inc.

We'll bet that Ernie Lewis was the father of this fund. It's a novel idea. Good luck, Hugh!

Notes:

Distributors Group points out that during the past 10 years, the bonds underlying Railroad Bond Shares have reduced their funded debt by 27%, and annual interest charges by 32%. During the same period, net working capital increased 767% and cash reserves 372%.

Net assets of Investors Mutual sponsored by **Investors Syndicate of Minnesota** totaled $98,727,000 on June 6 with shareholders exceeding 52,000.

The SEC reports that during the first quarter of 1947, sales of shares in 63 mutual funds exceeded repurchases by $31,815,000 as compared with a gain of $25,769,000 during the last quarter of 1946.

Hugh W. Long has issued as attractive sales folder containing literature on the 23 Series comprising New York Stocks, Inc.

The Keystone Co. of Boston discusses Formula Plan versus "Buy and Hold" Investing.

What Can Capital Goods Industries Do For Economic Stability?

By GEORGE TERBORGH*
Research Director, Machinery and Allied Products Institute

Mr. Terborgh declares they must stabilize their own capital expenditures, but much more is needed. Hence he advocates governmental compensatory fiscal measures which he appraises as both inevitable and desirable, even though they will be used haltingly and badly. Warns monetary management must be supplemented by sound economic policies elsewhere, and that mere stabilization must not be the primary aim.

I propose to consider three questions: (1) What can the capital goods industries themselves do to further economic stability? (2) What can their customer industries do? (3) What can government do?

George Terborgh

The most obvious and direct contribution these industries can make is to stabilize, so far as possible, their capital expenditures. It must acknowledge, however, that even if this stabilization were complete—which it never can be—it would affect the economy only very slightly.

If we take the broadest definition of the capital goods industries, including not only the manufacturers of industrial equipment, with which we are most directly concerned, but also the producers of the raw materials that enter into such equipment, together with the construction industry and the producers of construction materials, the entire area accounts for only 5 to 10% of the total private investment in capital goods (including housing). The overwhelming bulk of such investment is done by the *customers* of the capital goods industries, hence it is to them that we must look if self-stabilization is to be effective. This is not to disparage the direct contribution the capital goods industries can make; on the contrary, it would be a splendid thing if they could set a better example to their customers than they now do. The fact remains, however, that this contribution must be at best a modest one.

For this reason, it is evident that the major contribution of our industries to the stabilization of investment must be indirect. They can enlighten themselves, their customer industries, the government, and the public at large, as to policies and conditions favorable to the health of private investment activity and to its stabilization at a high level. This great educational task they have already undertaken through the Institute and will no doubt continue achieving in this way an indirect influence out of all proportion to their direct importance in capital formation.

What Can the Customer Industries Do?

Since it is the customers of the capital goods industries that make most of the investment, we must next inquire about the possibility of economic stabilization through voluntary self-stabilization by these customers. To what extent can they regularize their own capital expenditures?

The answer must depend largely on the character of the industry concerned. Some industries are comparatively well adapted to self-stabilization. They have a large mass of seasoned assets, permitting an orderly scheduling of replacements. They have a relatively constant product demand and a fairly stable technology. Electric power, telephones and some other utilities obviously fall in this category. Save for the instability of the demand for their product, railroads qualify also. Some manufacturing lines are eligible.

Such industries provide, however, only a minor fraction of private capital formation. We need only recall that in normal times more than one-half of all durable capital formation consists of the erection of buildings, the ownership of which is so widely dispersed that a smooth scheduling of construction year after year is out of the question. Many of the investors in these buildings own but a single unit and make a purchase only once in several years. We may recall also that large areas of manufacturing have a rapidly changing and unstable technology closely geared to changes in the product, affording but limited possibility of purchasing ahead of current needs in slack periods. Finally, we must remember that as a rule it is replacement demand alone that admits of stabilization, and that expansion demand, which is inevitably fickle and irregular, accounts for a sizable portion of private investment.

Certainly we should do everything in our power to make industry conscious of the desirability of regularizing its capital outlays, both from the standpoint of the public interest and of its own self-interest. On the whole, however, I am afraid we must conclude that even with the best of effort the possibilities of self-stabilization are too limited to afford more than a partial and inadequate solution of the problem of economic stabilization generally. If this is correct, and if we accept the fundamental premise that major business depressions must be avoided hereafter, we are thrown back on the possibilities of governmental action, to which I now turn.

What Can the Government Do?

When we enter this field, we are in an area so vast it is necessary to impose rigorous limitations on the discussion. Suffice it to say that there are in my opinion three major avenues of Federal action for stabilization: the control of money and credit, the administration of the public debt, and fiscal policy. These are by no means unrelated; indeed, a complete discussion of any of them would require consideration of all. This morning, however, I shall have to restrict myself to what I believe to be by all odds the most important, fiscal policy. Let me devote the remainder of my remarks, therefore, to a brief consideration of this subject.

When we had a Federal budget of a billion dollars a year, as we did before World War I, or three or four billions a year, as in the Twenties, or even six or eight, as in the late Thirties, we were dealing with a relatively minor element in the national economy. But when we have a budget of $30,000,000,000 or better, as we have today, and as we shall probably have for the indefinite future, we are dealing with something very large. In this colossal flow of Federal revenue and expenditure we have a potential engine of tremendous importance in economic control, so formidable, that many are in favor of employing it deliberately and consciously as a business stabilizing or regularizing device.

The theory is very simple. If the private economy is not spending enough money, let the government spend more than it collects from the private economy. On the contrary, if the private sector is overexpensive and shows symptoms of an unhealthy boom, let the government go into reverse by collecting more taxes than it pays out in expenditure. In that way, as a theoretical proposition, it is possible to exercise a more or less continuously compensatory action and to have a balance-wheel effect on the entire economy.

Before the war the advocates of compensatory fiscal policy were inclined to emphasize variations in the spending side of the Federal budget. The experiences of the late Thirties proved very disillusioning, however. The attempt to get large and rapid increases in Federal spending for public works was so unsuccessful that, as you recall, we resorted to

(Continued on page 34)

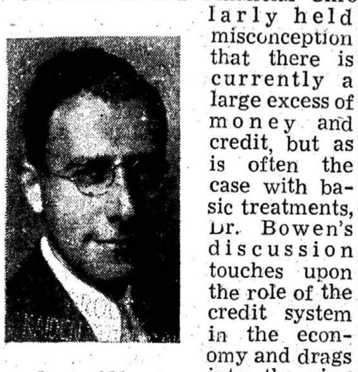
*An address by Mr. Terborgh before Machinery and Allied Products Institute, June 19, 1947.

"There's Not Too Much Money!"

Leonard Marx writes "Chronicle" he agrees with Dr. Harold R. Bowen that money supply is not excessive and is not cause of high prices. Says increased investment pulls rate of savings with it, and blames artificial low interest rate for present unnatural increase in deposits and currency.

Editor, Commercial and Financial Chronicle:

Dr. Harold R. Bowen's article in the May 1, 1947, issue of the "Commercial and Financial Chronicle" not only pricks the popularly held misconception that there is currently a large excess of money and credit, but as is often the case with basic treatments, Dr. Bowen's discussion touches upon the role of the credit system in the economy and drags into the ring the whole kit and kaboodle. This makes your invitation to comment upon Dr. Bowen's thesis too intriguing to be passed by. Dr. Bowen's demonstration that there is a secular increase in the relationship of deposits and currency to national income is incontrovertible. This is not true, however, with respect to the rate of this increase. A 1% trend line (his Chart No. 3) would probably fit the facts prior to 1940 with as little deviation as the 1¾% line that Dr. Bowen uses and in doing so, the new trend line would establish some margin of excess money and deposits at this time. This, however, does not, as indicated above, affect the generality of his conclusion. Likewise, there is no room for argument with Mr. Bowen's thesis that an abnormally large supply of money and credit does not necessarily involve an increase in prices despite the opinion of many who feel that the quantity theory of money requires such a conclusion. However, in his reference to the quantity theory of money, Dr. Bowen is somewhat off the beam. He attributes to the quantity theory of money an omniscience which it does not possess in which error he follows in the footsteps of several of his contemporaries. The quantity theory of money, as the late Lord Keynes pointed out over 25 years ago, is merely a truism to the effect that the price per unit of goods represents the units produced divided by the money "available" for their purchase. In the consideration of consumer goods, the bulk of available funds comes from the current payments for production of goods and services and increases in consumer credit, and the presence or absence of bank deposits or money usually fails to augment "available" money to any market degree. The place where bank deposits and currency do fit in this picture is that a changing psychology may cause the buyers to alter their "cash" position, increasing it at the expense of expenditures for goods and services or vice versa. In short, the quantity of deposits and currency is irrelevant to the price level, i.e. inflation or deflation, so long as the public does not think that its deposits and currency are too high or too low. And as Dr. Bowen so aptly states, the fact that the public did accumulate the money instead of buying government bonds with it or spending it shows that it is not burning a hole in its pockets. The reason for the tendency of deposits and currency to increase relative to the national income is immaterial. But in presenting this view, Dr. Bowen leaves us with the impression that credit expansion is merely the result of individuals or businesses requiring or thinking that they require larger deposits and pocket money. This concept is not quite correct. With the rate of production of capital goods expanding, this rate at any given moment is greater than the rate of savings. The industrialist must borrow the money from the bank first to spend it for his new plant and then arrange the permanent financing after he has spent the money and it has been converted to additional savings. The government increasing its rate of war expenditures exceeded the existing rate of savings to the extent of this increase in its rate of expenditures and the only place where the money could come from was new bank credit, but—and this is critical to the point—the increased rate of expenditures augmented the national income by an equivalent amount and established the need for working capital in the form of deposits and pocket money in almost an equivalent amount. Because of this, new available savings are not created. The savings which are created are needed as additional working capital. To be sure, the new rate of savings now becomes equal to the new rate of investment but if the rate of investment is again increased, additional bank loans are required.



Leonard Marx

What if these bank loans are not forthcoming? What if the banks' capital position does not permit as free an expansion of credit as required? Interest rates tend to rise, tend to deter capital goods expenditure on the one hand and encourage increased savings on the other. This tends towards an excess of savings over capital goods expenditure, interest rates tend to drop, consumers save less, more consumer goods are produced relative to capital goods than heretofore, and a larger proportion of the labor force is employed in the production of consumer goods. In order to clarify this thought, let us carry it to its absurd extreme. What if there were no bank loans and bank deposits, and the banks merely were a depositary for currency against which checks were drawn? Under those conditions when the rate of capital goods expenditure tended to exceed the rate of savings, there would be competition for savings among prospective borrowers which would drive interest rates up and check the expansion of capital goods production.

Viewed in this light, we observe that bank credit, while permitting the rate of capital goods production to expand freely, is, at the same time, an important cause of the wide fluctuations of our cycles. It accentuates the booms and the depressions. We observe that the elastic credit system emasculates the interest rate as a governing factor in the relationship between savings and investment and thus permits the rate of investment to grow apace pulling the rate of savings along with it. The brake has been removed from capital goods expenditures and they will grow until the demand for capital goods relative to consumer goods is satiated.

Thus, if we seek to reduce the volatility of our economy, to minimize the fluctuation in our cycles, one of the things we will have to take into cognizance is the operation of our credit system. Certainly we cannot continue to push the pendulum up as we do in expanding credit and then stop it before it swings back in its compensatory course without breaking the mechanism which operates our capitalist economic system. The arc of the swing can be shortened by removing the accordian pleats of our banking system. Not that this would be an unmixed blessing. The rigors of unemployment on one hand are compensated for to a greater or lesser degree by the capital goods produced during the booms which we would not otherwise have.

Dr. Bowen's article provokes one further thought. While it is true that during the war and during any period when capital goods expenditure is growing, the initiative for increasing deposits and for expanding credit does not lie with the banking system, this is not always the case. We are now moving into an era which had its counterpart in the early 'twenties following the First World War where the banking system consciously created credit through monetization of the public debt. In an effort to maintain the market for government bonds in the face of investment in excess of savings, the Federal Reserve Bank established a rediscount rate sufficiently low so that it paid the banks to acquire government debt issued during the First World War. This process resulted in a positive increase in deposits and currency relative to the national income and, in turn, a positive increase of the national income by reason of the expenditure of these funds on the part of those who received them. This consideration brings us face to face again with the basic problem confronting our credit managers. They will, after the recession which we are now entering has run its course, be between the devil and the deep blue sea. If they fail to support low interest rates to encourage monetization of the debt, the interest charges of government will tend to rise. If they do so, they will bring about an unnatural increase in deposits and currency which will bloat our economy and leave it in the unhappy position in which we found ourselves in 1929.

LEONARD MARX
Marx Realty & Improvement Co., Inc.

June 20, 1947
20 West 43rd St.
New York 18, N. Y.

Louis J. Burns Opens

Louis J. Burns has opened offices at 111 Broadway, New York City, to engage in the securities business. Mr. Burns was formerly with Hunter & Co. and prior thereto was with J. F. Reilly & Co.

Peru Offers to Resume Service on Dollar Bonds

Dr. Jose Barreda Moller, Special Delegate of the Ministry of Finance of the Republic of Peru, today (June 26) announced that his government was publishing an offer for the resumption of service on dollar bonds of the following loans:

Republic of Peru secured 7% sinking fund gold bonds, 1927, dated March 1, 1927, due Sept. 1, 1959.

Peruvian National Loan, 6% external sinking fund gold bonds, first series, dated Dec. 1, 1927, due Dec. 1, 1960.

Peruvian National Loan, 6% external sinking fund gold bonds, second series, dated Oct. 1, 1928, due Oct. 1, 1961.

Province of Callao, Peru, guaranteed and secured sinking fund 7½% gold bonds, dated Jan. 1, 1927, due Jan. 1, 1944.

Under the offer, holders of the outstanding bonds will be entitled to exchange them for an equal principal amount of new bonds maturing in 1997 to bear interest as follows: 1947 and 1948, 1%; 1949 and 1950, 1½%; 1951 and 1952, 2%; 1953 and thereafter, 2½%. A cumulative sinking fund will be provided for the new bonds in the amount of $382,307 per annum during the period that the offer is open for acceptance and thereafter in an amount equal to ½% per annum of the aggregate principal amount of the new bonds issued under the offer.

Dr. Barreda has been in New York since March conducting negotiations with the Foreign Bondholders' Protective Council, Inc., with respect to the proposed offer but it has not been possible to reach agreement upon the terms of the offer. Authority for the offer is contained in Law No. 10832 of March 14, 1947 which was passed by the Peruvian Congress and signed by President Bustamente after long and careful consideration on the part of the Peruvian Administration and Congress of the problem presented by its foreign debt. The terms for the readjustment of the debt were prescribed by Law No. 10832 and constitute what in the opinion of the Peruvian Administration and Congress is the maximum that Peru is able to pay on its foreign debt in the light of the amount of the debt, its foreign exchange resources and its estimated future foreign exchange income and requirements. It is the belief of the Peruvian Administration and Congress that in the light of these considerations, the present offer compares favorably with readjustment offers which have been made by other countries. Detailed information in support of this position was presented by Dr. Barreda to the Foreign Bondholders' Protective Council, Inc.

When it was learned that it had not been possible to reach agreement with the Council, the Peruvian government was faced with a decision as to whether or not to proceed with the offer. The decision to proceed with the publication of the offer and the exchange of bonds thereunder was made in the belief that any further delay in resuming service on Peru's external debt would not be to the advantage either of the bondholders or of the Republic of Peru.

Business Man's Bookshelf

American Oil Operations Abroad—Leonard M. Fanning—McGraw Hill Book Co., Inc., 330 West 42nd Street, New York 18, N. Y.—cloth—$5.00.

Regulations Relating to Foreign Funds Control in the United States — Bank for International Settlements, Basle Switzerland—paper—price, 12 Swiss francs.

With Minot, Kendall

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—Dorothy B. Pollard has been added to the staff of Minot, Kendall & Co., Inc., 15 Congress Street.

With Mannheimer-Egan

Special to THE FINANCIAL CHRONICLE

ST. PAUL, MINN.—Vernon H. Wollan has become connected with Mannheimer-Egan, Inc., First National Bank Building.

Canadian Securities

By WILLIAM J. McKAY

Despite the vociferous advocacy of the international gold blocs of a higher world price for the yellow metal, the official attitude of the International Monetary Fund and of high-ranking experts in Washington and Ottawa remains entirely unimpressed.

According to the viewpoint of Ottawa the increased volume of U. S. dollars thus created would be inadequate to meet the world's actual needs, the price-boost would have to be considerable, and it would accrue in large part to the benefit of countries which do not require such aid. Furthermore the inevitable inflationary strain on the U. S. economy would be reflected in Canada, and consequently this artificial relief to the dollar starved countries of Europe would be offset in large degree by the higher price-level of U. S. and Canadian goods.

The recent statement of the managing director of the International Fund also confirms the intention of the world's monetary authorities to do everything in their power to maintain the present price of gold. Efforts will be directed towards the elimination of the various black markets in gold the existence of which has done so much to encourage the Canadian and South-African gold-mining industries to press for a higher price for their product. It is doubtful to what extent admonitions and recommendations will accomplish effective results but concerted direct action in the relatively small black markets could have remarkable repercussions. Little consideration has so far been given to the enormous amounts of hoarded gold that are held throughout the world. Since the end of World War I private accumulation of the yellow metal has been encouraged by successive currency devaluations and the certainty of an eventually higher price-level. If this psychology were ever shaken a veritable torrent of the hoarded metal would be released.

With the disappearance of the world's black markets for gold the hoarders who have counted on a constantly mounting price to offset their loss of interest would be driven to liquidate at $35 per ounce. In this way the sterilized wealth of many countries among which are those now suffering from acute U. S. dollar shortages would be converted into the means of purchase of U. S. and Canadian goods. A further source of U. S. dollars would also be tapped by the disposal by Canadian, South-African and other producers, of gold now accumulated in the expectation of higher prices.

The stabilization of the world price of gold at $35 would thus have far-reaching results which would go far to remedy many of the world's current economic ills. The creation of an important fresh source of U. S. dollars in itself would lighten to an incalculable degree the task of this country and Canada of sustaining the weakened economies of Europe, and the resultant stability which would be given to the world's currencies is perhaps of even greater importance. Canada thus has a vital interest in the achievement of this objective and the joint efforts of this country and Canada alone could readily solve this problem.

During the week the market for external and internal bonds remained dull and inactive. Free funds held steady in the neighborhood of 8% with sales of exchange resulting from the proceeds of the Montreal Light, Heat & Power redemption offset by the increasing demands on tourist traffic account. Stocks, however, were active and firm with investment interest heightened by the attractive level of the arbitrage rate. Paper stocks were especially prominent following the declaration of a dividend on the Abitibi preferred. Base metals also registered gains but golds were inclined to ease after showing earlier continued strength, in view of lessened confidence in an increase in the world gold price.

Hawaiian Electric Bds. Offered at 103 and Int.

Dillon, Read & Co., Inc., and Dean Witter & Co. are offering to the public today a new issue of $5,000,000 first mortgage bonds, series F, 3% of The Hawaiian Electric Co., Ltd. The bonds, due in 1977, are priced at 103 and accrued interest. Of the proceeds, $2,700,000 will be used to pay a like amount of short term promissory notes issued in connection with the company's construction program. The remaining proceeds will be added to the company's general funds and will be available for payment of construction expenditures made during 1947. The construction budget for 1947 calls for total estimated expenditures of $4,410,868 for additions, betterments and improvements.

The largest single project under construction is the 40,000 KW addition to the company's Waiau power plant representing an estimated total expenditure of $6,100,000 of which approximately $3,733,000 had been expended to Dec. 31, 1946.

Our Foreign Problems

By HON. DEAN ACHESON*
Under-Secretary of State

State Department spokesman, asserting traditional American policy is belief in the individual, assails Soviet policies as retarding peace and world reconstruction. Says we will continue to aid peoples in their struggle for freedom and should not wait for extreme crises before taking action.

One who is bringing to an end a considerable period of service in the field of foreign affairs is naturally in a mood of appraisal and review. Have we conducted ourselves in the great world in these past six or seven years true to the traditions of our republic and to the interests of the American people? I am, of course, prejudiced, but the answer seems to me not difficult. I think it is, yes, we have.


Dean G. Acheson

To judge this answer, we have to ask, what are these traditions and these interests? They seem to me simple, even platitudinous. The basic, underlying, never-varying tradition of this republic is insistence upon the liberty of the individual, the worth of the individual, the ultimate test of truth by reference to the individual.

This has been our political, social, and moral mainspring. It has also been the motive power of our vast development. By unleashing the enormous power of individual effort, imagination, energy, this country has attained its material position. It seems true in society, as in nature, that the greatest energy is created by releasing the power of the smallest unit. In one case, the individual; in the other case, the atom.

History and philosophy gave us this doctrine. Geography and experience have confirmed it. One of the great achievements of statesmanship in this country has been to adapt government to the furtherance of this release of the individual and not to its limitation and frustration. An outstanding illustration has been the way in which, under Mr. Lilienthal's guidance, a great governmental project, the TVA, has made power available over a vast area, not to be used by bureaucratic direction, but vastly to enlarge the individual productiveness of millions of Americans.

Belief in Individual

This belief in the individual is in our blood. It is our most fundamental characteristic. It gives a certain typical disorderliness to our behavior which baffles some foreign observers. But it can no more be separated from us than our idea of humor, our generosity toward anyone in trouble, and our mobility—we are forever going somewhere. Even though this is so, we have no desire to force our behavior and ideas on other people. If, for reasons incomprehensible to us, they want to act differently and—to us—quite misguidedly, that is their affair. But we don't like them to push other peoples around — particularly when those other peoples are trying to live as we think all decent people should live.

With these traditions and interests the American people approach their relations with other countries. They have a sound and unshakable belief that liberty cannot exist here or anywhere, unless there is peace founded on freedom from aggression and unless there is ever increasing productivity throughout the world. They know that while every people must attain and preserve their own liberty and free government, they can lose them from forces beyond their control when faced with fear of the attack of a foreign enemy, or with the loss of their means of livelihood.

This presents problems for those who work in our State Department. Americans want to be free and prosperous themselves. They want other people who wish to be free and prosperous to achieve those goals. But they sometimes believe that these ends can be reached by machinery or gadgets or through merely moral fervor, and without the pain of hard thinking, hard work and some real risk and sacrifice.

Some, encouraged by eminent philosophers have thought that liberty was the natural state of man and that its universal growth and acceptance was inevitable. I do not believe that for a minute. It seems to me that liberty has come to those whose stout hearts and hard heads have won it. Here, again, we must conclude with Justice Holmes that the mode by which the inevitable comes to pass is effort.

Certainly during the decade of the 1940's this country has devoted its supreme efforts toward the preservation of the liberty of nations and individuals. In the opening years of the decade we bent our efforts toward assisting those whom the Axis was attempting to subjugate, and toward impeding its bid to dominate the two most populous continents on the globe. This may have accelerated the attack upon us. But I think that few now doubt the necessity and rightness of our course, or the extreme danger in which any other course would have placed us. The war has now been won and the threats which caused it have been eliminated. But serious threats to the continued existence of liberty have not been eliminated. These come not only from the inevitable consequences of the war itself but also from the course pursued by certain governments.

During the war constructive foreign policy was not in abeyance. It followed two objectives closely related and mutually dependent—to establish the unity, mutual confidence and cooperation of the great powers; and to create international organizations, necessarily based on the assumption of this unity and cooperation, in which all nations could together guarantee both freedom from aggression and the opportunity for both the devastated and the undeveloped countries to regain and expand their productivity under institutions of their own free choice. These, as you have seen, were historic American objectives. They were also the stated purposes of the allies throughout the war beginning with the Atlantic Charter.

We did not pursue these objectives merely by exhortation or joint declaration and agreement. No people has ever given more tangible or extensive evidence of its good will and intention. Particularly is this true in our attitude toward the Soviet Union. One need mention only the most outstanding examples.

Our Contributions to Soviet Union

During the war we contributed to the Soviet Union $11½ billion of the most vitally needed supplies. After the war, through UNRRA and governmental credits, we made available another half billion dollars worth of goods for relief and reconstruction.

In our military operations we pursued purely military objectives. The cross channel invasion of Europe was directed solely toward the destruction of the German armies, not the occupation of territory. And when we overran our estimated and agreed objectives we withdrew to previously agreed zonal boundaries. These were acts, not words, based upon the premise of adherence to an agreement and of mutual confidence and loyalty.

Nor were these acts all. The whole series of arrangements for settlement in Eastern Europe, Germany and the Far East recognized to the full Soviet fears and interests, and were based upon confidence in their intention to carry out the pledged purposes of cooperation in Germany, respect for the rights of other nations to determine freely their own course of recovery and government, and the creation of a vigorous European and world recovery.

At the same time that these steps were being taken we pushed forward the establishment of international organization. This consisted not only of the United Nations Charter designed upon the foundation of Allied unity to guarantee international security, national liberty and individual freedom, but of a whole series of special agencies which were to make sure that a favorable environment was created and maintained in which the broader purposes could be accomplished.

These were designed to provide relief in the early postwar period, to assure funds for reconstruction and development, and to stabilize currencies over the longer run, to raise the level of agriculture both as the source of food and as the activity of most of the world's population, to promote and safeguard trade between nations, to protect the health of nations against epidemics, to facilitate the exchange of ideas, knowledge and skills, to aid in the development of international transportation by air and sea—practically every activity which could encourage and make more safe, simple and beneficial relations between nations.

Failure of Great Power Unity

Unhappily the whole course of recovery and the international pursuit of happiness has suffered deeply by the failure to attain or maintain great power unity. This has come about by the Soviet Union's pursuit of policies diametrically opposed to the very premises of international accord and recovery. In Eastern Europe the Soviet Union, over American and British protests, has used its dominant military position, to carry on a unilateral policy, contrary to the Yalta agreements, by which free choice of their destiny has been denied those peoples. Even more important, the minority Communist regimes fastened upon those peoples have acted to cut them off economically from the community of Europe, curtail their productivity, and to bind them to exclusive economic relations with the Soviet Union.

In the Far East, the Soviet Union has dismantled the industries

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*An address by Under-Secretary Acheson at Wesleyan University, Middletown, Conn., June 15, 1947.

Europe in 1938 and Now

Striking similarities between Hitler and present Moscow aggressions are traced in Research Institute report. Predicts, however, that now we will not be provoked into shooting war. Imminent striking effects on our domestic economy noted.

The remarkable similarities between the fluid political events which occurred in Europe during the Hitler aggressions and the Munich appeasement time are vividly traced in the June 13 report of the Research Institute of America, Inc. These alleged counterparts, together with the differences with the present critical Russian threat, are quoted as follows:

Europe today bears a fantastic and grim likeness to Europe in 1938. Hitler had successively pushed into the Rhineland, Austria, Czechoslovakia. The Russian expansion of power today matches and exceeds Hitler's march.

The Soviet grab of Hungary is the same as the Nazi grab of Australia. Austria in 1938 was only superficially democratic; so too Hungary in 1947. Both feeble democracies were embraced and engulfed by a full police state. In both cases a minority, disciplined fifth column, turned the trick.

Much more ominous than Hungary is the ultimatum delivered to Austria. At a secret session, the Austrian Communist Party informed the government that Austria's only possibility of survival lies in turning to Russia.

And even more ominous is the crisis that may still explode in France. In fundamental terms, the civil war is on—though without shooting. . . . The French Communist Party, by calling the railroad strike, had the Ramadier government by the throat. In ending the strike, the party only showed more clearly how much power it has over key working groups. It can still use this power politically, and to crack at the inflation controls on which French recovery depends. And as France goes, so goes West Europe.

Italy may even now be irretrievably lost.

Unlike 1938 . . . there is no European nation whom Russia fears today. Germany is destroyed, disunited—France is worn out, crippled, divided.

The truth about England came clear at a recent Labor Party meeting. The conclusion wasn't put into so many words—but it was plain enough: England today lives by only one law, the law of survival.

England today cannot afford *not* to be neutral. . . .

This is more than a question of fatigue or loss of British power. It is the English realization that a miracle saved her in World War II, and that nothing could save the British Isles in a Third World War.

Another difference between 1938 and 1947 is that where Germany had to march troops across borders, Russia has been making her conquests through forces already stationed within the countries as nationals.

Is War Likely?

The situation in 1938 led to war within 12 months. *But the situation in 1947, though acute, almost certainly will not.* . . .

The U. S. in 1938 did not fight for Austria or for Czechoslovakia—and would not have fought for Poland. In 1947 it will not fight for Italy, nor for Hungary or Austria.

If *France* were captured—not from within, but by Russian troops—then a declared war between the U. S. and Russia might well be the result. But if France goes Communist, it will be an internal, domestic choice—not the result of armed aggression by the Soviet Union.

The U. S. probably could not—and almost certainly would not—declare military war under such circumstances.

Thus, what Germany failed to achieve in war, Russia may win in peace. Neither Russia nor the U. S. wants war. Neither is prepared for war today. Russia is satisfied that her political allies in Europe can win for her, without a shooting war . . . and Russia is probably right.

Note that Russia is already beginning some propaganda steps at home, paving the way for Soviet withdrawal from the United Nations Organization, if strong American and British protests against recent Russian moves should make such a step desirable to Stalin.

On the other hand, if no real opposition develops within the UN, the western world may be in for a fairly extended "era of good feeling." Once she has achieved her aims in Europe, Russia will want peace and quiet. She will then press for European recovery and stability as vigorously as she has been opposing them to date.

That's the picture now, as the European volcano rumbles and smokes. And, obviously, it is a picture that Washington views with great concern . . . and with growing awareness of the critical challenge it poses for the U. S.

What We Will Do

Our own imminent role is predicted as follows:

Secretary of State Marshall has a staff at work now. There are no details yet, but the over-all line of action is pretty clear. The Truman Doctrine is being overhauled, and will get a new set of *teeth.* The programs to aid Greece and Turkey will turn out to be only the spearhead of a gigantic new plan—a *multi-billion dollar, multi-purpose program* to get Western Europe back on its feet fast . . . before new Russian moves.

There's some question as to whether all this won't be too late . . . as the Truman Doctrine itself seems to have been too late. But Washington is going ahead, shaping up the following policy at this time:

. . . U. S. will *have* to foot the bill, no matter how big it gets; and we'll probably have to get deeply tangled in the internal economic planning of the West Europe countries.

. . . We won't just hand out the money—we'll stick right with it to make sure it's spent where and when it will do the most good.

. . . We won't stop at direct relief—this program is more than food, clothes, medicine. It means pump-priming of entire economies.

. . . In short, we aim to seize the economic leadership of the entire non-Russian world—and may ultimately find ourselves with the political leadership as well.

Congress will probably be called into special session in the fall. In the meantime the Administration will do everything it can to get the public to understand, and to win support for its new lend-lease aid plan.

The Business Impact

Vast repercussions on our business and economic activities are anticipated in this Research Institute Report, as follows:

The impact at home will be felt in various hard-hitting ways. U. S. taxes, prices, shortages, foreign trade—all are involved. . . .

(1) *The plan will cost \$5-\$6 billion a year,* for a long, long

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Universal Disarmament Under International Control Essential to Peace

By NORMAN THOMAS*
Chairman, Post War World Council
Former Socialist Candidate for President

Asserting as long as Soviet dictatorship and international communist movement persist, world cannot act together in terms of peace, Socialist leader urges U. S. leadership in disarmament under international control. Scores Wallace doctrine of aid to Russia and favors Baruch Plan for atomic control. Says Soviet sabotages U. N. Security Council.

Two years ago when the Charter of the United Nations was optimistically acclaimed as providing the institutional frame work for one brave new world, a special hope was expressed for the value of the Social and Economic Council. Although I held that the Senate should ratify rather than reject the Charter, I was not—and am not—of the opinion that it provides a sure and desirable plan of cooperation or foundation for peace. I was, however, inclined to share the current optimism about the potential usefulness of the Social and Economic Council. Its inability to legislate with authority for the world did not seem to me a disadvantage in the present stage of our political evolution. For that very reason it might feel constrained to be at once more persuasive in its recommendations and bolder in its proposals. The establishment of the Council argued that it and other agencies in the same general field more or less subordinate to it or affiliated with it, would direct a high degree of attention across national lines to the all-important business of conquering poverty and providing both the material and educational basis for the good life.


Norman Thomas

On the institutional side our hopes have been fairly well fulfilled. We have the International Bank, the Food and Agricultural Organization, that promising educational agency the UNESCO, and the Sub-Committee of the Council of Human Rights of which Mrs. Roosevelt has just been elected Chairman. The ILO has been continued and an International trade organization or set of agreements is being worked out at Geneva. (Congress is doing its best to damn the latter enterprise by such criminal policies as adding to a wool tariff, thus subsidizing a small group of consumers as great expense to all of us; seriously injuring our relations with our friends the Australians and the New Zealanders; and jeopardizing the whole business of reciprocity in trade.)

Soviet Sabotage of International Organizations

In view of these facts it would be logical on this program for me to discuss the merits and defects of these various organizations and what further enterprises or agreements the Social and Economic Council should try to initiate. Logical, except for one thing. That one thing is that most of these admirable organizations are brought close to impotence by the lack of cooperation, sabotage, or open opposition of the Soviet Union and, to a greater or lesser degree, its entire bloc of satellite states. The Soviet dictatorship is unwilling to cooperate in a food or educational organization. For its own reasons it was ready to join the United Nations. It was not yet strong enough to stay out and besides it saw possibilities of utilizing its membership under the guarantees of veto power for its own advantage in the business of the conquest of the world by and for Communist totalitarianism. In this task it did not want success to crown the efforts of cooperative organizations in the field of social and economic action. It could fare better by exploiting failure. Indeed, success of this sort of economic cooperation would be a denial of its doctrine of world revolution, supported by its interpretation of Leninist-Marxist dogma.

We may as well face the fact that so long as the quality of thought and action which characterizes the Soviet dictatorship and its "other army," the international Communist movement, persists, it is nonsense, and potentially dangerous nonsense, for the rest of us to go on thinking, dreaming and acting in terms of one world. The chance of any high success for the Social and Economic Council or any of the agencies in its field depends upon a rapid modification of the present Communist theory and practice—a modification which as things are now going is exceedingly unlikely, or a frank organization of two worlds in one of which a Social and Economic Council might work.

U. S. Leadership in International Disarmament

The dangers to peace inherent in two worlds are obvious, yet they may be less both in the practical conduct of affairs and the

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*Summary of address by Mr. Thomas at the Tamiment Social and Economic Institute Conference, Tamiment, Pa., June 20, 1947.

Securities Salesman's Corner

By JOHN DUTTON

The difference between doing no business, some business and a lot of business is fundamentally a STATE OF MIND. Today among the investment fraternity there is a spirit of defeatism that is the primary cause of dull business. Go into sales organizations, meet your friends and talk with them, everybody is telling the other fellow that their business is slow and that times are bad. The psychological effect upon sales morale of such an atmosphere is deadening. The securities business is essentially creative. If salesmen only realized the opportunities for clientele development and good will building which now prevail, due to depressed market sentiment, they would be out there pitching for all they are worth. Times like these always have presented opportunities for investment. The time to sell customers value is NOW, not six months from now when prices are higher again. They will be—that is one thing about which you can be sure. Just as soon as the clouds clear up a bit and some aggressive buying starts to show itself the laggard public will be IN THE MOOD TO INVEST once again. But this is the time for you to convince others that this phenomena of the market place is as old as the ages and that the wise are the ones who buy when others are foolishly selling. It is nothing more than a state of mind—the entire market for securities goes up and down in accordance with mob psychology. Many fine companies are in better shape financially than ever before in their history. Their charges on prior obligations and preferred stocks are covered hansomely by earnings. It would take a complete collapse of our economy to force suspension of interest or dividends in the case of some of these securities, yet they can be bought now to yield a great deal more than was the case a year ago.

Let us look at the positive side of things for a change and see what is the true state of affairs. Things are not going to pot completely in this country or in the world either for that matter. If they do, it is just as well to own good securities as a box full of worthless money; besides you can get some income for your trouble while you are fearfully waiting for the end of the world to come. As far as that goes there never was a time when there wasn't a peck of trouble in the world. Today we hear more about it with the radio and the press so freely available to the entire nation. But all this is for the good of the greatest number in the long run. The more people hear about high taxes, unsound fiscal policies, and labor unrest, the sooner it will be corrected. It looks now like the public is gradually becoming ready for a clean sweep of policies in government that are harmful to the nation. 1948 can well mark the turning point for this nation into a road which will lead the world back to sanity. Remember the harder the times the sooner the correction of unsound policies which create them. And when it comes to free publicity for the best sales talk you can make today, we have it in abundance. Do you want to tell your public that security prices are low today, that good investments are on the bargain counter . . . your press and radio have been doing it for you for the past year. All you have to do is to talk about it a bit yourself and then pull a couple of samples out of your kit and let your doubting Thomas of an investor see some old time enthusiasm for a change.

Get out your thinking cap. Look over some of the old favorites. Think what 4%, 5%, and even 6% means today when the average investor can only get about 1½% in his savings account. Sell yourself first. Become acquainted with every factor that has a bearing upon the safety and stability of the investment which you are going to offer to your clients and prospects. After you've got something that you like enough to buy yourself, go to work. You'll find your old time pep coming back to you. When some orders start to come in, double your efforts. Get in the groove and the spirit of making money and do business again. "Beat the bushes" for business too, get out to see new people, and work instead of sitting around bemoaning your status-quo with a lot of other fellows who are knocking themselves out, and you too, because they are thinking wrong and are not working.

John F. Reilly to Be Partner in Marx & Co.

John F. Reilly, member of the New York Stock Exchange, will become a partner in the Exchange firm of Marx & Co., 37 Wall Street, New York City, on July 1. Mr. Reilly was formerly head of J. F. Reilly & Co., Inc.

With Mason Brothers

Special to THE FINANCIAL CHRONICLE

OAKLAND, CALIF.—Vernon C. Mingham has been added to the staff of Mason Brothers, Central Bank Building, members of the San Francisco Stock Exchange.

Invisible Flirtation

Doing business without advertising is like winking at a girl in the dark—you know what you're doing, but no one else does—St. Mary's (Ont.) "Journal Argus."

Name Now Dreyfus & Co.

Max Jacquin, Jr., member of the New York Stock Exchange, retired from partnership in Dreyfus, Jacquin & Co., 61 Broadway, New York City, on June 13th, and the firm name is being changed to Dreyfus & Co. John Behrens will substitute for Mr. Jacquin as one of the trustees under trust indenture dated Jan. 31, 1947.

The United States—Banker to the World

By GANSON PURCELL*
Root, Ballantine, Harlan, Bushby & Palmer
Former Chairman SEC

Former SEC Chairman insists absence of any systems makes our help to Europe and Asia indispensable, and economic integration of world's trading areas is insurance for our own prosperity. Says export-import gap which treatens substantial reduction in our living standard, cannot be remedied by private investment. Declares our great resources must be used for reconstruction, to avoid bankrupting our customers and ourselves.

It is important to stop for a moment and look at what has happened to the world's economic life since Hitler invaded Poland in 1939 and since the Japanese expanded their New Order out into the far reaches of the Pacific Ocean and to the borders of India. Before the second world war began, Europe, and particularly Western Europe, was a busy, economically integrated area which accounted for a very large part of all international trade. In Asia, also, there was a similar continental system, which was deeply involved in the world's trade. But these systems were completely disrupted and destroyed by Germany and Japan.

Ganson Purcell

If we take Europe as an example, we find that it was cut off from all outside trade and forced to turn in upon itself. This resulted in a drastic reduction of the European standard of living, but life did not stop. Instead, Germany moulded the European continent into a new trade system calculated to permit the continuance of Germany's war effort. The same thing was happening in Asia under the Japanese.

When we were finally victorious, the economic patterns which had been imposed by Hitler and by the Japanese were in turn swept away—completely and utterly destroyed. But, of course, the previous peace-time systems in those areas did not automatically reappear. It is the absence of any systems, it is the continental disintegration which persists in Europe and in Asia, which makes assistance necessary today. We have witnessed in the past few years the almost total disappearance of all the international trade relationships, so carefully and patiently built up, and we have seen how fearfully difficult it is for countries occupied and devastated to pick up the pieces and start over. There is commerce today between nations, but most of the countries which lay in the direct path of the war are not capable of producing enough goods for their own people; they have very little with which to engage in international trade. And yet if they cannot import, if they cannot find sources of supply outside their borders, we may experience the contraction of trade everywhere, because of the enforced isolation of areas from one another. No one pretends that Western Europe can exist in a healthy economic climate cut off from the rest of the world. Nor can China, or, for that matter, Russia and her circle of satellites. It must be our undeviating objective to assist in the economic integration of the trading areas of the world. It is one of the best possible forms of insurance for our own continued prosperity.

Outlining the Kind of Job

It did seem to me at the time I last spoke to you that in a general way we could outline the kind of job that we could do even if we did not know of its precise dimensions. I said on that occasion: "There can be no doubt of our responsibility. Furthermore, the discharge of that responsibility will have to be a complete national effort. We shall not be able to let down immediately after this war. Agriculture, industry, labor and government will have to stay long in the harness to feed the starving peoples of the world, and to supply them with the raw materials and finished goods essential to their rehabilitation — and with the capital to rebuild their shattered civilizations. And, of equal importance, wartime production levels which we have attained will have to be rapidly converted to peacetime purposes. It will almost certainly be as necessary to mobilize the nation's resources for peace as it has been for war."

This last has not only proved to be the case, but I think has been carried forward in an amazingly gratifying way, although the job is not entirely done. We have maintained our wartime level of employment and production almost without loss. Our unemployment figures today are less than two million. We have reduced unemployment by one-third of a million since this time last year. While the labor market has varied greatly in its demand characteristics, requiring tremendous shifts of labor from wartime to peacetime industries, the readjustment was accomplished smoothly and without noticeable losses in production or workers' income. Our production of consumers' goods, both durable and otherwise, is keeping quite satisfactory pace with the demand. The same is true of our service industries. It must be remembered, however, that much of this is accounted for by the tremendous world demand for our goods caused by the lack of production facilities and raw materials in the other nations of the world which have not yet begun to recover a substantial portion of their capacity.

The great danger inherent in this situation is that the other nations of the world are not now able to pay for these exports from us, since they cannot produce and sell their own products. Until such time as they recover their ability to produce goods, the only substitute for the lack of exportable goods in their hands is dollars which they can spend in this country. That means that we shall have to finance these nations in a variety of ways if we are to continue to assist their recovery and maintain our own economic level; it means, in short, investing in these nations to assure their recovery at the earliest possible time. By so doing, of course, we shall contribute to our own stability since the economic health and vigor of other nations are the measure of their ability to trade with us and thus permit us to maintain and expand our economy. Put another way, the return on the investment we make during the next few years in the rest of the world will materially affect our future national prosperity. Just as surely as we fail to take the necessary steps to put the rest of the world on its feet, we will inevitably undermine and tear down our own economic prosperity which is so dependent on that of other nations.

Our position today is not unlike that of England following the Napoleonic wars of the early 19th Century. At that time the English bankers and investing public were practically the only source for the rehabilitation and reconstruction of a war-torn Europe. The manner in which the British succeeded is now familiar history, and it is notable that in achieving these objectives the whole international economy was so stimulated that undreamed of levels in foreign trade and commerce were shortly achieved. Not least among these collateral results was the development and industrialization of our own country.

Contrast With Post-War One

Our present financial position is considerably different from that in the period following World War I. The world at that time still looked upon the British as the world bankers. Today, however, there is no ambiguity in the situation. England herself has been an applicant for financial accommodations from the United States to a very substantial sum. There are other potential sources of credit outside of this country such as Canada, Sweden and Switzerland, but it may be frankly admitted that the exportable capital from these sources is inconsiderable compared to the demands of other nations.

The reconstruction and development needs in the world are nearly limitless. It is apparent that the United States cannot satisfy the total needs or meet all of the requests for capital. Of course, the demand can be scaled down somewhat because of the continuing tight supply of certain goods and it can be greatly reduced by limiting possible assistance to the most urgent and useful requirements. But what remains is still enormous. It is hard to make predicitions in this matter, but it is safe to say that the maximum amount of private investment as well as loans from the International Bank for Reconstruction and Development will be needed along with very substantial direct assistance from the United States Government if we are to approach the fulfillment of our role as the world's banker in the next few years.

A question of the utmost importance for the success of any foreign investment program relates to the willingness of American investors to make direct investments and to buy foreign securities or the bonds of an international institution. Private investment in this field must take place if present high levels of production are to be maintained. In recent years, there have been no important foreign long-term loans made by the public. The recent Norwegian and Dutch issues were of negligible proportions, while the Australian loan was a refunding operation. It may be expected in the future on the one hand that, because of the experience in foreign investment in the late twenties and early thirties, investors in this country will be hesitant to buy issues of foreign origin. Furthermore, political stability would seem to be an essential pre-condition for confidence on the part of public investors. On the other hand, the

(Continued on page 22)

*An address by Mr. Purcell before Town Hall of Los Angeles, Cal., June 23, 1947.

Warns Against Undue Expansion

G. M. Pelton of Swift & Co. points out danger of increase in fixed assets and inventories in period of high costs. Lays down eight measures to be followed in maintaining stable conditions in business organization.

In an address on "Financial and Cost Problems" at the annual meeting of the Illinois Manufacturers' Costs Association in Chicago, G. M. Pelton of the Comptroller's Office of Swift & Company warned against the pressure under present high cost conditions to over-expand unduly.


G. M. Pelton

"The great danger that presently confronts industry," Mr. Pelton said, "is the pressure for expansion and for the increase in fixed assets. It seems inevitable that whenever we have high costs of construction the impulse to expand is the strongest. Many businesses contemplate expansions or improvements beyond those warranted and are thereby either reducing their working capital or are increasing their bonded indebtedness to the danger point. Furthermore, many concerns face the danger of building up high-cost inventories and accounts receivable. Once pipelines are filled and a rush of goods to market begins, it's too late to adjust inventory. As a leading business counsel once said: "The death certificates of businesses killed off during the collapse of the '20's were all marked with one cause—excessive depreciation of inventory."

"Now, if we subscribe to the right of private property and the free enterprise system, which has given this country the highest standard of living of any nation on earth (and I assume the members of this audience do so subscribe), I believe we will agree one of the most important reasons for making an investment in an industrial or business enterprise is to earn a profit or dividend on that investment. It is both the attraction and the urge which spurs owners of capital to risk their funds in private enterprise. It is the return for the use of their capital, after the payment of all costs and expenses, including wages, rent, interest and taxes.

"The importance of this point is aptly illustrated in a survey made by the National City Bank of New York covering 72 of the largest industrial corporations in this country for the year 1945, which shows the number of shareholders in these 72 companies totaled 4,082,805, as compared with the total number of employees, 2,925,449. In other words, there were over 4,000,000 separate stockholders, or about 40% more owners than employees, who invested their money in these enterprises presumably because they expected these investments to earn a fair return and compensate them for the risks taken. They furnished a major portion of the working capital, the buildings and equipment, and the opportunity for employees to earn a living. Analysis of the figures of 71 of these companies shows the stockholders received an average of less than 3 cents out of each dollar for sales, the balance of over 97 cents going to pay for materials and supplies, wages to employees, and all other expenses including Federal income and excess profits taxes, leaving less than 1 7/10ths cents to help meet future needs for working capital and other necessary purposes.

"I feel quite sure we will all agree that when the shareholders, or owners, invest their money in a business, they are entitled to a fair share of the profits to pay them for the use of their capital and the risk they assume. When they project into a business the idea that earnings are to be made, that is, that income should exceed outgo, it would seem to be incumbent upon management, with the cooperation of all employees, to further project this idea into all departments in such a way that it will be clear as to whether they are making money or are losing money. But, it is imperative in a sound system of cost finding that every dollar expended becomes a part of cost. This is a very simple and satisfactory point at which to start building up a system of costs. Everything should go in, and an attempt should be made to recover these costs and a reasonable profit."

Continuing, Mr. Pelton stated:

The subject of accounting and cost finding is treated by altogether too many business executives as a purely clerical matter, whereas it is an intensely practical business matter which should receive the attention of the owners and managers. If costs are left entirely to the accountants, they will lack that vital touch with the practicalities of the business which will greatly decrease their utility and value. If the business man develops his cost system so he recognizes it as one of his important instruments toward attaining sound and profitable business, it will not only be of great value to his own organization but to industry as a whole.

Measures of Efficiency

Now, the question is usually raised at this point as to what we as individuals can do about this situation. It would appear that each of us can do much to assist in maintaining stable conditions in our own organizations, if we will recognize and practice sound business fundamentals. Some points worthy of being given renewed careful consideration are:

1. Sales should compare favorably with the money tied up in accounts and notes receivable, inventories, fixed properties, and total assets. The relationship between sales and these four groups of assets indicates the efficiency with which these funds are being used.

2. Unwarranted expansion of fixed property should be avoided. There is not only great danger this will be done at the present time with high costs of construction, but also it may reach the point where working capital will be depleted and current and long-term debt will be dangerously increased.

3. It is important to follow a conservative policy in extending credit. The longer an account stands on the books the greater is the chance for loss, and in the meantime the money tied up is costing interest and is not producing a profit.

4. We should avoid a speculative inventory policy and excessive high-cost inventories. Inventories should be properly priced and not contain unearned or fictitious paper profits. Real profits come only from economical and satisfactory manufacturing and merchandising activities.

5. It is important to maintain a proper and consistent policy covering the handling of fixed charges of all kinds, such as interest, depreciation and obsolescence, insurance, taxes, etc. These items should be regularly included in cost. In this connection it is not realized by many that prevailing depreciation rates allowed by the Bureau of Internal Revenue are inadequate, if future replacement costs are higher than those at the time of original construction.

6. Renewed attention should be given to the matter of again becoming "cost and profit minded." That is, we should include all items of expense in cost, and attempt to recover all costs and a profit through satisfactory merchandising operations. Frequently, when competition becomes keen, business men disregard certain items of overhead, disregard interest and depreciation, and often disregard profits to get volume. This is a practice which is fundamentally unsound, and should have no place in the minds of our business leaders. All costs and expenses should be considered, and an attempt should be made to recover them and to earn a profit.

7. Care should be exercised to maintain a sound working capital and general financial condition. This is a long-range problem which deserves the most consistent and painstaking attention of management.

8. Finally, we should maintain efficiency and full production in all operations and departments, and eliminate unsound and uneconomic activities of the business.

Hill Richards Adds Three

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Frank L. Maines, Royal C. Peacock, and John R. Sprang have been added to the staff of Hill Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

Thomson & McKinnon Add

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — George H. Hay has been added to the staff of Thomson & McKinnon, 231 So. La Salle Street.

With E. J. Bourbeau & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Gideon M. Douglass has become associated with Edward J. Bourbeau & Co., 510 South Spring Street. He was previously with Cruttenden & Co.

Sees Prosperity Following Price Adjustments

Prof. Butz of Purdue University says agricultural prices have already passed peak, and general prices probably will be stabilized in 1948 at about 1945 level.

"Prices received by United States farmers, on the average, probably reached their postwar high last October and again in March, 1947, and may be expected to work lower moderately in the remainder of 1947," stated Dr. Earl L. Butz, Head of the Purdue University Department of Agricultural Economics, at the annual convention of the Washington Association at Seattle, on June 20.


Earl L. Butz

The high points came last October following the relaxation of price controls, when the U. S. farm price index stood at 273% of the 1910-14 average, and again in March, 1947, when a speculative flurry sent the index to 280% of the 1910-14 level. Last December and January the index was about 20 points below its last October high.

Farm product prices will probably fluctuate around their present levels, on the average, for awhile longer, but may be expected to decline some in the latter part of 1947, the economist stated. The decline in the latter part of 1947 and the early part of 1948 will be neither as rapid nor as drastic as that which occurred in 1920, although it may be as much as one-fourth to one-third from present levels. This will put prices back about where they were in the last year or two of the war. The decline will be more in the nature of a cost-price realignment than a recession, Dr. Butz stated.

The general level of wholesale prices in the United States is now about as high as it was at the peak in 1920. It may continue to rise slightly for a few months yet in 1947, and will probably start down sometime in the last part of 1947 in a moderate decline that will last six to 12 months. It may decline one-fifth to one-fourth from present levels. This adjustment will carry prices back to about their 1945 level (not pre-war), the speaker asserted. This price reaction will come when the volume of civilian production begins to catch up with effective civilian demand, and when the flow of relief supplies to Europe begins to subside.

The speaker predicted that if we can get through the period of price adjustment in late 1947 and early 1948 without surrendering our system of free enterprise for a complicated system of government price supports, the period predicted above should be followed by a long spell of relative prosperity. The price level will remain relatively high (1945 level) for a number of years. This will be an era of relatively good business and satisfactory rewards for efficient management. Although the outlook for agriculture during the next decline may not be as rosy as it was during the war, it is much better than before the war. There are prospects of reasonable net income for efficient farmers who have enough volume of business to permit the use of labor-saving machinery. American agriculture will always reward the farmer who is intelligent, efficient and ambitious.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market is still on the defensive as prices continue to drift lower on light volume. . . . The powers that be are sellers of securities but the amount of eliminations is much smaller than it was earlier in the month. . . . Because of the decreased demand for Treasury obligations there is not the same need to dispose of securities in order to keep the market under control. . . . With the sidelines the most popular spot at the moment, it seems as though only the most necessitous commitments are being made. . . . Where it is imperative to get funds to work, for income purposes, some business is being done, as well as from switches. . . . As a whole it seems as though there is not too much going on, certainly not enough to satisfy the dealers who are grumbling over the lack of activity. . . .

TAX FACTORS

With the money markets still under the cloak of uncertainty, it is not surprising that investors are doing very little. . . . Nonetheless, some of these conditioning factors may be clarified in the not too distant future, because the money managers are in a position to go ahead with their plans, now that the tax bill has been taken out of the picture. . . .

Continuation of high taxes should mean that more funds will be available for the repayment of debt in the coming fiscal year. . . . Estimates of the amount that may be used for debt retirement range from $8 billions to $12 billions. . . .

It appears to be rather generally agreed now that the availability of larger sums for debt reduction, takes out of the situation for the time being and probably longer than that, the unpegging of short rates as well as the flotation of a new issue of securities. . . . It seems as though the authorities lost very little time in going about their work after the tax bill was killed when they announced the resumption last week of bill redemptions. . . .

PRICE CONTROL

The opinion in many quarters is that the money managers will follow the previous policy of debt redemption to restrict the credit base along with sales of securities in the open market, in order to keep prices of Treasury obligations at levels they consider favorable to the money markets. . . . It is indicated that the government market is divided into two parts for the purposes of price control. . . . Credit limiting policies through selective debt reduction are to be used to keep the eligibles in line. . . .

Sales of securities in the open market is to be the manner in which the restricted obligations will be prevented from going to prices that are not desired by the powers that be. . . . This method is considered superior to an unpegging of rates or a new issue of securities because the market can be kept more orderly and stable than would be the case of either if the latter two were adopted. . . .

Since it is evident that the authorities do not want the market to go too far in either direction, the flexibility of the bond redemption credit limiting program as well as open market sales of securities seems to fit the present situation quite well. . . . By contracting or expanding operations in these two fields prices of Treasury obligations should be kept within desired limits. . . .

WHY THE PRICE LID?

What seems to be the reason for the authorities not wanting prices of government obligations to go back to even previous tops, which in some instances would be about half a point above currently prevailing prices? . . . It is believed that the money managers are of the opinion that the longer-term trend of interest rates is slightly downward and by keeping prices from going too high for a short period, when the demand is large and the supply limited, they will be forestalling wild price changes in the future. . . .

Suppose that prices of Treasury obligations were allowed to move up because of the lack of other suitable investments and they reached levels a point or a point and one-half above those now prevailing? . . . By that time the mortgage market might be opening up and non-bank investors especially would want to put their funds into higher yielding mortgages. . . . The lack of demand for the restricted bonds from non-banking institutions would most likely cause prices to sag from the high levels that were reached. . . . Then with more mortgages available these same investors might be sellers of securities which would cause prices to move down rather sharply. . . .

The authorities by keeping the market on the defensive and holding prices at levels that do not attract the temporary kind of buying will no doubt prevent sharp price changes that would be likely to follow if securities were allowed to freely seek their own limits on the up side. . . . It is evident that much was learned during 1946, when prices were more or less allowed to find their own levels. . . . This resulted in wild and wide price gyrations, which the authorities will not have happen again. . . .

BANK BUYING

Purchases of government securities by the commercial banks between Dec. 31, 1946 and the end of March 1947, continue to follow about the usual pattern. . . . By far the largest commitments were again made in the 2¼s due 1956/59, as the New York City banks were the biggest buyers followed by the Reserve City and the country banks. . . .

The next most popular issue was the 2½s due Sept. 15, 1967/72 with the Reserve City and country banks the leaders, followed by the New York City institutions. . . . The 2¾% due 1960/65 were in third spot with the Reserve City, the country banks and the Chicago institutions the principal buyers. . . . New York City banks were the main sellers of this bond. . . .

Then came the 2s due June 1952/54, as the country and New York City banks bought and the Reserve City banks sold. . . . The 2s due December 1952/54, for the first time were practically neglected. . . . The other important purchase was the 2⅞% due 1955/60, with the New York City banks the only buyer. . . .

SELLING

Heavy sales were reported in the 2s due 1951/53 with the New York City and Reserve City banks the largest sellers. . . . The 1½s due 1950, the 2s due Sept. 15, 1950/52, the 2s due Dec. 15, 1949/51 and the 1¾s due 1948, were also disposed of. . . . The Chicago banks, the country banks and the Reserve City institutions were the main sellers of these issues.

Sees No Check On Debt Monetization

C. F. Childs & Co., in analysis of changes in money supply and bank national debt holdings, says Treasury's debt redemption program has been almost entirely offset by other factors.

In an analysis of the Public Debt and U. S. Government financing, recently issued, the investment banking house of C. F. Childs & Co. reports there is little indication of a decline in the "monetization of the national debt, despite the redemption program of the Treasury since the end of the war. In discussing changes in banks' bond holdings and the money supply, the circular states:

As indicated by the figures for weekly reporting member banks, there was a strong contraction in total earning assets and a heavy shrinkage of total deposits in the 14-month period, February, 1946-April, 1947. This, with rising operating costs, put banks under pressure to increase their gross earnings. Government securities owned dropped approximately 30%, but, due to a net increase in loans and other securities, the decline in total loans and investments was about 19%. An increase in business loans, at considerably higher rates, more than offset a sharp decrease in the volume of loans on Government securities as dealers and others liquidated their heavy commitments after the last war loan drive. Despite the retirement of 3¾%, 3%, and 3⅛% bonds totaling about $2,344,000,000 total Government bonds held by these banks were only slightly lower, indicating a considerable movement to replace redeemed low-yield certificates and notes with higher-yield bonds. Demand deposits, adjusted, which were effectively held down in the first quarter, showed a strong tendency to rise when the pressure of first-quarter tax collections was removed.

The following tabulation shows the principal items of change:

Weekly Reporting Member Banks
(millions of dollars)

	Feb. 27, '46	Apr. 30, '47	Increase (+) or Decrease (—)
Total loans and investments	68,148	55,266	—12,882
Total loans	15,178	16,963	+ 1,785
Loans on Government securities	3,737	869	— 2,868
Business loans	7,382	10,943	+ 3,561
Goverment securities, total	49,518	34,745	—14,773
Government bonds	27,234	27,160	— 74
Demand deposits, adjusted	37,610	39,769	+ 2,159
U. S. Government deposits	16,527	1,454	—15,073
Total deposits	75,056	61,764	—13,292

There were substantial changes in the underlying monetary structure of the country in the period under review. Except for a decrease in Federal Reserve Bank credit in use and a moderate net increase in currency in circulation, all the changes tended toward the expansion of member bank reserve balances. The increase in gold stock is especially notable, being far beyond expectations. Indeed, had it not been for the transfer of $687,500,000 of gold by the Treasury to the International Monetary Fund on Feb. 26, 1947, the total increase would have been $1,228,500,000. This transaction was accomplished by use of the gold in the U. S. Stabilization Fund, the remainder of the Fund's $1,800,000,000 being taken into the Treasury's general fund.

The changes in all these factors are shown in the following table:

Member Bank Reserve Balances and Related Items
(millions of dollars)

	Feb. 27, '46	Apr. 30, '47	Increase (+) or Decrease (—)
U. S. Government securities	22,972	21,857	—1,115
Discounts and advances	380	125	— 255
Other Reserve credit	325	223	— 102
Total Reserve credit	23,677	22,205	—1,472
Gold stock	20,233	20,774	+ 541
Treasury currency	4,447	4,560	+ 113
Money in circulation	27,938	28,118	+ 180
Treasury cash	2,317	1,325	— 992
Treasury deposits in Reserve Banks	826	619	— 207
Non-member deposits and other accts.	1,720	1,652	— 68
Member bank reserve balances	15,555	15,826	+ 271
Required reserves	14,516	15,156	+ 640
Excess reserves	1,039	670	— 369

A very considerable increase in deposits requiring reserves offset the banks' gain in reserve balances, and excess reserves fell off by about one-third.

The effect on the country's total money supply depends on whether one includes government deposits in commercial banks in one's concept of the money supply. If these are included, there was a steep decline; if not, there was a noticeable increase. Since it is money in the hands of the general public outside the banking system which bears upon inflation-deflation considerations, it probably is well to exclude them. According to estimates of the Federal Reserve Board, demand deposits, adjusted, increased $4,600,000,000 between February 1946 and February 1947, time deposits in commercial banks increased $3,200,000,000, and currency outside banks increased $200,000,000—a total of $8,000,000,000. As noted above, an upward trend in deposits followed the end of the first quarter, so it is probable the figure is somewhat higher now.

With the increase in money supply, there has been come tendency to an increase in velocity, as measured by the annual rate of turnover of demand deposits. The rate for 100 cities outside of New York is computed at 17.9 and 18.6 for January and February this year, as against 16.2 in the same months a year earlier. Fortunately, these rates still are very moderate. They are lower than in any full year prior to 1941, and compare with a record turnover of 40.5 in 1929.

Debt "Monetization"

It is obvious that War Loan accounts soon will be near exhaustion and, in the absence of a substantial cash surplus of Treasury revenues, the debt redemption program cannot continue. If other factors continue as they have in the recent past to supply banks with reserve balances, there will be every inducement for banks to buy more government securities from the general public. The latest available reports indicate that this is taking place.

Banks surveyed by the Treasury Department monthly showed an increase of $1,258,000,000 in eligible Treasury bonds in the 12 months ended Feb. 28, 1946, and a decline in every other category. The increase is most noticeable in longer-term obligations, and is offset in part by decline in shorter maturities, as well as by decreases due to bond retirements. Later data on banks reporting weekly indicate a similar trend.

The retirement of Treasury bills, amounting to about $1,000,000,000 in a space of six weeks, should have had a very drastic effect on banks, since it tended to reduce their reserve balances by roughly 85% of that amount. It was almost entirely offset by other factors, most importantly, by increase in the gold stock and decrease in money in circulation.

Hence, this measure of control has been unsuccessful in accomplishing its purpose, and no check has been given to continued "monetization of the debt."

N. Y. Security Dealers Outing Huge Success

The Annual Outing of the New York Security Dealers Association, held on June 20, 1947 at the Engineers Golf Club, Roslyn, Long Island, was pronounced a huge success by over 200 members and guests attending.

Prize donations were received from the following firms:

J. Arthur Warner & Co., Incorporated, four $25 Series E War Bonds; Mitchell & Company, one $25 Series E War Bond; Schwamm & Co., $25 Merchandise Certificate on A. G. Spalding Co.; R. H. Johnson Co., Bottle of Haig & Haig; Lebenthal & Co., Book; Travellers Luggage Co., Golf Bag.

The following firms made cash donations:

Amott, Baker & Co., Inc., Carret, Gammons & Co., Inc., Geyer & Co., Inc., Greene & Co., Joyce, Kuehner & Co., H. D. Knox & Co., Roggenburg & Co., Strauss Bros., Inc., Ward & Co., M. E. Wien & Co., C. E. Unterberg & Co.

The winners of the Golf Tournament were Stanley L. Roggenburg, Roggenburg & Co., who won the President's Cup for the third time with a low gross of 82, and Ernest Grauer, Goodbody & Co., who won the Governor's Cup for the second time, with a low gross of 77. Other prizes were won by Everett Wendler, Mitchell & Co., low net for members, 91 less 23-68; Frederick J. Rabe, F. J. Rabe & Co., first Kickers for members, with a score of 91 less 19-72; Wm. Hart Smith, Hart Smith & Co., second Kickers for members, with a score of nine less 16-80; Jack Bloom, Public National Bank & Trust Co., low net for guests, score 105 less 35-70; William Voight, Hemphill, Noyes & Co., First Kickers for guests, score 107 less 35-72; Joseph Monahan, Laird & Co., second Kickers for guests, score 105 less 25-80.

The Committee in charge of the outing was composed of John J. O'Kane, Jr., John J. O'Kane, Jr. & Co., Chairman; Wellington Hunter, Aetna Securities Corp.; Herbert D. Knox, H. D. Knox & Co.; Frank Koller, Jr., F. H. Koller & Co.; Hanns Kuehner, New York Hanseatic Corporation; Stanley Roggenburg, Roggenburg & Co.; T. Reid Rankin, R. H. Johnson & Co.; George Searight, Aetna Securities Corp.; Bertram Seligman, Ward & Co.; John H. Valentine, John H. Valentine & Co.; and Melville S. Wien, M. S. Wien & Co.

Labor Bill Becomes Law

Congress overrides veto, despite President's long and vigorous message against measure and Senate filibuster. President, in message, says bill would reverse national labor policy and violate principles of our public welfare. Called misrepresentation by Sen. Taft, who accuses President of using CIO propaganda data.

Despite a long and bitter message from President Truman to Congress, vetoing the Taft-Hartley Labor Bill, the House of Representatives on June 20, by a vote of 331 to 81 and the Senate on June 23 (after a two day filibuster) by a vote of 68 to 25, overrode the veto. During the interval between the House action, taken a few hours after the veto message was read and until the Senate's final action three days later, the President and the trade

President Truman   Robert A. Taft

union organizations made strenuous efforts to prevent the bill from becoming a law. The President made a radio address at 10 p. m. EST on the day the House overrode his veto, in which he bitterly condemned the bill. He was followed a half hour later by a radio talk by Sen. Robert A. Taft, who accused the President of misrepresenting the bill's provisions and of following the interpretations placed upon it by Lee Pressman, General Council of the CIO.

The President's Arguments

In his veto message, President Truman called the bill "bad" legislation, "that would reverse the basic direction of our national labor policy, inject the Government into private economic affairs on an unprecedented scale and conflict with important principles of our democratic society." He listed the following defects in the measure:

(1) The bill would substantially increase strikes.

(2) The bill arbitrarily decides, against the workers, certain issues which are normally the subject of collective bargaining, and thus restricts the area of voluntary agreement.

(3) The bill would expose employers to numerous hazards by which they could be annoyed and hampered.

(4) The bill would deprive workers of vital protection which they now have under the law.

(5) The bill abounds in provisions which would be unduly burdensome or actually unworkable.

(6) The bill would establish an ineffective and discriminatory emergency procedure for dealing with major strikes affecting the public health or safety.

(7) The bill would discriminate against employes.

(8) The bill would disregard in important respects the unanimous convictions of employer and labor representatives at the national labor-management conference in November, 1945.

(9) The bill raises serious issues of public policy which transcend labor-management difficulties.

In the concluding section of his message, the President contended that the bill by weakening the trade union movement would destroy "a strong bulwark against the growth of totalitarian movements." "The most fundamental test which I have applied to this bill," the President wrote, "is whether it would strengthen or weaken American democracy in the present critical hour. This bill is perhaps the most serious economic and social legislation of the past decade. Its effects—for good or ill—would be felt for decades to come."

Continuing, he stated, "I have concluded that the bill is a clear threat to the successful working of our democratic society.

"One of the major lessons of recent world history is that free and vital trade unions are a strong bulwark against the growth of totalitarian movements. We must, therefore, be everlastingly alert that in striking at union abuses we do not destroy the contribution which unions make to our democratic strength.

"This bill would go far toward weakening our trade union movement and it would go far toward destroying our national unity. By raising barriers between labor and management and by injecting political considerations into normal economic decisions, it would invite them to gain their ends through direct political action. I think it would be exceedingly dangerous to our country to develop a class basis for political action.

"I cannot emphasize too strongly the transcendent importance of the United States in the world today as a force for freedom and peace. We cannot be strong internationally if our national unity and our productive strength are hindered at home. Anything which weakens our economy or weakens the unity of our people—as I am thoroughly convinced this bill would do—I cannot approve."

Senator Taft's Refutation

The President reiterated his arguments in his radio address on June 20, and was answered by Sen. Robert A. Taft, who characterized the veto message as a complete misrepresentation of both the general character of the bill and most of its detailed provisions.

"The President's message," Sen. Taft said, "follows in many details the analysis of the bill prepared by Lee Pressman, General Counsel of the CIO, inserted in the Congressional Record on June 3 by Congressman Marcantonio, and another memorandum inserted in The Congressional Record of June 6 by President Murray.

"President Truman wholly ignores the detailed arguments to these and which I presented on the floor of the United States Senate. Following the lead of union labor leaders, the President does not find a single good provision in the entire bill."

Regarding Mr. Truman's criticisms of the section permitting injunctions against nation-wide strikes, Sen. Taft struck back as follows:

"The President attacks the section permitting an injunction against the nation-wide strike affecting the national health and safety. It was through such a procedure he secured an injunction against John L. Lewis last Fall. Last year when faced by a nation-wide strike, it was the President himself who recommended Government seizure and the drafting of all the strikers into the United States Army.

"Because Congress now gives him a carefully considered authority to allay such a strike, to attempt mediation, and finally to conduct a strike vote when other remedies have been exhausted, he says the procedure will do more harm than good.

"He prefers to let the Smith-Connally Act expire on June 30 without any protection whatever to the people against nation-wide strikes. He claims that this bill would breed too much intervention in our economic life, and imposes Government control over free, collective bargaining.

"The bill in no way interferes with the rights of the parties to bargain, in no way limits the right to strike if they fail to agree, except in the case of a nation-wide strike for a period of 80 days until an election can be held.

"There might be something in the argument that the Government had not intervened in every collective bargaining on the side of labor.

"Every collective bargaining contract has been subject to the terms of the Wagner Act, the Norris-LaGuardia Act, the Clayton Act, the Fair Labor Standards Act, the Walsh-Healey Act; and the intervention of Government conciliators. All this bill does is to say when the Government does intervene, it shall be as an impartial public service.

"The administration of the Wagner Act by the National Labor Relations Board made it so one-sided as to produce a general public demand that the law operate both ways. This is the effect of the new bill. The only new limitation on collective bargaining relates to the closed and union shops."

With Vercoe & Company

(Special to The Financial Chronicle)

COLUMBUS, OHIO — Paul E. Flohr has become associated with Vercoe & Company, Huntington Bank Building, members of the New York Stock Exchange and other exchanges. Prior to serving in the armed forces he was with the Ohio Company.

With H. Irving Lee Co.

(Special to The Financial Chronicle)

SAN JOSE, CALIF.—Donald J. Meyer has been added to the staff of H. Irving Lee & Co., First National Bank Building.

Keyserling For More Government Control to Prevent Depression

In radio forum discussion, member of National Economic Council says law of supply and demand should not be permitted to operate blindly and Government controls should work to prevent business cycles.

In a radio discussion of "How to Prevent Depressions" over WQXR in New York City on June 17, 1947, in which Beardsley Ruml, Chairman of R. H. Macy & Co.; Leon H. Keyserling, Vice-Chairman of the President's three man Council of Economic Advisors; Jules Backman, Associate Professor of Economics of New York University and C. F. Hughes, Business News Editor of the New York "Times" participated, Mr. Keyserling stated that the first thing to be done is for Government to step in and prevent the "law of supply and demand from working blindly."

Leon H. Keyserling

"I think the first thing we have to do to avoid recessions and depressions — and we can," — Mr. Keyserling stated, "is to abandon certain old ideas and certain old practices which repeatedly caused depressions and recessions. Now the most common of those, if I could summarize it in a very brief way, is to say that we allow the law of supply and demand to operate automatically without any human intervention. Now the law of supply and demand does so operate, but as the demand increases, the price goes up. If we operate it that way. But why should the price of a man producing a certain number of units at a certain cost go up merely because his market increases? On the contrary, if his market increases, the price ought to go down because he can sell more and he has greater assurance. Now there are two ways of effectuating that, and I think that is the central problem. One way is by government control. I think that's the less desirable alternative. The other way is by injecting into the business system itself a better code and set of practices than we've had in the past. In summary, I think that if the law of supply and demand continues to operate blindly, we will have ups and downs of the business cycle just as we've had before. If we can substitute something for that, then I think we can level it off."

A little later in the program he further stated:

"One of the hopeful things in the [present] situation is that many businessmen are doing that which does indicate that you can have something, let's say, to supplement the law of supply and demand. Now I would like to see that supplementation go a little further; and I'd like to see it go to meat, and I'd like to see it go to building materials," and in his conclusion he added:

"One alternative [to stopping a depression] is a substantial amount of government control of the economy. The second alternative is recurrent recessions and depressions.

H. W. Gould Now Is With Cannell, French & Copp

(Special to The Financial Chronicle)

BOSTON, MASS. — Harold W. Gould has become connected with Cannell, French & Copp, 49 Federal St. Mr. Gould in the past was with Townsend, Dabney & Tyson.

Lower Earnings in 1948

By ROGER W. BABSON

Mr. Babson predicts lower corporate earnings in 1948, although gross business may still hold up. Says, in buying or selling stocks, it would be wise to look up stock averages of 1932 and add to them 50%.

This is no time to make forecasts as to business in 1948. Personally, I think it will be better than most people predict; but when it comes to net earnings, after taxes, I fear they will aggregate less in 1948 than in 1947. The year 1947 should see the tops for such net earnings for most of the large corporations. With the public pressing from above for lower prices, with labor and taxes pressing from below causing higher costs, the net earnings of most companies are sure to shrink.

Roger W. Babson

Commodities are beginning to crack due to competition. Only parity legislation is holding up farm prices at the present time. Even the farmers themselves know that their present honeymoon will someday be over. Moreover, wages have not yet stabilized. Certain groups are entitled to further increases and will get them; but workers' efficiency will soon begin to improve. When we know some idle man is waiting for our job, we will speed up and give a dollar of work for a dollar received.

Real Estate—with the exception of distressed sales—should remain at about present levels for some time further, although there has been a slowing up in real estate sales. Inflation has always been in operation over long periods. The recent inflation epidemic has about reached its climax for the present. The next move within a few years will be toward deflation, followed later by further inflation. The price breaks which started in with the fish industry a year ago, are now threatening real estate and commodities.

Stock Market—If wages, commodities, real estate, etc. — based upon the money in circulation—are entitled to stabilize at around 50-100% above 1932, as the fiscal authorities claim, the stock market is entitled to do likewise. Therefore, When wondering whether to buy or sell any stock, it is wise to look up the price average in 1932-33 and add 50%. Moreover, it should be remembered that stock prices depend much more on earnings than on reproduction costs.

The Next Depression will be brought about by one of the wheels of the business machine cracking. This will stop the entire machine for the time being. Perhaps the cracking wheel will be farm prices; perhaps foreign trade; perhaps labor unions; and perhaps government finance. It seems too bad that a depression seems to be necessary once in a while, but such is required in order to awaken in people the desire to work and produce to their best ability. If you will read the preface of my book, "Fighting Business Depressions," published in 1933 by Harper & Bros., New York, you will see I then forecast on the fly leaf that the next severe depression would come between 1950 and 1955.

The Greatest Danger of a depression comes through forced distressed sales in commodities, real estate, stocks and even labor. The greatest service which any employer or investor can render is to store up cash now in times like these in order to help out when these later distressed transactions appear. For every additional person doing this, future distressed quotations will be less severe. Moreover, the investor or employer will be very highly rewarded for his foresight.

Small Businessmen especially should beware of the squalls ahead even although we may have one or more years of good business. In times of depression, the big squall unfortunately comes upon those least able to bear it. This especially applies to the 400,000 returning veterans who have recently started small businesses. Those who are out of debt and have sufficient capital to carry them through a bad period should weather the gale; but I fear that the majority will fold up.

Competition is bound to be very severe after the demand for goods has once been filled. Too many concerns have gone into manufacturing new products or products which they have never manufactured before. This means a glutted market someday in autos, refrigerators, radios, vacuum cleaners, deep freezers, etc. — products for which people are now clamoring. This over-production coupled with increasing unemployment will surely result in lower earnings for most companies in 1948 even although gross business may still hold up.

Cantor, Fitzgerald & Co. To Be Formed in N. Y.

Cantor, Fitzgerald & Co., members of the New York Stock Exchange, will be formed as of July 2, with offices at 61 Broadway, New York City. B. Gerald Cantor will acquire the Exchange membership of Roswell G. Hawkins, and will hold partnership in the firm with John J. Fitzgerald and Jack J. Bernstein, general partners, and G. Rogers Bleakley, Irving M. Moss and Edith B. Geller, limited partners. Messrs. Cantor, Fitzgerald and Bernstein are officers of B. G. Cantor & Co., Inc.

Wisner & de Clairville New NYSE Firm Form'g

As of July 1, the New York Stock Exchange firm of Wisner & de Clairville will be formed with offices at 40 Wall Street, New York City. Partners will be Charles H. Wisner and Raymond de Clairville, both members of the Exchange. Mr. Wisner has recently been doing business as an individual floor broker and prior thereto was a partner in Wainright, Luce & Willetts. Mr. de Clairville was a partner in Marx & Co.

S. A. O'Brien With Newburger, Loeb & Co.

Newburger, Loeb & Co., 15 Broad Street, New York City, members of the New York Stock Exchange and other Exchanges, announce that S. A. O'Brien has become associated with them in their Investment Research Department. Mr. O'Brien has for many years specialized in research, analysis, and investigation in the public utility field.

The United States—Banker to the World

(Continued from page 18)

apparent excess of available funds over investment outlets in the domestic scene should be a stimulating factor.

The SEC and Foreign Loans

One of the most valuable protections which has been afforded to the American investor since the previous era of foreign lending is the information made available to him under the provisions of the Federal Securities laws. Whether the provision of such information alone will give the full measure of protection to American investors which they will require or which should be afforded to them on their foreign securities is another question. The Securities and Exchange Commission has, through years of administering the Securities Acts, learned the importance and value of full disclosure of information as a means of protection to public investors in securities. In this connection, it is interesting to note that the International Bank will register its bond issues under the Securities Act of 1933. It must be admitted, however, that there are problems to be faced in connection with the flotation of foreign securities in addition to and beyond those which emerge in the course of domestic financing. The political picture in a borrowing country is one of the most important problems. It has been suggested that it is one where disclosure may have to be supplemented by admistrative action by some government agency. Also of utmost importance are the economic ramifications which arise from the intricacies of foreign trade and commercial relations. How these factors should be disclosed to public investors in foreign or international securities are questions with which government authorities are now concerned.

Aside from personal and institutional remittances to foreign countries, which are running at a rate of about 750 million dollars for 1947, it has been estimated by experts in the field that private investors will furnish up to a maximum of 500 million dollars of long and short-term capital. While it is encouraging that private capital is beginning to flow into international investment, it is apparent that such private investments at present cannot begin to cover the deficit of the rest of the world in its trade with us. If we cannot devise the means of financing the difference between our exports and our imports during the crucial period when other nations are repairing, modernizing and developing their economies, we may well be faced with the necessity of a serious reduction in our own national income, with a substantial reduction in our own standard of living.

The Record

In order to get the complete picture of the situation, let us look at what has already been done. During the course of the war the United States furnished other countries with goods and services of a value in excess of 50 billion dollars. We did this through the mechanism of lend-lease. Our experience after the First World War had taught us that it was politically futile and financially unrewarding to seek repayment in the postwar period for the supplies consumed in the course of fighting the common enemy. Such goods were unproductive in the economic sense. Their consumption did not contribute to the productive capacity of the users; it contributed to the winning of the war and should be treated as part of our share of that responsibility.

As a result, the United States sought no payment for the goods and services expended under the lend-lease program. We did, however, recognize the peacetime value of the large stocks of civilian-type goods such as food, raw materials and machinery, which had already been shipped to our allies but not yet used, and the goods still in the process of manufacture or shipment—in the pipeline, so to speak—under the lend-lease program. Agreements were therefore made permitting the lend-lease recipients to keep what they already had and to receive what was still in the pipe-line on credit terms. These credits total $1\frac{1}{2}$ billion dollars.

In addition to lend-lease goods with a peacetime utility, there were enormous quantities of American property abroad in the hands of our Army and Navy, which became surplus at the end of the war. This property also had a peacetime value and it has been disposed of largely to the countries in which it happened to be located, on credit terms similar to those applicable to the pipeline lend-lease supplies. The total of these surplus property credits is one and one-quarter billion dollars.

In the case of the lend-lease supplies left when the war ended and the property which became surplus, the United States was acting as a banker almost by accident. Most of the goods involved had already been purchased from American manufacturers and producers through appropriation made by Congress. Had the war continued longer, these particular goods would have been consumed in waging it. When the war ended and the goods, already located abroad in large part, were recognized as having a peacetime value, we simply said we would leave them where they were if we received the promises of the countries holding them to pay us their agreed value with interest over a period of time. This was a haphazard aftermath of the fighting, a cleanup operation. It was, in fact, incidental to our role as the arsenal of democracy, and not a carefully planned lending operation of the Administration and Congress. I do not mean to suggest that it was not of enormous benefit to countries which received the goods, for it meant that the flow of supplies which had proceeded during the war was permitted to continue to meet the urgent needs of the devastated areas pending the resumption of more normal trade relations in the world.

The transition from war to peace was also accompanied by a large-scale international relief program, which, unlike the other immediate postwar assistance, had been anticipated and carefully planned. The United States in 1943 had joined the other United Nations in the creation of UNRRA to which all of the members, whose territory had not been occupied by the enemy, contributed a share of the operating expenses. Our portion, based on national income, amounted to 2 billion 700 million dollars — about 70% of the total. Great Britain, Canada and other parts of the British Empire were the other major contributors.

UNRRA's task was to provide relief and rehabilitation supplies in the war-torn areas as the armies moved on to the homelands of Germany and Japan. None of UNRRA's suplies went to countries which themselves could afford to purchase such supplies required by their people, and as a result, the Western European nations, particularly, were required to use their gold and dollar resources to meet their immediate relief needs, thus seriously reducing their ability to finance their reconstruction requirements.

UNRRA's assistance went principally to Western Europe, the Mediterranean area and to China, and spanned the period from the liberation of the countries involved to the end of this month. That the relief assistance provided through UNRRA is not adequate to cover the remaining relief requirements, however, is indicated by the recent Congressional authorization for an additional American relief program in Europe and Asia of 350 million dollars, and a special provision for Greece.

No Compensation For Relief

As in the case of the lend-lease aid we furnished during the war, the United States has recognized that relief is necessarily a charitable undertaking for which we cannot extract compensation. It is part of the cost of winding up the destruction and tragedy of war, and unless it is handled by speedy and adequate grants-in-aid, the wretched political and economic disorder which would linger on would tend to nullify our great objective of securing a stable, prosperous and secure peace.

I should mention that the American occupation forces in Germany, Austria, Korea and Japan have also been forced by the compulsion of events to furnish supplies to the inhabitants of these areas in order to prevent starvation and civil disorder. Over one billion dollars has already been spent for this purpose, and the amount will reach two billion dollars by the end of the next fiscal year. These expenditures are reflected in the occupation costs which are charges against the economies of the occupied areas, but it is difficult to say what part will ever be repaid. It is at least clear that these expenditures fall outside the normal financial transactions with which a banker—even a government acting as a banker, would be concerned.

I have summarized the emergency measures we have taken and the postwar credits we extended in order to close out the war account, because it is important to know how much assistance has already been furnished and because it is impossible to discuss America as the world's banker without referring to all of the means we have used to date in order to finance the enormous total export of American goods and services during and since the war. Most of the measures I have described are now things of the past. Only a small part of the financial assistance involved in such measures will be available hereafter to cover the cost of the things we shall ship abroad in the future. It is therefore necessary to turn now to the more usual credit arrangements we have utilized since the summer of 1945, when the Japanese surrendered, and to try to analyze what lies in store for us as the world's banker in the future.

With the surprisingly sudden end of the Pacific War in the summer of 1945, it was apparent that the contemplated usefulness of the International Bank was still in the future. It was not only important for us that our people continue to be employed and the possibilities of our agricultural and industrial capacity realized, but it was crucial to the rest of the world to have available American agricultural products and manufactured goods. There was at hand as an instrument, the Export-Import Bank, which had been in existence a number of years and whose role had been the financing of American exports. Congress authorized an increase in the bank's capital from 700 million dollars to three and one-half billion dollars, and the bank proceeded to make substantial reconstruction loans. Today the available capital of the Export-Import Bank is not more than one billion dollars, and unless a further increase in its capital is secured, this method of financing our international trade will soon be exhausted.

UK's Special Problem

In addition to the loans of the Export-Import Bank, it was recognized that the United Kingdom presented a special problem whose significance and size demanded a special solution. An agreement was negotiated with the United Kingdom by which we undertook to furnish 3¾ billion dollars, repayable over a period of 50 years with interest at 2%, and the United Kingdom agreed not only to repay the money which it borrowed, but to remove exchange controls from the use of sterling so that, within prescribed periods, transactions between the British and ourselves, as well as other transactions involving sterling, would be free of the hampering restrictions which a contracted economy and the compulsions of war had necessitated. Britain's blight has become even more serious since this loan was made, and recently doubt has been expressed whether our assistance is sufficient to tide Britain over until she can achieve a balance on international account.

Fortunately, there are in existence now the two Bretton Woods institutions upon which we have relied so heavily to bring the world back to orderly international exchange transactions and to finance the world's reconstruction and development needs.

The International Monetary Fund, with total assets of about seven billion dollars, of which the United States' share is two and three-quarters billion, has begun its operations. It will be possible for its members to secure substantial help from the Fund to ease them over temporary exchange difficulties. But the total amount which can be made available to any one country is limited, and the Fund cannot successfully correct a disequilibrium in a country's balance of payments which is likely to persist for any length of time.

The International Bank, the other Bretton Woods institution, is also in operation. Its function is to undertake the long-term financing of its members' reconstruction and development needs. The Bank has just concluded an agreement with France by which it has made available 250 million dollars for the implementation of the French plan for reconstruction and modernization, known as the "Monnet Plan." It is quite possible that an additional 250 million dollars may be loaned to France before the end of the year. There are also before the Bank now loan applications from other countries which total several billions of dollars.

International Bank Needs Investors

The Bank, however, cannot satisfy all of these needs without the assistance of American investors. Under the Articles of Agreement of the Bank, its member countries have subscribed about eight billion dollars of capital. The United States' subscription to this capital is three and one-fifth billions. But the total amount subscribed is not available to the Bank for its lending operations. Only 20% of the subscriptions can be used for making or guaranteeing loans. The remainder provides security for the purchasers of the Bank's own obligations. In other words, the Bank is expected to raise money with which to carry on the greater part of its lending operations by the sale of its own obligations to the public. For the time being, it is unlikely that the Bank's securities can be marketed in any volume outside of the United States. This is not only the result of the stringency of capital markets elsewhere, but also of the fact that it is dollars which are needed to purchase the American goods which necessarily make up the bulk of the reconstruction and development supplies the Bank will finance. It is reported that the Bank will make its first offering of debentures during this summer. I do not know, of course, what the amount of the issue will be, but I should suppose that its initial offering would not exceed two or three hundred million dollars since it will be necessary to proceed somewhat slowly with the sale of these securities. While they are heavily secured, they are unfamiliar to the investing public. There may well be a further issue of the Bank's securities late this fall or early next year.

To summarize the assistance which can be expected during 1947 from the International Bank, it is necessary to recognize that its paid-in capital available for lending has a value of one billion five hundred million dollars, of which only half is in the form of United States currency or gold. These funds, together with the two or three hundred million dollars which will be raised in the capital market this summer, are the outside limits of the Bank's participation in international investment this year. And even if the Bank markets further amounts of its obligations next fall or winter, it is certainly clear that if the Bank is to carry out the tasks intended for it by its member nations, it must continue to issue debentures in even larger amounts during the next two or three years. The destruction and dislocations in the world have far exceeded the estimates we made when the Bank and Fund were planned. The International Bank, at best, is only likely to furnish a part of the capital which will be required between now and 1950 if the deficit at the present rate of other countries on international balance is to be met.

You will see that the peace we spent so much of our treasure to achieve is also costly. We have already provided grants-in-aid directly and through UNRRA of nearly three billion dollars and we have furnished lend-lease, surplus and occupied areas assistance on credit or deferred payment terms in an amount in excess of four billion dollars. We have made available or committed nearly two and one-half billion dollars through loans from the Export-Import Bank and we have made a line credit available to the United Kingdom of three and three-quarters billion dollars. Our subscriptions to the International Monetary Fund and the International Bank amount to approximately six billion dollars.

Our Amazing Reconversion Results

No one would pretend that the United States has not already made astonishing contributions to the world's recovery, but it must also be admitted that our own economy has been converted from war to peace and maintained at amazingly high levels. The number of people employed in the United States today, outside of the Armed Forces, is over 58 million, a larger number than were employed in the summer of 1945 at the end of the surge of our war effort. Our national income is at a level of 180 billion dollars a year.

In 1946 our exports of goods and services amounted to approximately 10% of our national income, and this year our exports may be in excess of this amount. I suppose it is a truism to say that we cannot continue to export in any such volume if we withhold from our customers the means with which to pay for what they receive from us. But it is particularly essential that we understand this fact. To the extent that we buy from other countries goods which they can produce, we furnish the means of payment for our exports. But today it is apparent that we are not prepared to receive, and the world is not capable of producing, sufficient goods and services to equal those which we are exporting. Last year our imports were only half of our exports, and this year our imports from Europe and the Far East have actually declined, which reflects the failure of recovery in those areas. In time, if the world becomes prosperous, we shall come closer to achieving a balance, but I think we shall continue to have a favorable balance on international account for many years. As a result, America will have to continue to send its funds abroad if it wishes to continue to enjoy the benefits of large exports.

Last year the excess of our exports over our imports was eight billion two hundred million dollars. This huge gap was financed in several ways: foreign countries used two billion two hundred million dollars of gold and long- and short-term assets which they held in the United States; we made long-term loans abroad of three billion dollars; and the remaining three billion one hundred million dollars was covered by unilateral transfers consisting principally of emigrants' remittances and UNRRA assistance. Of the total loans and unilateral transfers last year, private transactions accounted for a net of one billion dollars; the remainder was governmental.

I hope that private investment, stimulated by healthy economic conditions abroad, will take up much more of the slack in our international account in the future. But it seems clear that under present uncertain conditions our international trade and our share of the world's recovery will have to be largely financed through our Government and international organizations by means of the sale of United States Government obligations to our citizens and by taxation.

Based on the first quarter of 1947, United States exports of goods and services would exceed 19 billion dollars for the year. It is anticipated, however, that this rate will not continue throughout the year, and that there will be a contraction of exports in the remaining months of 1947. Of course there may also be a further reduction in imports, but it is possible to hope that the gap between what we sell abroad and what we buy will not exceed ten billion dollars. It is certainly not likely to be less than eight billion dollars. With the various means of financing presently available, the minimum gap we can expect this year will be met, but additional financing of a billion dollars before the end of the year will be required in all likelihood. From all of the figures I have seen and the predictions I have heard, I do not think we can expect that the gap will be much less in 1948, but by 1949, as a result of our present extensive reconstruction drive, particularly if it is accompanied by good harvests abroad in contrast to those of the past two years, there should be a much smaller gap, and we can expect tourist expenditures by Americans to rise considerably to aid in offsetting it.

Our Future Commitments

On the basis of these expectations, we shall be faced with the necessity of providing additional financing abroad of one billion dollars this year, three billion dollars in 1948 in addition to existing credits extending into next year and from five to six billion dollars for grants and loans in 1949 and again in 1950. The amounts should be somewhat less in 1951, and it is possible that thereafter the situation can be stabilized with large but not staggering investments each year for purposes productive enough to result in a fair and sound return on our money.

I realize that I have been speaking in terms so vast and in magnitudes so bewildering as to make it very difficult to comprehend these questions which face us as the world's banker. But the vastness of the amounts involved is the inevitable result of the overwhelming size of our productive capacity and our wealth equally as much as of the extent of the war's destruction.

Let us consider one or two aspects of our national wealth which are perhaps not so well-known and which bear very materially on our ability to discharge the function of banker. The liquid assets of the nation are of a staggering amount. For instance, the reservoir of our accumulated cash and bank deposits alone as of the end of 1946 amounted to more than 150 billion dollars. Of this about 120 billion dollars was held by individuals, about 25 billion dollars by corporations, another 5 billion dollars by State and local governments, and the rest was held by financial, educational and eleemosynary institutions. And, bear in mind, I am speaking only of cash and bank deposits — the most investible type of liquid funds that we have. This does not include other forms of highly liquid savings such as short-term securities, which in turn run into many billions more. In addition, it should be remembered that the annual accrual of cash deposits although it has fallen off since the active war years, was still at a very high rate in 1946. In that year, individuals alone accrued more than 12 billion dollars. All of these funds are in the hands of potential investors — institutional as well as individuals.

Requirements for investment funds in the domestic field are so far below the available liquid amount to which I have just referred that it would be only natural that investors should seek an outlet in the foreign field at the earliest possible moment. This, as I have said, will become a reality when the obligations of the International Bank are offered publicly and as direct foreign obligations become available in sound and attractive form. Also many corporations may wish to utilize their excess liquid assets to make direct investments abroad. To the extent that private funds are sent abroad in these direct and indirect fashions, the call upon Government to give assistance will be correspondingly reduced.

Lending Must Have Limits

It would be folly to embark on the program that I have outlined as necessary unless we have a reasonable hope that the outcome of our efforts will be a stable and orderly world and an expanding and healthy international trade. Obviously we could not continue indefinitely to give or lend limitless amounts of money each year. Nor could other countries afford to repay us. As it is, we shall have to expect repayment over long periods of time and at low rates of interest if our debtors are not to be destroyed by the burden of their debts. It would be useless for us to lend during this transition period in order to secure good customers for the future and bankrupt these customers by the terms of our loans. It would be equally tragic if we should bank-

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rupt ourselves in the process of serving as the world's banker. I do not believe that either of these results will occur if we proceed to utilize our great resources during the next few years in order to provide the means of reconstruction and development which we alone are capable of providing. It is my belief that such investments are the surest way to maintain and protect our prosperity and our own standard of living. Assistance in too small an amount would not achieve the regeneration of broken economies elsewhere in the world and would be money wasted. If we are to act at all, we will have to act adequately. My own faith in the recuperative powers of men and their societies is such that I believe we shall find, if we make the investment which we know would be necessary to do the job thoroughly, that our international trade and our own domestic economy will feel the stimulus of our efforts and rise to levels we have never yet attained in times of peace. No one can promise, of course, that we will have peace in which to enjoy the benefits we might expect, but of one thing I am quite certain, and that is that we cannot long expect to maintain peace in the world if there is economic chaos. For my part then, there is little choice but for the United States to undertake the task of banker to the world. I hope and believe that we can do this without sacrificing the ideals of individual effort and enterprise which we cherish. Whether we do or not will depend largely on whether we citizens understand and support America in her role as the world's banker.

California Ore. Pwr. Com. Placed on Market

Blyth & Co., Inc. and The First Boston Corp. jointly headed an investment banking group which publicly offered June 24 at $22.25 per share an issue of 408,000 shares of The California Oregon Power Co. common stock, par $20 per share. Of this total issue, 390,000 shares are being sold by Standard Gas and Electric Co. and the remaining 18,000 shares by California Oregon which will apply its portion of the proceeds from the sale to reimburse its treasury for expenditures previously made for additions and betterments to its properties. On June 23, the Securities and Exchange Commission approved the application of the two companies exempting the sale from competitive bidding requirements. At the completion of the sale, The California Oregon Power Co. will cease to be a subsidiary of either Standard Power and Light Corp. or Standard Gas and Electric Co.

Capitalization of The California Oregon Power Co. adjusted to reflect this financing consists of $15,425,000 in long term debt; 77,927 shares of cumulative preferred stock, $100 par, and 408,000 shares of $20 par common stock.

Negotiations are underway with The Chase National Bank for a credit aggregating up to $9,000,000 to be used to refund California Oregon's outstanding unsecured notes totaling $2,950,000 and towards financing a 2-year construction program.

Joins E. F. Hutton Staff

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Douglass W. Hamilton is now with E. F. Hutton & Co., 623 South Spring Street.

Defends Finance Companies

Laurence M. Jeger, Executive Vice-President of Wisconsin Association of Finance Companies, says these concerns have driven out loan sharks and have set up a high standard of fair dealing with public.

In a talk before the American Industrial Bankers Institute at Denver on June 10, Laurence M. Jeger, Executive Vice-President and General Counsel of the Wisconsin Association of Finance Companies, after reviewing the history of usury throughout the ages, pointed out that finance companies have been instrumental in effecting sound consumer lending and in introducing and maintaining reasonable interest charges.

Laurence M. Jeger

"After 2,000 years of usury," Mr. Jeger stated, "we have in one generation, not only driven the loan shark from our midst, but have set up a higher standard of fair dealing with the public than has any other business, trade or profession.

"We are entitled not only to the full confidence of the public, but to their appreciation of the splendid job we have done, and to their good will and support.

"If any part of the public is skeptical about our operations or more or less antagonistic to our business, it can only be because we have failed to tell our story.

"If any believe that our charges are too high, it is only because we have failed to tell them that, despite efficient and economical management, we average only 2% to 4% on volume and only 4% to 8% on capital employed.

"For 2,000 years church and state have thundered against usury and interest. For 2,000 years the public have had not only distrust but hatred for the lender of money. Twenty-five years of regulation and state supervision will not of itself wipe out the memories of the past. Our story must be told the public. And, I believe, that is why Myron Bone selected this talk for part of your program. 'Interesting Interest' is a 'commercial'—a 'commercial' that you can use before your Rotary or Kiwanis Club, before the Men's Club or the Women's Club, or wherever else you have occasion or opportunity to speak.

"The historical matter at once arouses interest and camouflages the 'commercial' part, as it traces usury and interest through the centuries and in natural sequence points out how consumer credit has come to serve the public.

"The blood of the loan shark is not in our veins. His evil practices are entirely foreign to us. We are in no wise his kin. We are his conqueror. We are the champion of those whom he formerly enslaved. We are the emancipator. In the space of a generation, we have outlawed the evils of 2,000 years, and have opened a vitally needed source of credit to honest men, based largely on their character and integrity, and administered under government guarantee as to fair practices and reasonable rates.

"And so I humbly commend 'Interesting Interest' to your attention, because it smacks not of advertising or self praise, but on the contrary, merely lets the part we have played and are playing take its natural place in the history of interest."

Monetary Fund Acts on Gold Black Market

Warns illegitimate deals threaten world's exchange stability.

WASHINGTON, June 23.—The International Monetary Fund today went on public record that it will take vigorous action to abolish the international black market in gold. In a statement issued by Camille Gutt, Managing Director of the Fund, he urged member governments to bring into compliance non-member governments through whom premium transactions were being cleared.

Camille Gutt

Mr. Gutt's statement for the Fund follows:

"The international Monetary Fund has given consideration to the international gold transactions at prices substantially above monetary parity which have been taking place in various areas of the world. Because of the importance of this matter the fund has prepared this statement of its views:

"A primary purpose of the Fund is world exchange stability and it is the considered opinion of the Fund that exchange stability may be undermined by continued and increasing external purchases and sales of gold at prices which directly and indirectly produce exchange transactions at depreciated rates.

Practice Growing

"From information at its disposal, the Fund believes that unless discouraged this practice is likely to become extensive, which would fundamentally disturb the exchange relationships among the members of the Fund. Moreover, these transactions involve a loss to monetary reserves, since much of the gold goes into private hoards rather than into central holdings.

"For these reasons, the Fund strongly deprecates international transactions in gold at premium prices and recommends that all of its members take effective action to prevent such transactions in gold with other countries or with the nationals of other countries.

"It is realized that some of these transactions are being conducted by or through non-member countries or their nationals. The Fund recommends that members make any representations which, in their judgment, are warranted by the circumstances to the governments on non-member countries to join with them in eliminating this source of exchange instability.

"The Fund has not overlooked the problems arising in connection with domestic transactions in gold at prices above parity. The conclusion was reached that the Fund would not object at this time to such transactions unless they have the effect of establishing new rates of exchange or undermining existing rates of other members, or unless they result in a significant weakening of the international financial position of a member which might affect its utilization of the Fund's resources.

"The Fund has requested its members to take action as promptly as possible to put into effect the recommendations contained in this statement."

The National Advisory Council on International Monetary and Financial Problems is in full accord with the statement of the views of the International Monetary Fund quoted above.

Warns Present Export Trade Is Abnormal

Guaranty Trust Company of New York points out large export volume is due to temporary conditions, and until our import situation is clarified, dollar shortage will continue.

The Guaranty Trust Company of New York in the current issue of "The Guaranty Survey," its monthly review of business and financial conditions, calls attention to the unbalanced situation in our present foreign trade. According to the bank's analysis:

"The abnormal character of our foreign trade since the end of the war is shown by the composition of the trade, the extreme disparity between exports and imports, and the methods by which this disparity has been financed. Of the nearly $15.3 billion in goods and services supplied to foreign countries by the United States last year, only $7.1 billion, or 46%, was paid for through goods and services sold to the United States. About $3.1 billion, or 20%, was given outright under governmental or private auspices; an approximately equal amount was paid for with the proceeds of loans; and the remaining $2.2 billion, or 14%, was financed by the liquidation of foreign assets, including gold.

"The proportional disparity between exports and imports so far this year has been much greater than it was in 1946. The difference in value between recorded exports and recorded imports last year averaged $400,000,000 monthly. The corresponding average for the first four months of this year is $741 million.

Removing Trade Barriers

"A substantial increase in the exporting capacity of the important industrial nations of Europe and Asia could materially alter the foreign-trade outlook. Whether such an increase can be achieved in the near future is a crucial question, not only in its bearing on the outlook for the export trade of the United States in coming months, but also in connection with the establishment of the proposed International Trade Organization, now under discussion at Geneva. The effort to promote international trade on a broad multilateral basis has apparently encountered a major impediment in the failure of foreign production to attain the anticipated levels.

"Critical shortages due to the lack of production are forcing international trade into more and more restricted channels and resulting in a wave of bilateralism that runs directly counter to the spirit of the Geneva conference and the aim of the foreign commercial policy of the United States. The State Department reports that, from the end of the European war to last March, more than 100 bilateral agreements were in effect between European countries, exclusive of the United Kingdom and Germany. This bilateralism, it appears, is strongly disliked, even by the nations that are practicing it most actively, but is regarded as an unavoidable evil under existing conditions. A broad increase in supplies of essential materials is the only visible means by which the present unwelcome trend can be reversed.

Other Possible Sources of Dollars

"It is hardly conceivable that imports can increase fast enough in the near future to permit the present rate of exports to continue without radical changes in other factors, such as loans, gifts, and the use of gold and dollar balances. The liquidation of foreign dollar balances as a means of paying for American goods and services can probably be accelerated for a time. Resistance to further liquidation of dollar holdings, however, would probably increase rapidly as the balances were reduced; and, in any event, such liquidation could be no more than a temporary influence on our export trade.

"Foreign countries, especially in Latin America, have already taken steps to prevent the dissipation of their dollar assets by tightening import controls. Almost all the Latin American nations experienced large increases in their holdings of dollars during the war. The general belief was that such holdings were ample to provide for exceptional postwar needs. But the rapid increase in prices of their imports, combined with declines in prices of some of their agricultural exports, left them in a less favorable exchange position than they had anticipated. At the same time, the unavailability of most types of durable goods for some time after the war led to the use of foreign exchange for the purchase of luxury products for individual consumption instead of equipment for industrial development. Recognizing these dangerous tendencies, many countries have imposed new restrictions on the importation of nonessential goods to conserve dollar assets for the purchase of equipment that will contribute to their producing and exporting capacity over the long term.

"The possibility of increases in loans and gifts has probably become somewhat stronger since the beginning of the year. As far as gifts are concerned, the ultimate potentialities of the new policy of extending economic aid to nations threatened with external pressure appear to be very great, although recent official statements indicate that, for the time being, no such aid is planned except the payments already approved for Greece and Turkey. This source of dollar exchange, while potentially very important, is still too indefinite to be relied upon as a future influence on trade.

"The outlook for loans has been clarified to some extent by the beginning of active financial operations by the International Bank and Monetary Fund, and there seems to be an expectation that these institutions will expand their activities very substantially within the next few months. How far such expansion can go, however, will depend to a great extent on the attitude of the American investing public toward the debentures to be issued to finance the lending operations. This is a test that has not yet been faced. The other major lending agency—the Export-Import Bank—is approaching the limit of its lending capacity and seems likely to be a diminishing factor in the trade outlook.

"All things considered, it seems necessary to regard the large volume of exports as a temporary condition in the sense that it cannot continue without drastic changes in the basic factors underlying it. Until the outlook for imports becomes much clearer than it is at present, there can be no assurance of permanency for the current level of our export trade."

With Ted Weiner & Co.

Special to THE FINANCIAL CHRONICLE

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With Merrill Lynch Firm

Special to THE FINANCIAL CHRONICLE

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Annual Outing Held June 20th, 1947

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Tom Greenberg, *C. E. Unterberg & Co.;* Lester Pett, *R. H. Johnson & Co.;* Edward Breen, *R. H. Johnson & Co.;* Harry Orloff, *Troster, Currie & Summers*

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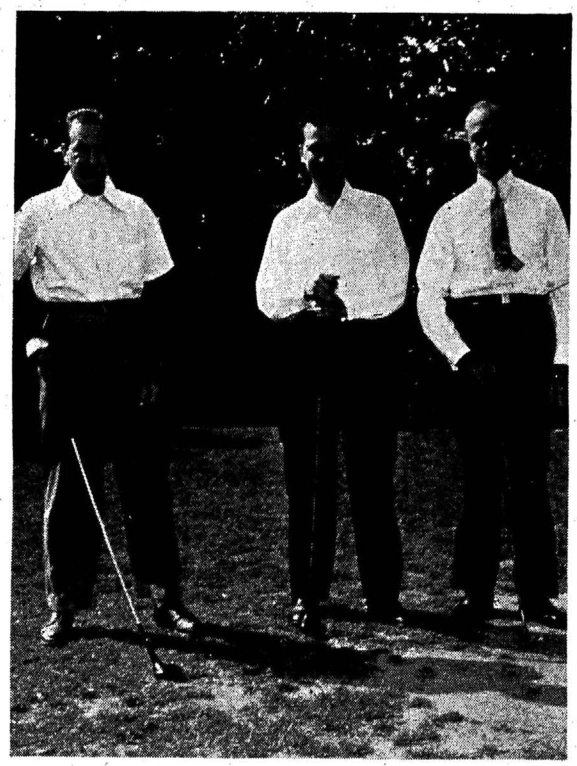

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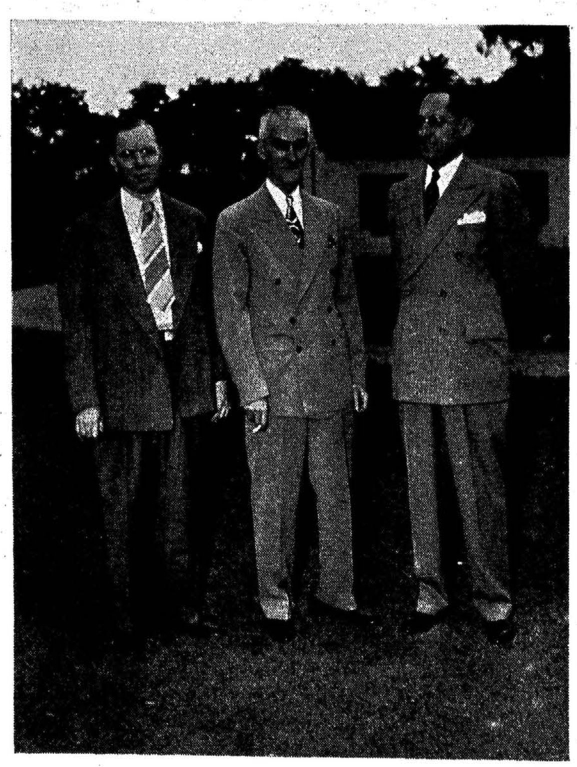
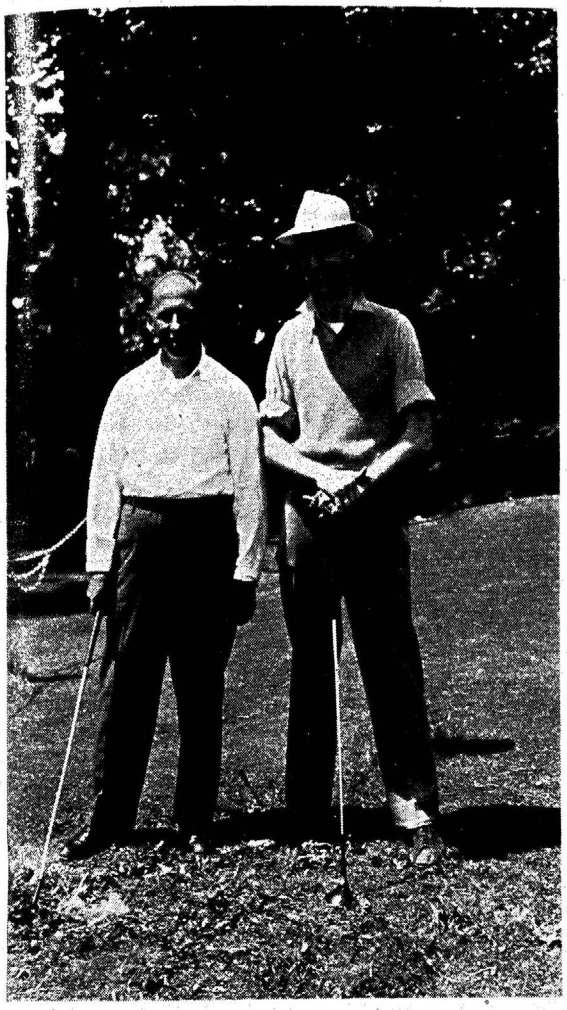


Clarence Nelson, *Baker, Weeks & Harden;* Duke Hunter, *Aetna Securities Corp.;* Herman A. Feldmann, *Geyer & Co.*

Ira Krupnick, George A. Searight and James D. Colyer, all of *Aetna Securities Corp.*

At Engineers Golf Club, Roslyn, L. I.



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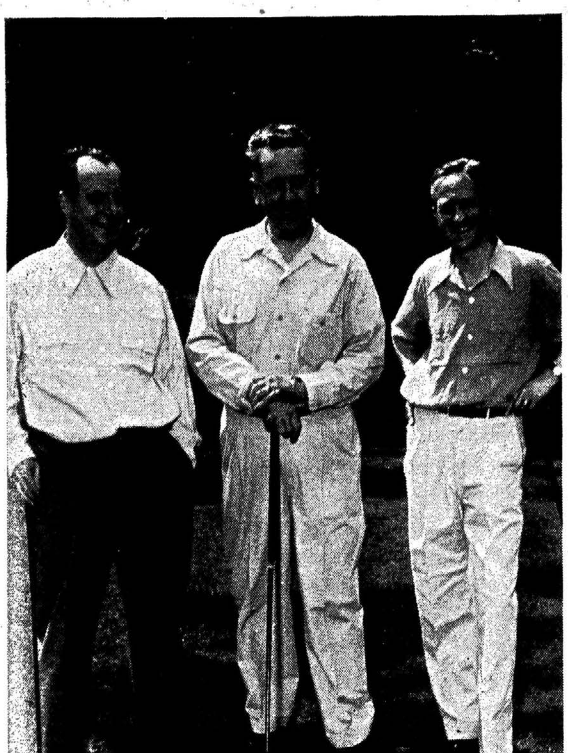

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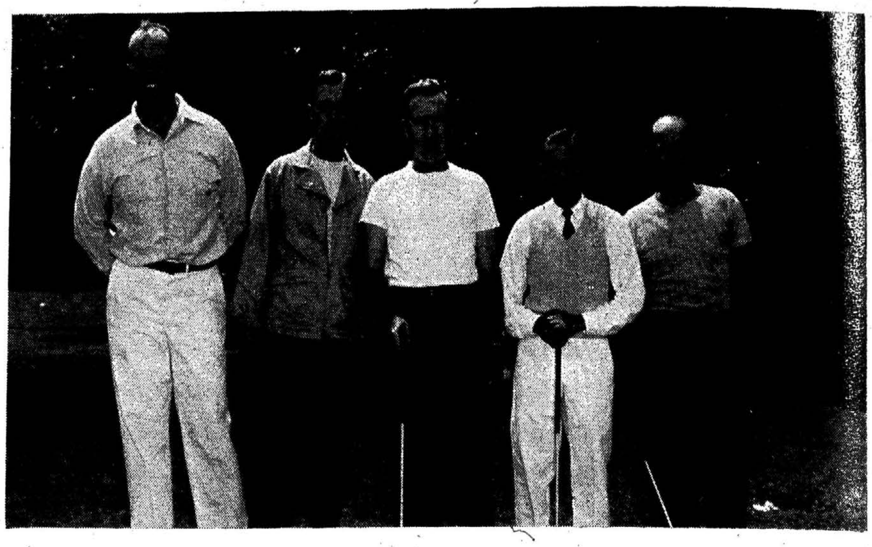

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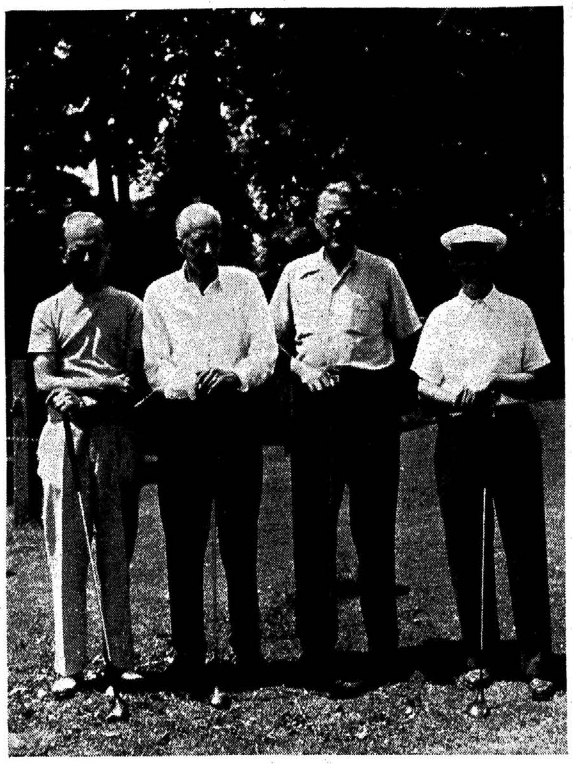

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Ernest Lienhard, Sid Woolwich and Bert Pike, all of *Troster, Currie & Summers*

The 1947-1948 Business Outlook

(Continued from page 2)

in important areas to meet the demands of the primary postwar bulge. There is available an ample supply of war-trained personnel to operate these expanded facilities. An abundance of capital, an important agency of production, left over from war . . . billions of new money that came into existence to buy war products continues in existence in peace as capital . . . though it may not work with its usual force because prospects for gain are not commensurate with risk. And not unimportant on the supply side there is being added to domestic production, some of which is already reaching flood-stage, an increasing amount of imported goods, pulled to this country by high prices in terms of dollars the world wants.

On the demand side the capacity to buy is not keeping in proper balance with increasing supplies . . . the professional economist calls it "equilibrium."

Dollar signs are confusing our thinking about balanced supply and demand. High wages not compensated by higher production, inefficiency in production and in distribution, lost time from strikes, slow downs, absenteeism, all of which become price; taxes of all kinds, all of which become price; social reforms that cost money, all of which must ultimately lodge in price . . . all this has carried prices of goods produced by some groups beyond the power of other groups to buy, beyond the will to buy of still other groups.

Capacity to buy?

Money Not Wealth

How deplorable it is that we are overlooking, and in some very high places, the elementary economic fact that money is not wealth. We made the same mistake at the end of World War I; money became the dominant value, Americans lost belief in any thing else, and we got into serious trouble. We are repeating the same mistake in post World War II. Gilded economic phrases about "backlog of savings" and "increased national income" mean less than some think in terms of goods and services that can be bought. The buying power of savings will help some, but the power to consume in the future will be the power to produce, for men can be paid only out of what men themselves produce and the payment for the exchange is always made with a two-dimension dollar that measures alike what we sell and what we buy.

But to get back to our topic . . . this is not intended as a review of high school economics.

As background for predictions on the immediate outlook we have said that generally the existing supply-demand situation points to further price declines; however as an overall movement this appears to be some time away. For the immediate outlook it seems certain that price adjustments will be very mixed . . . some down, some up, some delayed.

Such a prediction is obviously conditional upon a free working economy; fundamental economic adjustments are being upset by subsidies and guarantees on particular commodities. And the influence of our foreign policy on prices will be considerable; assistance abroad running into billions will clearly be inflationary, for we are not sending dollars abroad we are sending goods, and in amounts which greatly lessen domestic supply. We have just been told by Washington that "rudimentary rehabilitation needs" for foreign assistance can be met only by expenditures running to $5,000,000,000 or $6,000,000,000 a year, for "another three or four years."

But such general observations don't help much.

Price Reversal

Conditioned upon fundamental economic adjustments, if we keep in mind the supply-demand principle as a starting point and remember that forces which cause prices to go down are actually the same forces that cause prices to go up . . . merely working in reverse order to correct excesses one way or the other . . . we can guess better what will happen in particular price movements. Along this line of reasoning we can look for the severe price breaks in those commodities where prices have moved up highest from prewar levels; some prices for example are up 200% and more while others, such as gasoline, are near prewar levels. It is very unlikely, then, that gasoline will go down indeed, under pressure of higher costs and taxes it may conceivably have to go up . . . like lamp bulbs. G. E. lamp bulbs had to be increased 5 to 6% June 1 because, as the company explains, material and labor costs had gone up so far it could no longer absorb the 5% federal excise tax on lamps. These are just examples of course. Other price adjustments will naturally be delayed where commodities are still in short supply: automobiles as an example here are many months away from anywhere near restoring the deficiency in the nation's stock of automobiles, even when demand is measured at prewar levels.

To say that adjustment will be working to "correct excesses," is to say of course corrections from some point.

When the history of post-World War II is written we shall very likely read that the whole economy moved back in an adjustment process to relationships existing before the war . . . relationships that existed in terms of the number and quantity of things owned and used and enjoyed by a certain number of people in certain income groups. This is reasonable, those prewar relationships were developed over a long period of time in a normally functioning economy.

Clearly there will be a few exceptions to this . . . new products, new and changed desires. And the relationships after adjustments will no doubt have to be measured for some time at higher dollar values because enormous losses of war that were paid for with new money will be distributed and absorbed to some extent in a higher general price level.

Still discussing the immediate outlook—

Prices are the center-weight of the whole economy and what happens to prices is in the main what happens to business conditions. As prices move down industry by industry under pressure of increasing supply and a relatively lower demand, in the white glare of intense competition, few businesses in the industries affected will be able to maintain profits at present levels. Weak financial conditions in particular companies will be made apparent; the financially weak, the inefficient, the marginal businesses, will fail. Production and distribution will go down, operations will have to be tightened, there will be fewer jobs.

How Deep a Recession?

The question naturally occurring at this point is will this process spread far enough and fast enough to cause a major business recession.

There is no accurate answer to this, but the chances appear good that, unlike the sorrows in Shakespeare's Hamlet, the adjustments ahead will come as single spies and not too much in battalions. These mixed and gradual adjustments should cushion the economy against dislocations of a large recession force.

But maybe not.

We have been looking to the automobile industry and to the building industry . . . the "bellcows" of economic progress or depression . . . to provide a counter force against a dangerous aggregate of postwar adjustments. However, effective demand in both these industries is being lessened by controls and high prices, and it is effective demand that is needed to make an industry go 'round . . . the problem is not one of production.

Dangers of Consumer Credit Controls

Effective demand in the automobile industry has already been narrowed by high prices to a size much smaller than prewar dimensions and effective demand is being further narrowed by an awkward control of installment sales credit under Regulation W. Take an example I ran across a few days ago: A four-door Plymouth sedan in 1940 could be bought for $292.00 down and eighteen monthly payments of $31.91. Today the same Plymouth requires $453.00 down and fifteen monthly payments of $60.40. These payments of $60.40 a month require an income of $362.40 a month unless more than 20% of income is spent buying automobiles.

When the small cash market is saturated, when the automobile industry gets down to the mass market of car buyers in the lower income groups that support it, with prices at anywhere near the present levels, Regulation W, to say the least, will need important modifications.

Building

Effective demand in the building industry is being lessened and destroyed by high prices. There are no credit troubles here; in fact subsidies and credits loose beyond all reason are contributing to existing troubles by pushing prices up. And the trouble is price. . . . $50.00 a week veterans, no matter how much they are aided with credit, find it difficult to pay for houses built by $125.00 a week labor, and beyond this a prudent veteran is not attracted by a $10,000 house if he thinks that in a year or two his 25-year mortgage will be more than the house will then be worth.

Now no one objects to the $125.00 a week for labor, if it is earned in values produced; we are discussing effective demand and not wages. If houses cannot be built at prices most people can pay they will not be built for long, and the men who build them will gradually give up in unemployment what has been gained in money wages. To the point of our discussion, under such conditions, the building industry could become part of what may be a major depression instead of a cushion against one.

Thus we view the immediate outlook.

Regular Adjustments

What I have tried to say so far is that adjustments which must come will in some areas be severe; in other areas there will be no adjustments; others will move up; and in still others adjustments will be delayed. And we have said that this mixture should be a cushion against any recession of serious proportions provided effective demand is not lessened too much in major industries . . . automobile, building . . . by controls and high prices.

Descending to the second part of our examination of the outlook.

After adjustments have come in all lines of business and prices of everything people buy and sell have settled down to a balanced basis that will enable a normal exchange of goods and services to take place, business will then have a foundation on which to build prosperity.

Moreover the adjustment process will have been a weeding and cleansing period; a lot of diligent loafing will have been eliminated, efficiency will be greater. Competition, the fight for actual survival by some, will bring our whole business economy back nearer to the pattern of American wealth . . . which produces more goods in less time, to sell for less money. Real wages will go up even if here and there in the adjusting process money wages may have to come down. And it is in getting prices down rather than in getting money wages up that the greatest increases in standards of living for the American worker have come . . . reducing the prices of automobiles from luxury limits of $3,000 and above to "$590 FOB Detroit" did more to increase American living standards than all the money-wage increases of all time.

And may I offer at this point some business philosophy, as we think of adjustments ahead.

Business reversals are not an unmixed calamity. Economic history has been one of prosperity and depression and such alternations will very likely come in the future regardless of any artificial means we use to try to stop them. But from depressions of the past business has always learned lessons, it has gained strength from problems overcome.

As Emerson reminds us, "the changes that break up a short interval of prosperity of men are advertisements of a nature whose law is growth."

The experienced business with a reasonable reserve of capital and credit resources should feel no hesitancy about going ahead, though reversals do come. It is a time for critical study of old markets and new sales opportunities and new and better ways to reach them. It is a time to eliminate waste, a time for new energies in the direction of high efficiency all the way around.

But enough of business philosophy.

After adjustments then a bright future, but we said in the beginning that our prediction of a bright future needs important qualifications. To briefly discuss only two:

Importance of Credit

The first qualification is sound credit, and it is named first because the future of credit is the future of business . . . a future of sound private credit . . . a future of sound Government credit.

Private credit must be kept sound by intelligent credit executives and bankers of this country, working together to make private credit perform efficiently and in full force its legitimate function of moving goods and services in the natural course of trade. If this is done we can forget all the empty talk about "inflation of credit," for there is no evidence anywhere that a legitimate expansion of private credit for commercial use ever caused inflation. This naturally excludes commercial and bank credit for out-and-out speculation.

Government credit must be kept sound by keeping federal expenditures in our peacetime economy at limits of what can be collected annually within provisions of a sensible tax program. For no matter how worthy the expenditures may be, new money arbitrarily issued to finance Government deficits is inflationary. A wholly different motive than the necessities of trade govern its creation and there is no relationship between the needs of trade and the new money issued. And unlike an expansion of private credit which completes an exchange of value and is retired, new Government credit-dollars created by deficit financing remain in the money stream to disturb prices and through them other relationships in the business world.

As long as confidence in money exists the exact influence on prices of any given quantity of it in circulation remains largely guesswork; but we do know that in some yet unmeasured amount it is a force of tremendous proportions in the quantities issued in recent years; and in the quantities that may have to be issued again. If expenditures now being contemplated in Washington are approved no sensible tax take could support them in a self-sustaining peacetime economy. If we keep printing new money in the more dignified form of Government bonds to cover deficits, there can be no sound business basis for going ahead, dollar values could never be stabilized for business to adjust to.

Without dollar stability there can be no stability anywhere. "Izvestia," the Russian official newspaper, uttered in derision a few days ago a truth that was not intended when it said, "the same old American dollar is the reason for everything."

So our first qualification is credit.

The second and last qualification . . . and all we have said is imbedded in this one . . . is that if the future of bright possibilities is to be reached we must go forward in the pattern of American wealth we discussed. And the form of that pattern needs no review with this group, but "lest we forget" it is a pattern in which the individual is the center of initiative and enterprise, free men and women working for high individual achievement, creating, dreaming dreams and making those dreams come true, forever dissatisfied with "good enough."

* * *

The Outlook?

Adjustments will come, intervals of prosperity will be broken up, but if management and labor and Government will intelligently work together in the traditional pattern of American wealth and keep it free from further alterations, the future of this land of ours is growing and green. Alive. If we cover it more and more with trashy ideologies of foreign lands and alien minds the kind of America you and I grew up in will die.

Thos. Bartsch Resigns

The board of governors of the New York Curb Exchange has accepted with regret the resignation of Thomas W. Bartsch as a member and Class A Governor of the exchange. Mr. Bartsch had been a member of the Curb Exchange since April 22, 1931, and a governor since February, 1942.

Mr. Bartsch had been active in the administrative affairs of the exchange during his period as an exchange governor, serving on many of the standing committees. At the time of his resignation, he was Chairman of the committee on admissions and a member of the committee on arbitration and finance.

With Walter E. Travers, Mr. Bartsch is forming the New York Stock Exchange firm of Travers & Bartsch.

Levett Brothers in N. Y.

Charles M. Levett is engaging in the securities business from offices at 70 Pine Street, New York City, under the firm name of Levett Brothers. In the past he was with W. D. Yergason & Co.

Labor and Business Look at Each Other

By JAMES B. CAREY

(Continued from first page)

powerful minority, that always reassumes as quickly as possible, however, its position of usurpation to make new seizures of power and to breed new confusions in the community.

No Bed of Roses

I will admit that being a businessman is not a bed of roses. The role calls for hard work and for the exercise of clear judgment. There is nothing more erroneous than the careless assumption that a businessman is independent, that he is his own boss, and that he is answerable to nobody in the operation of his business enterprise. When this idea is held by one not a businessman, perhaps no readily ascertainable harm ensues. But when the assumption is held by a businessman, the impact on the community and its people is adverse in varying degree, but adverse nevertheless, because it goes to swell the unrest, dissatisfaction and turmoil that is so prevalent in the United States today.

Let us dissect out the relationship of the businessman to the community. Everyone knows the process by which individuals in the great majority of cases, become businessmen. Usually the businessman is a worker who, through possession of unusual ability and the accumulation of some savings, feels the urge to launch out for himself in his chosen line of endeavor. He does so, and his very act, which he has a right to do, is what creates the confusion in his mind as to his status in the community. He fails to distinguish between his right to act and the manner in which he acts.

The Community His Boss

In far too many instances such individuals forget that there has been only a change of degree in their relationship to the community. This change is easily described. Where, before, this ambitious individual had only one boss to please and to look to for direction, he now has all of the people in the community for his bosses. It makes no difference whether this businessman operates singly, or in a partnership, or whether he chooses to make of himself a great corporation. He and any management device he sets up are and remain the employees of the community. The people of the community, in their role as employers of those who offer goods and services, have a valid right to determine what they want, when they want it, and the procedures through which delivery is to be consummated.

It should, therefore, be crystal clear that when an employer, be he an individual, a partnership or a great corporation, stands by the fallacy of licentious independence and calls its Free Enterprise, he is in downright evasion of his rightful relationship to the community.

No businessman, of course, boldly asserts in plain language his complete independence of the community in the external operations of his enterprise. But in far too many instances he does so subtly and undercover. It is in administering the internal affairs of his organization that he frequently becomes bold and brazen to the point of recklessness. Businessmen who would hesitate through prudence to ride roughshod over the rights of their customers, hesitate not a bit when the rights of their employees are concerned. Such employers regard their employees as something less than the goods on their shelves or the gadget they make, a sort of necessary nuisance, as it were, created by Providence as a natural handicap to hamper the garnering of money profit. It is in the employer-employee relationship that the businessman all too freqeuntly refuses to recognize his proper function between the employee and the community.

How I Would Treat Labor

If I were a businessman, I would endeavor to keep in mind at all times (1) that my employee is also a member of the community and therefore one of my employers, (2) that there is no justification in natural law for me to degrade the human person who works for me, (3) that I am the broker or agent through whom my employee delivers his goods and services to the community, and (4) that the community has the right to insist that I not gouge the people of the community by buying the labor of men as cheaply as possible and selling it for as high a price as possible.

There is, of course, in this country a by no means inconsiderable school of thought that the decency which marks the great majority of men can be safely relied upon for the protection of all. There is no doubt that this theory holds true in the ordinary personal relationship of the average individual to the world about him. This citizen pays his bills, does not beat his wife or children, treats his neighbors considerately and gives regularly to charity. But the role of the businessman is not generally considered an ordinary personal relationship of the individual to the world about him. If it were, current economic problems would shrink to the sharp practices of racketeers who will be found in any human society. Not that the businessman is a racketeer in the accepted sense. He is merely the creation of the economists who have designated the role of businessman a thing separate and apart from the normal activities and interests of any individual. Hence the vicious and unreasoning slogan: "Business is business," with all its nuances of the survival of the fittest, dog eat dog, and the devil take the hindmost.

Alibis for Racketeering

The early economists who developed this bend of thinking were in bald language, a set of glib talkers brought into an increasingly complex scene, not to formulate a set of principles for the guidance of men in an expanding industrial economy, but to furnish alibis and explanations for vicious racketeering practices that had already made their appearance. The names of these fakers are seldom mentioned, but that makes no difference. Today, we may choose to believe, if we are naive enough, that John Stuart Mill's wage theory has been discarded, or that Malthus' theory of bare subsistence as the divine reward for the laborer has been laid aside. But we in the organized labor movement are not so naive. The theories of those men certainly have been disproved and discredited and branded as disgraceful by every ethical system of moral philosophy, but they have not been abandoned. We of labor encounter them at every negotiation table day after day. They are merely stated in different words. Pay raises are discussed in terms of whether or not the public will stand a higher price for the product, and there is much palaver about the cost of living level as an element in the wage structure.

What the early economists set out to prove was a doctrine of unbridled license for the man who was ruthless enough or strong enough or cunning enough to exercise it. No one, said they, not even the state, should be permitted to take a hand in the game —in fact, should occasion arise, armed protection of the unbridled licensee became the duty of the state. Can anyone, gazing objectively at the provisions of the Hartley-Taft Bill, say that the licensee doctrine of the early economists is dead?

If I were a businessman, I would shrink from the crass enormousness of the role that so many businessmen essay. The patter of this role is, "I propose to assume the sole responsibility in the conduct of my business, both in its dealings with the consumer and its dealings with its own employees. If need be, I will demand the enactment of legislation that will number this assumption of mine among my rights. Not that I want to be compelled to exercise it, but only that I may exercise it if I choose. For it is also my right not to exercise it, if I please. Whose business is it?"

It shouldn't take much time to answer that question. I would hold as a businessman that the activities of any individual are every other individual's business, because it is what we do as individuals collectively here in America that keeps our free democracy functioning.

The NAM

This assumption of sole responsibility is for the greater part only a convenient cloak to be put on and taken off at pleasure by too many businessmen. This is particularly true of the spokesmen for the National Association of Manufacturers. All of the statements of that organization set forth the thesis that the gentlemen are accepting full responsibility for the obligations of American industry to the American community in general. When, however, the question direct is put to the spokesmen for the NAM, the cloak of responsibility is promptly doffed and put in the closet. It has been my experience in negotiations, discussions and debates with a number of NAM presidents and board chairmen that I invariably find myself, when the chips are down, talking with a self-styled leader who represents only his own company, and frequently not even that. Sometimes it develops that he is speaking only for him individually.

Double-Talk

If I were a businessman, I would oppose such a farcial setup. I would endeavor to establish an industrial leadership authorized to speak authoritatively for American business under the time-tried method of majority rule, or I would insist that so-called business leaders cut out the double-talk.

This matter of putting on and taking off the cloak of responsibility is not a recreational activity of so-called business leadership. It has a purpose, and its purpose is to claim the responsibility when there is a dollar to be made, and to duck the responsibility when it is going to cost a dollar. In these latter moments, the accepted formula is to accuse consumers and workers alike of failing to live up to their responsibilities! Anyone who can read will recall the repetition of that refrain especially when labor unions are being discussed.

The truth of the matter happens to be, and if I were a businessman, I would confront it boldly, is that the organized worker's main struggle is for his right to exercise the responsibility that he knows is his, and that he knows equally well has been wrested away from him. It is not so long ago that workers in this country, forced to reveal by spectacular methods the lagging inadequacy of a democracy that should be completely dynamic, were forced to sit in jail or work on penal rockpiles because they had tried to assert their responsibility to earn a living wage by toiling a reasonable number of hours under decent working conditions.

If I were a businessman, I wouldn't talk so much about labor's responsibilities. I would gladly hand over to my employees their rightful responsibilities, and I have more than a sneaking suspicion that the result would be a deeper interest on the part of my hired hands in their responsibility to my business enterprise. As I see it, the result would be a larger, steadier return to myself for my services as a business planner and for the initial sacrifices I had made to launch the business. I am certain I would live longer, because my own responsibility to the community would be whittled down to its normal load. I wouldn't have to work so long or worry so much.

Labor's Real Obligation

Above all, I would make it clear on every possible occasion that the American labor movement has a deep obligation to obtain an adequate annual wage under a program of full employment for all willing and able workers in the land. I would also point out that the American labor movement completely lacks authority to accept for the American people a lower or even a stationary standard of living.

I know that such extraordinary behavior on my part, were I a businessman, would cost me something. Conduct that is not in accord with the accepted formula has to be paid for in prestige and reputation. It is fairly easy in a free-speaking democracy to get one's self branded a socialist, a communist, a radical or a screwball. The new thing that one proposes is not always understood, and hence it is resisted. It has ever been thus. Early Christians were fed to the lions; the English barons who wrested the Magna Carta from a reluctant King John in A. D. 1215 were execrated by every other ruler of Europe as outlaws and bandits; even in our own history, the now-halowed members of the Boston Tea Party were branded as hoodlums and ruffians. All of these folks paid a price for their temerity.

If I were a businessman, I would be wiliing to pay such a price as part of the cost of doing business, because I am morally certain that in the long run my investment would pay increased dividends for myself and more satisfaction among my employers, the people of the community.

* * * *

By HERMAN W. STEINKRAUS

(Continued from first page)

would profit from those principles.

This article is too short to cover more than a few of those principles, but I wish to mention three or four basic principles I would follow because they are so vital to the development of sound labor management relations in America today.

Cooperation Essential

The first principle is that only as labor and management cooperate to make their industry successful can maximum benefits be obtained for workers, for management, and for the public. There is too much emphasis in present labor activities on the use of strife, in the emphasis on struggle, and the incitation to fight.

Strikes have proven to be an extremely expensive luxury to labor. I would determine at all cost to avoid strikes, because I know my membership cannot make real gains through the strike weapon.

In its place I would put constructive cooperation with management through well-conceived programs by which the industry would be advanced and the public would be better served. I would know that as a result my membership would make steady and lasting gains. It is steady production and steady employment that produces best results for all.

Avoid Smearing

A second principle I would put into effect immediately is that all statements and all literature published by my international union would be absolutely truthful. I would discard the use of misstatement, the false accusation, and the smear. I would completely eliminate the threat to public officials who failed to carry out my dictum, because I would have no program which would have to be jammed down the throats of fair-minded men.

I would appoint a censor in my union to check on all literature and see that it was written fairly and honestly. I fear I would find very little in the way of a good pattern to follow because there is so little union literature today that is completely honest in its statements. Yet I know my membership overwhelmingly consists of fair-minded men to whom such a policy would appeal.

Besides this, such a policy would appeal to the public, and I would get solid backing from the best elements of the public and from good management for putting such a policy into effect. I would remove from my union constitution any preamble or statements which are un-American or undemocratic.

I would be so fair that I would never take advantage of a situation to wreck a company just because they have not been as fair to my union as I would like to have them be; because I know that if I would treat them justly when I have the advantage, my chances of getting just treatment from them when the tables might be reversed would be greatly enhanced.

Pay for Performance

A third principle I would adopt and work constantly is the principle that the men and women in my union would be paid on the basis of performance. I would favor all legitimate programs of incentive pay, and I would discard and fight against all programs of limiting the production or productivity of the worker. For I am aware of the fact that he profits most who serves best, and that there is a difference in the ability of workers, just as there is a difference between students in a school, or a difference among baseball players.

I would recognize that the standards set by the top men would tend to pull up the whole level of my union, and that the products made would be able to be sold to an ever-widening market.

As a bad example of the opposite of this policy, I would only have to study the building trades unions, where men of widely different abilities are harnessed into a system of straight hourly wages, use of hand tools instead of power tools, and limitation of a day's performance. So that particular industry is today practically pricing itself out of the market.

Under my policy I would encourage the development of skills of my membership through a sound educational program sponsored by the union, as well as encourage any programs which the management might have to offer. I would also favor constant improvement in the type of equipment and other facilities which management could adopt to make the task of the worker easier, and also to increase production, with careful attention to fair rates being set on the new equipment. To watch this I would train experts of my own in job evaluation.

Constructive Leadership

Finally, I would establish some method by which I could receive real counsel and advice from my membership so that the program which I worked out would be the program of the organization and not an imitation of some other union who might have made some dramatic gains by unsound methods.

I have such faith in the soundness of these principles that I believe my union would grow in size and strength from year to year, and that members of management as well as the public would boost my game because it is sound.

If there were elements of my union who were unwilling to go along with me on these sound policies, I would find new leadership in the locals who have the goodwill and support of large numbers of the employees. Thus I would make a real lasting contribution to union organization, not at the expense of the public or of management, but rather as a strengthening force in industrial America and a contribution to real democracy.

Thos. Euper Trading Mgr. for Cohu Branch

LOS ANGELES, CALIF. — Thomas J. Euper has been appointed Manager of the Trading

Thomas J. Euper

Department for Cohu and Torrey's new Los Angeles office located at 634 So. Spring Street, Mr. Euper was formerly associated with Nelson Douglass & Co. and First California Co.

Directors of Chicago Stock Clearing Corp.

CHICAGO, ILL.—At the Annual Meeting of the Stockholders of the Chicago Stock Clearing Corporation, wholly owned subsidiary of The Chicago Stock Exchange, the following Directors were elected for the ensuing year: Frank J. Buckholtz, Merrill Lynch, Pierce Fenner & Beane; Charles A. Carey; James E. Day; Raymond M. Day; Thomas L. Dowd, Clement, Curtis & Co.; Norman Freehling, Freehling, Meyerhoff & Co.; Edward J. Jennett; Harold I. Kramer; Herbert Levy, Paine, Webber, Jackson & Curtis; Arthur G. Lilly, Paul H. Davis & Co.

Edward J. Jennett, Vice-President of The First National Bank of Chicago, and Charles A. Carey, Vice-President of the Harris Trust & Savings Bank, are newly members of the Board of Directors.

At the initial meeting of the Board, the following officers were reelected to serve for the coming year:

Harold I. Kramer, President; Raymond M. Day, Vice-President; George J. Bergman, Secretary, Walter R. Hawes, Treasurer.

Miss Evelynne Tortorell was appointed Assistant to the President, and the following were appointed to serve as the Executive Committee:

Herbert Levy, Chairman, Arthur G. Lilly, Harold I. Kramer.

100 Stocks Far Below 1946 Highs

(Continued from page 8)

satisfactorily the expected period of readjustment or recession. But even more important, if anything, is the probable position in the prolonged period of general prosperity which should follow the recession. Companies and industries that were most advantageously placed in the years up to 1946, when the bull market ended, are not necessarily, or even probably, those which will be in such position in the coming years. Their stock prices will in time reflect the new situation, and thus the problem is of particular significance in selecting any issues for possible purchase now.

Especial care should be taken with marginal concerns, which under war conditions were virtually relieved from the competitive pressure which is serious for this type of enterprise. On the other hand, companies that have really, and not just assumedly, become well established over the war years and now have bright prospects, should obviously not be avoided.

Declines Extensive

The accompanying table is arranged in order of the per cent of decline from the 1946 high, with the largest at the top. As mentioned before, had the compilation been made before the market rally from May 17, the declines would, of course, have been greater, and were they taken to the 1947 low for each stock, they would naturally have been yet greater. However, the largest decline shown is 82.2%, and the least is still 52.7%.

In addition to the figures on the declines, the 1946 earnings, the dividend based on the last 12 months payments and the yield are given. An estimate for 1947 earnings is included, and the price-earnings ratio is based on these estimates. With the year not yet half over, and with the question of how much of a drop in earnings the expected recession will cause—as well as when its effects will be shown—these estimates are necessarily very tentative and are subject, of course, to revision. Furthermore, they do not necessarily indicate the relative earnings position in the recovery and prosperity period expected to follow the recession.

Industries Most Represented

Railroads are by far the most heavily represented, and are mostly roads in reorganization or recently reorganized, though New York Central and Alleghany Corp. are included. Taking the Airlines and Aviation Manufacturing together, they form much the largest of the other groups. Automotive ranks third, followed by Retail Trade. The textile companies are mostly in the hosiery line.

This gives an interesting sidelight on what groups have been most in public market disfavor, whether or not always with sound reason. The relative absence of standard issues from the list was to have been expected, but emphasizes that selection from a list of stocks greatly depressed pricewise requires unusual care.

Conclusion

In our opinion, it is now wise to consider using a portion of investable funds in carefully selected purchases made with an eye to the coming period of prosperity to follow the recession. The list of stocks which have had unusually large declines from their 1946 highs is given herein not only as a matter of interest, but because among them may be contained some advantageous buying opportunities. Hence the list should be worth examining with this end in view. However, careful selection, which, of course, should always be employed in sound investment practice, is if possible even more necessary among stocks which are much more depressed in price than the average. Thus no specific recommendations are intended in presenting this list.

100 Stocks Unusually Far Below 1946 Highs

Arranged in Order of the Percentage of Decline

Company—	1946 Earnings	Preliminary Estimates 1947 Earnings	1947 Estimated Price-Earnings Ratio	Last 12 Months Cash Dividend	Yield	1946 High	June 13, 1947 Price	Percentage Decrease from 1946 High
Pennsylvania-Central Airlines Corp.	*$5.32	*	---	---	---	45¾	8⅛	82.2%
Western Air Lines, Inc.	*1.80	Nil	---	---	---	35	6¼	82.1
Republic Aviation Corp.	*7.51	$0.75	6.5	$0.25	5.1%	24⅞	4⅞	80.4
Universal Laboratories, Inc.	*0.12	Nil	---	0.75	16.7	22	4½	79.5
Transcontinental & Western Air, Inc.	*14.55	*	---	---	---	71	15	78.9
American & Foreign Power Co., Inc.	*5.74	*	---	---	---	14¼	3⅛	78.1
Beech Aircraft Corp.	*0.57	0.75	9.0	---	---	30⅞	6¾	78.1
Central Railroad Co. of New Jersey	*3.75	*	---	---	---	23⅞	5⅜	77.5
Chicago & Eastern Illinois RR.	*6.94	Nil	---	---	---	18½	4¼	77.0
Chicago, Milwaukee, St. Paul & Pac. RR.	*1.15	1.50	5.9	---	---	38½	8⅞	76.9
Northwest Airlines, Inc.	1.82	Nil	---	0.50	3.7	56½	13⅝	76.3
Denver & Rio Grande Western RR.	*16.89	2.50	3.9	---	---	40	9⅝	75.9
Eversharp, Inc.	4.55	3.00	5.0	2.10	14.0	58¾	15	74.5
Intercontinental Rubber Co., Inc.	0.23	0.23	15.2	0.25	7.1	13½	3½	74.1
Braniff Airways, Inc.	0.03	0.25	36.0	0.15	1.7	34⅝	9	74.0
American Cable & Radio Corp.	*0.18	Nil	---	---	---	17¼	4½	73.9
Missouri-Kansas-Texas RR.	*3.65	*	---	---	---	17¾	4⅝	73.9
Colorado & Southern Ry.	*2.17	Nil	---	---	---	41	10¾	73.8
Lockheed Aircraft Corp.	2.84	1.25	9.6	0.50	4.2	45¼	12	73.5
Schenley Distillers Corp.	13.58	9.00	3.1	2.00	7.1	100	28¼	71.8
Spiegel, Inc.	1.50	1.25	9.2	---	---	39⅞	11½	71.2
Grayson-Robinson Stores, Inc.	2.02	1.25	8.8	0.75	6.8	37½	11	70.7
Republic Pictures Corp.	0.40	0.20	26.3	---	---	17⅞	5¼	70.6
Gulf, Mobile & Ohio RR.	0.10	1.25	7.3	---	---	30¼	9⅛	69.8
Silver King Coalition Mines Co.	*0.12	Nil	---	---	---	14⅝	4½	69.2
Farnsworth Television & Radio Corp.	0.29	Nil	---	---	---	19¾	6⅛	69.0
Spear & Co.	2.32	1.75	4.9	0.50	5.9	27	8½	68.5
Jacobs (F. L.) Co.	*2.40	Nil	---	---	---	24½	7¾	68.4
Callahan Zinc-Lead Co.	0.001	Nil	---	---	---	7½	2⅜	68.3
Continental Motors Corp.	*1.22	0.75	10.2	---	---	24	7⅝	68.2
Lehigh Valley RR.	0.09	0.20	27.5	---	---	17¼	5½	68.1
Curtis Publishing Co.	0.30	0.60	14.0	---	---	26	8⅜	67.8
Hudson & Manhattan RR.	*3.89	*	---	---	---	12⅜	4	67.7
Chicago Great Western Ry.	*2.10	Nil	---	---	---	17¼	5½	67.4
Pittsburgh & West Virginia Ry.	*0.15	1.50	7.7	---	---	34¾	11½	66.9
Dunhill International, Inc.	3.05	2.00	6.9	1.25	9.1	41½	13¾	66.9
Willys-Overland Motors, Inc.	0.08	0.80	11.1	---	---	26¾	8⅞	66.8
Hunt Foods, Inc.	8.50	3.50	4.8	---	---	50	16⅝	66.7
Thompson-Starrett Co.	0.42	*	---	---	---	13⅞	4⅝	66.7
Baltimore & Ohio RR.	*1.05	Nil	---	---	---	30¼	10⅛	66.5
Phoenix Hosiery Co.	3.63	1.25	11.0	0.50	3.7	41	13¾	66.5
Lehigh Valley Coal Corp.	0.37	0.25	8.0	---	---	5⅞	2	66.0
Pressed Steel Car Co., Inc.	*0.61	1.25	8.2	---	---	30	10¼	65.8
Martin (Glenn L.) Co.	2.97	0.75	20.8	2.25	14.4	45½	15⅝	65.7
Telautograph Corp.	0.57	0.40	11.3	0.10	2.2	13	4½	65.4
Minn., St. P. & Sault Ste. Marie RR.	*0.21	0.50	18.5	1.00	10.3	26⅜	9¼	64.9
Boston & Maine RR.	*	*	---	---	---	11⅜	4	64.8
International Tel. & Tel. Corp.	*1.57	Nil	---	---	---	31⅞	11¼	64.7
Twin City Rapid Transit Co.	4.29	1.50	5.7	1.00	11.8	24	8½	64.6
National Airlines, Inc.	0.38	0.80	15.5	---	---	34⅞	12⅜	64.5
Admiral Corp.	2.10	2.00	3.6	0.12½	1.7	20⅞	7¼	64.4
Chic., Ind. & Louisville Ry. "B"	*2.77	*	---	---	---	11¼	4	64.4
Park Utah Consolidated Mines Co.	0.03	Nil	---	---	---	7⅜	2⅝	64.4
Avco Manufacturing Corp.	2.06	0.50	10.3	0.20	3.9	14⅞	5⅛	64.3
Electric Boat Co.	1.98	1.50	8.6	1.00	7.8	35¾	12⅞	64.0
Gar Wood Industries, Inc.	*1.94	0.75	8.2	---	---	17	6⅛	64.0
Sparks-Withington Co.	0.22	1.00	5.0	---	---	13⅞	5	64.0
Hayes Industries	0.30	0.30	24.6	---	---	20⅞	7⅜	63.8
Coty, Inc.	0.82	0.90	6.0	0.40	7.4	14¾	5⅜	63.6
Consolidated Retail Stores, Inc.	3.85	3.25	4.4	2.40	16.8	39	14¼	63.5
Butler Brothers	3.31	1.75	8.3	1.50	10.3	39¼	14½	63.5
Bell Aircraft Corp.	*1.51	0.75	17.3	---	---	35½	13	63.4
Hollander (A.) & Son, Inc.	3.11	2.75	5.3	1.25	8.5	40	14⅝	63.4
Emerson Electric Manufacturing Co.	*1.02	2.00	5.6	0.40	3.6	30⅛	11⅛	63.1
Wyandotte Worsted Co.	2.63	1.20	7.8	1.45	15.5	25⅜	9⅜	63.1
Curtiss-Wright Corp.	0.02	Nil	---	0.50	11.1	12⅛	4½	62.9
New York City Omnibus Corp.	1.77	1.20	11.6	1.00	7.2	37¼	13⅞	62.8
Childs Co.	2.99	1.50	3.8	---	---	15	5⅝	62.5
Emerson Radio & Phonograph Corp.	3.35	4.00	4.1	1.70	10.3	43⅞	16½	62.4
Real Silk Hosiery Mills, Inc.	4.36	1.75	6.7	1.00	8.5	31	11¾	62.1
Eastern Stainless Steel Corp.	4.08	2.50	9.3	0.50	2.2	61	23¼	61.9
Butte Copper & Zinc Co.	*0.02	0.25	14.5	---	---	9½	3⅝	61.8
Elastic Stop Nut Corp. of America	*0.17	Nil	---	---	---	16⅜	6¼	61.8
Pacific Tin Consolidated Corp.	0.89	0.60	7.1	---	---	11⅛	4½	61.8
Artloom Corp.	0.72	1.10	10.5	0.50	4.3	30	11½	61.7
Parmalee Transportation Co.	2.94	1.50	5.8	1.20	13.7	22⅞	8¾	61.7
Grumman Aircraft Engineering Corp.	0.66	3.00	6.8	0.50	2.5	52½	20¼	61.4
Hayes Manufacturing Corp.	0.24	1.20	5.1	---	---	15⅞	6⅛	61.4
United States Hoffman Machinery Corp.	7.31	4.75	3.9	1.25	6.8	47⅜	18½	61.2
Bullard Co.	1.14	1.40	13.0	0.50	2.7	46⅞	18¼	61.1
Hupp Corp.	0.31	0.40	10.6	---	---	10⅞	4¼	60.9
American Bosch Corp.	0.55	1.00	11.8	---	---	30	11¾	60.8
N. Y. Central RR.	*1.62	0.75	18.7	---	---	35¾	14	60.8
Erie RR.	0.40	1.00	9.1	1.00	11.0	23⅛	9⅛	60.5
Gimbel Brothers, Inc.	6.46	4.50	4.9	1.00	4.5	†55⅛	22	60.1
General Tire & Rubber Co.	9.05	7.50	3.2	2.00	8.3	60	24	60.0
Sunshine Mining Co.	0.35	0.60	16.5	0.40	4.1	24	9⅞	60.0
International Mining Corp.	*0.45	Nil	---	---	---	11¾	4¾	59.6
City Stores Co.	3.07	2.25	6.9	1.15	7.4	38¼	15½	59.5
Seagrave Corp.	0.21	0.45	15.6	---	---	17¼	7	59.4
Symington-Gould Corp.	0.31	0.60	11.5	0.25	3.6	16⅞	6⅞	59.3
Gotham Hosiery Co., Inc.	3.55	3.00	6.0	1.80	10.0	43	18	58.1
American Ice Co.	1.02	0.75	10.7	0.50	6.3	18⅞	8	57.6
Bangor & Aroostook RR.	1.85	3.00	4.3	---	---	30	12¾	57.5
Transue & Williams Steel Forging Corp.	1.27	1.75	8.2	1.00	7.0	33½	14⅜	57.1
Alleghany Corp.	0.01	Nil	---	---	---	8¼	3⅜	56.1
Third Avenue Transit Corp.	*6.75	*	---	---	---	20½	9⅜	54.5
Alaska Juneau Gold Mining Co.	*0.11	*	---	---	---	12¼	5¾	53.1
Fair (The)	3.87	2.00	7.7	1.00	7.0	30¼	14¼	52.9
Motorola	0.82	1.75	6.1	0.45	4.2	22¾	10¾	52.7

*Deficit. †Adjusted for 4-3 split January 1947.

NOTE—Earnings are per share and for calendar or nearest available fiscal year.

Wall Street Soft Ball League Standings

Josephthal & Co. defeated the New York Curb Exchange in the second game of a doubleheader June 19th to hand the Curb its first defeat of the season in the Wall Street Softball league 7 to 1. The Curb team, which retains first place in the league, took the opener 5 to 1.

The team representing Carl M. Loeb, Rhoades & Co. took two games for DeCoppet & Doremus by 8 to 7 and 13 to 5 scores to go into a tie for second place in the league. The F. V. Foster team climbed from 5th to 4th place by winning both games from Merrill Lynch, Pierce, Fenner & Beane 4 to 1 and 8 to 1. Carlisle & Jacquelin and Hirsch & Co. split their twin bill, the former taking the first contest 10 to 9 and dropping the second 4 to 1.

The league standings as of the close of the week follow:

LEAGUE STANDINGS
Friday, June 20

Team	Won	Lost	Percentage
New York Curb Exchange	7	1	.875
Josephthal & Co.	6	2	.750
Carl M. Loeb, Rhoades & Co.	6	2	.750
F. V. Foster	4	4	.500
Hirsch & Co.	3	5	.375
Merrill Lynch, Pierce, Fenner & Beane	2	6	.250
DeCoppet & Doremus	2	6	.250
Carlisle & Jacquelin	2	6	.250

Brown Bros. Harriman Quarter Century Club

The newly formed Quarter Century Club of Brown Brothers Harriman & Co., New York City, held a dinner June 19 for the purpose of organizing. Thirty-four out of thirty-seven eligibles, including three partners, attended.

Thatcher M. Brown, senior partner, who is in his fiftieth year of service with the bank, was elected President of the club and H. P. Maeder, Manager, who finishes forty-four years this month, was elected Vice-President. George E. Paul, Treasurer of the bank, was elected Treasurer of the club, and Miss Lillian A. Koons, who for many years has been Secretary to Hon. W. Averell Harriman, was elected Secretary.

Clark in Rochester

ROCHESTER, N. Y.—R. Russell Clark is engaging in the securities business from offices at 106 Columbia Avenue.

Reappraising Our American Opportunity

(Continued from page 12)

(3) If understood, did it have the desired effect?

Some of the materials tested we found excellent on all these points, but much, far to much, we found neither readable nor understandable. Sometimes it even influenced people to believe the exact opposite of what was intended. In general, it was quite obvious that industry was not nearly as good in selling the principles of free enterprise as it was in selling its products. As we analyzed our results, here are a few of the practical conclusions to emerge.

First, many advertisements, booklets and employee publications are written far above the educational level of the people addressed. In a recent labor dispute, the President of the company wrote a letter to all the employees. When we analyzed that letter, we found it to be written on an 11th-grade reading level so that only about 20% of his employees could readily grasp its meaning. The letter was rewritten so that it would be readable by at least 90% of the employees. Much has been said in recent years about the importance of increasing one's vocabulary. The real problem for many executives and their highly educated assistants is to **shrink** their vocabularies so that they can eschew verbose and esoteric or exoteric philosophical multiplicities, and sedulously avoid all tautological and polysyllabical profundities. In short, so that they can speak simply, clearly, and without double-talk.

Second, giving people the correct facts will not necessarily correct their misunderstandings. The correct facts are important, to be sure, but even more important is the manner of their presentation. Advertisers are bombarding people these days with facts and statistics. It seems as though the academic disease which has blighted much education has now invaded industry. The disease I refer to is the theory that facts are the cure-all for personal and social problems. As with sex, for example, we are told that more education will eliminate many of its problems. Accordingly, via the schools, the magazines and other media we have provided the facts of sex to an unparalleled extent. Yet, what do we have? The highest rate of social disease, the highest rate of sex crimes, of juvenile delinquency involving sex, the highest divorce rate, and the lowest birth rate in our recorded history.

The belief that if children or even adults are given the unbiased facts, covering both sides of an argument, they will then make the correct decisions, is one of the fatuous fallacies of our time. The simple truth is that facts, without elementary morals or standards, are likely to create confusion rather than understanding. People are not automatic calculating machines. They have hearts as well as minds, passions as well as brains. When they do read one of the many ads or pamphlets thrust upon them, they interpret the facts in terms of their emotional attitudes and moral standards.

Therefore, to present the cold facts is not enough. The facts about sex are at least interesting, which is more than can be said of many of the facts about banking and free enterprise. The most interesting of all facts to the President of a bank or a company is his financial statement. Its details are more than cold facts to him. They are his life blood. But to the great majority of people, all financial statements are a deadly bore, no matter how they are dolled up with pictures and charts that are supposed to make them easy to read. Aside from the stockholders, the point at which such facts **may** become important is among the employees of a particular company. Even there the mere presentation of the facts is not enough. The employees must be led to absorb and understand them. A personal presentation of earnings and expenses by an officer of the company may be one effective method. Another is to offer cash prizes to the employees, their wives, and especially their school children, for the best 50-word essay on **What one figure in this financial statement means most to me, and why?** The company officers, who know the problem, would naturally be the judges of the essays chosen and published.

Emotional Appeals

Therefore, we say, emotional appeals should be used even if this means a decrease in the number of facts which can be presented. Do you remember the prize contests of "Old Gold," and many other products? A hundred thousand dollars in prizes, fifty thousand, ten—for the best 25-word description of the product? This represents an effective use of an incentive or emotional appeal. On a modest scale, it could be used by local companies and Chambers to good advantage in selling the facts and principles of the American system. Our experiments in the "Techniques of Communicating Ideas" show that much of the present material is too factual, too pedantic. Instead of preaching to the public about free enterprise, why not stimulate it to preach to itself?

When we examine the reasons for our great success in selling goods or material things as against ideas and principles, what do we find? We find besides the extensive use of prize contests, many other powerful emotional appeals. For example, "Always a bridesmaid, never a bride." What should that mean to free enterprise advertising? How about, "Always a duespayer, never a boss?" Or, "Always a Yes-Man, never on his own," referring to the man who always runs with the gang, the crowd, the mob, instead of acting independently. And again, "The man who never took a chance," referring to a person who relied on social security and government aid instead of striking out for himself. These and many other ideas could be used to give an emotional impact to the concept of American Opportunity.

It is now apparent that our discussions of free enterprise in recent years have been entirely too factual, too statistical, too self-centered. Therefore, it is not surprising that research men should have found that the term "free enterprise" meant very little to the general public. In a study made in 1942, we found that the terms "free enterprise," "capitalism," "competitive business," "independent industry," were little understood or had little appeal to the average man. However, during 1945 we discovered that "free enterprise" and "Americanism" meant much the same to people. But, whereas "free enterprise" had no emotional impact, "Americanism" had a terrific emotional impact.

"American Opportunity"

Because of this situation, the choice by the Chamber of Commerce of the term "American Opportunity" for its share in the program of selling America is most appropriate. The term, "American Opportunity," expresses the very essense of Americanism, which is to provide opportunity not merely for big business or even little business, but for every individual regardless of race, class, or present status. America has offered and today offers more opportunity to every individual, regardless of race, or creed, than any other nation. These opportunities are made possible by the basic principles or ideals which make the social structure of America the unique thing it is.

One of the most powerful emotional appeals in driving home the full meaning of American Opportunity is to point out individuals or families who have made use of that opportunity. These families exist in every city and every town, and there is no reason why the local Chambers of Commerce or associations cannot from time to time select individuals or families who represent the fruits of American Opportunity. I feel strongly on this subject because my own family is so deeply indebted to American Opportunity. My parents came to this country as almost penniless immigrants when they were about 25 years old. My father went to work in a planing mill, ten hours a day, six days a week, $12 a week. At night he studied English and mechanical drawing in the free public schools and after about twelve years became a foreman. There were six children and, as we have just learned in recent years, we were distinctly of the "underprivileged third." Fortunately, we did not know it then. We were taught, at home and in school, that America was the land of opportunity for those who had the ambition and the self-reliance to make use of it. Our privileges included a free grade school and high school education. With help from home, part-time work, and a few scholarships from capitalistic colleges, we were even able to get college degrees.

What happened in our family was not unique. It happened among our neighbors, our friends, in the large German population, among the Poles, the Italians, the Irish, not to mention the native Americans. In fact, this process has become so general among Americans that we no longer appreciate it. Therefore, if communities all over the country were to select, periodically, concrete cases of families who had made use of their American opportunities, who had improved their position, gotten an education, purchased their own home, started their own business, assumed responsibility in the community, and were to extend public recognition to such families, the appreciation of American opportunity would be rapidly increased.

This type of publicity or education is what might be called a "natural" for the banks. The banks are so full of human interest stories about people who are helped out of difficult circumstances or who were helped to develop new business opportunities, that bankers tend to become inhuman about them. It would be more accurate to say that bankers become so accustomed to these adventure stories that they take them as a matter of routine. Just because the powerful emotions involved in these incidents, the banker naturally has to cultivate an unemotional and objective point of view.

If I may be excused another personal reference, during the late '90's, when my father was laid off for 12 weeks in a period of depression, he was able to borrow from a bank a $1,000, merely on his character. He used this money to buy lumber and materials with which he built a small house on a lot he had bought some time before this. This was our first home. At the age of 45 he began building houses for himself, again with the help of the banks. During the depression in 1931, some of his friends urged him to take his cash out of the bank. He considered the matter pretty carefully, but his final answer was "no." "The banks," he said, "have always been good to me. Why should I desert them now?" That remark produced a profound change in my feelings for the banks as institutions. But the banks are full of stories like this, and these stories are infinitely more interesting and educational than many of the formal statements about mortgages, trust funds, safe deposit boxes, and other services.

Naturally, the stories, the incidents, should be selected according to certain specifications so as to illustrate clearly the basic principles which make American opportunity possible. We must demonstrate again and again that the essence of American opportunity lies not in its material wealth or material success, but in its spiritual heritage; not in its automobiles, refrigerators, washing machines, radios and houses, but in its principles and ideals.

Principles Above Profits

Every coin of the realm still bears the slogan, "In God We Trust." What does it mean, or rather what did it mean? It points to the very cornerstone of Americanism, which is to put principles above profit and God's moral order above economic order. Today when anyone talks about spiritual or moral values, people tend to shy off as from someone impractical or even slightly unbalanced. When one mentions the dignity of the individual, however, there is immediate assent that this is a fundamental characteristic of Americanism. And yet, the dignity of the individual is strictly a spiritual concept. Dignity is not something which the individual acquires with a new pair of pants or an inside toilet. The dignity of the individual is made possible by a set of ideals and laws such as the Ten Commandments. What would man's dignity mean without the Commandments: Thou Shalt Not Steal, Thou Shalt Not Kill, Thou Shalt Not Bear False Witness? These moral laws are the very foundations of American Opportunity and the dignity of the individual. That is why Communism has to get rid of religion and its morals, because they are the bulwark of individual freedom and opportunity. Socialism, including so-called Christian Socialism, cannot even get started until it steals the property and the freedom of its citizens, of course by legal means or by the democratic vote if possible.

There are many liberals today who believe that if the majority votes to rob the minority it is perfectly moral. Their slogan is that prize piece of double-talk, "Human rights are more important than property rights."

No, it is not Russia that constitutes the great threat to America, as the President and many high Government officials have only recently begun to preach. It is the moral obtuseness of Americans themselves. Increasingly, we Amricans, regardless of class, have repudiated the moral heritage which made America possible. We have done so formally as well as informally. The highest court in the United States, in a series of decisions, has declared that stealing is legal when committed by certain labor unions; the violence is legal when committed by labor unions; that bearing false witness is legal when committed by labor unions. In short, this court has declared that the moral law is illegal. No wonder that the respect for law generally has been so extensively undermined throughout this country. No wonder that the opportunities of American workers are being progressively restricted by organized coercion and by violence to persons and property.

Industry and Ethics

Industry, above all, has paid so much attention to laws of physical science, the laws of matter, and so little to the laws of ethics, the laws of human relations, that we have fallen far behind in the race against Socialist and Communist materialism. Your Chairman was kind enough to refer to my recent book, "The Rediscovery of Morals." In it I have tried to reinterpret the moral foundations of the American Creed in respect to our present industrial conflicts. However, the daily statements and actions of business leaders are far more important than any one book or collection of books. According to our most recent surveys, the public today is unusually receptive to the statements of business executives. However, there is little sense in talking to the workers about free competition, free markets and private property, unless we are willing to defend the rights and opportunities of the workers themselves. Employers who enter into agreements which restrict the freedom of those who want to work are destroying American opportunity at its very source.

During the strikes a year ago, we were making surveys including this question: "Do you think that company executives should or should not negotiate with the unions while pickets are preventing the company officers and office workers from entering their plants?" This was the condition in several cities, and a substantial majority of the citizens interviewed answered, "no," they should not negotiate. Those business men who made an issue of their legal rights and those of their non-striking employees were reinforcing the very foundations of American Opportunity. In the days ahead, and regardless of new laws, these issues will probably be tested again and again, and increasingly in the banks. Each test is potentially as good or better than an expensive advertising campaign. Business men simply cannot afford to sacrifice the basic freedoms of their workers, no matter what the temporary effect on their profits.

We seem to have gotten away from education, but, as we have tried to point out, education in the facts of American Opportunity, if not founded on the basic principles of American opportunity, is bound to fail. The most important factor in resurrecting the American faith is a more searching reappraisal of the principles which have made America possible. If we are not to smother what remains of free America in a plethora of verbiage and propaganda, we must act on these principles. Great principles make many words unnecessary, and action based on these principles makes fewer words count.

Taylor May Re-established Own Investment Firm

BALTIMORE, MD.—Howard R. Taylor, member of the Baltimore Stock Exchange since 1906, has been associated with Hornblower & Weeks since Dec. 10, 1945. However, this firm has announced the closing of its Baltimore Office on or about June 30, 1947.

After this time, Mr. Taylor will either re-establish his own investment business under his former firm name of Howard R. Taylor & Co., or become associated with a local investment house. Due notice will be given in this newspaper. Mr. Taylor was formerly President of the Baltimore Stock Exchange and liquidated his own firm on Jan. 2, 1946, to become one of the local representatives of the firm of Hornblower & Weeks.

Carmen Dapice in Syracuse

SYRACUSE, N. Y.—Carmen F. Dapice has opened offices at 337 Marlborough Road to conduct a securities business.

How Much Recession?

(Continued from page 4)

wages and taxes leave the consumer cold. His attitude is clear, definite and unmistakable, and business had better reckon with it.

Basis for Consumer Resistance

There is a sound economic basis for consumer resistance to present prices. Prices have clearly outrun purchasing power. Price increases have even outrun the substantial wage increases of organized labor. This is clearly shown in an analysis in the March 14 issue of the "United States News." According to this analysis, the number of dollars in the worker's pay envelope in February, 1947, after income tax was withheld, was $46.21 per week in comparison with $40.58 in February, 1946; thus, every factory worker received $5.63 more in dollars per week than the year before. The real value of his 1947 paycheck of $46.21, however, in terms of 1939 purchasing power, was $29.62; whereas, the real value of his February, 1946 paycheck was $30.91. Despite an increase of $5.63 per week during the year 1946, he had an actual loss of purchasing power of $1.29 a week! For the 75% of our people who are unorganized, the weekly loss is much greater because, in general, they did not get the $5.63 increase—thus, their effective loss is nearly $7 a week.

But, even if there were no economic basis for the resistance to present prices, there is a psychological basis. Everyone thinks his own prices are in line, but that everyone else's prices are too high. This is a bad situation, as you know. It is like the army, where everyone was out of step except Johnny.

Many business men feel that current high wages and high taxes warrant present prices, and refuse to face the possibility of a decline. This is not the first time that cost accounting has misled business men. When a business man says that he has to get a certain price because his costs are so and so, he does not give a complete economic statement. He may have to get a certain price if he is to make a profit or if he is to stay in business, but he does not have to make a profit and he does not have to stay in business! In fact, the chief economic contribution of the downward swing of the business cycle is elimination of high cost producers.

Manufacturers who rigidly hold to a cost accounting basis of pricing during the transition period we are entering, will find themselves facing an expensive refresher course in price economics!

Supports of Present Price Structure

Let us look at the supports of our present price structure and see how permanent they are.

We first note that because of the worldwide demand for food, farmers are receiving about three times their normal pre-war cash income. In fact, the 1946 cash income of $25 billion is five times the low income of 1932. While this agricultural boom has largely come from an increase in the standard of living of the American people, an important part of its support has come from foreign market demand, financed by United States Government grants and loans of $13 billion, of which some $9 billion has already been used. The effect of this demand on prices is far greater than the quantity indicates, as it is a marginal demand. Also, government purchasing of these exports seems to have been done with an eye to keeping agricultural prices at high levels.

People, in general, are spending more and saving less than before. Savings, which totaled $33 billion in 1945, dropped to $19 billion in 1946, and are continuing to drop. Another source of the great current flood of purchasing power is the expansion of more than $5 billion in bank credit via loan extension during the last 12 months. Commercial loans, real estate loans, and consumer loans, in particular, contributed to the expansion of credit — an expansion which can be spent over and over again. Open book account credit and sales finance company credit have also expanded a great deal. Employment has been high and people have been willing to buy on the basis of their prospects.

Of course, the biggest support to present prices has been the intensity of the demand for scarce goods as they reappeared in the market in quantity. The extent to which prices have been increased on many such items is not generally appreciated. Last March, General Jeffe, Vice-President in charge of Sales of Consolidated Edison Company of New York, was quoted in the New York "Times" as saying: "Average retail unit prices of electrical appliances in 1946, compared with 1941, show that many items have more than doubled. Non-automatic toasters jumped from $2.65 to $7.50; non-automatic irons from $2.25 to $6; glass coffee makers from $3.75 to $8.75; waffle irons from $5.50 to $11; automatic irons from $5 to $13; heating pads from $3.25 to $6; radios from $18.50 to $50; automatic toasters from $9.50 to $18.50; washing machines from $75 to $115; mixers from $18.50 to $31, and refrigerators from $150 to $220." He also went ahead to say: "With few exceptions, management concedes prices are too high for sustaining good business and would like to see prices lowered. Certainly management does not desire to wreck our economic system by holding out for excessive profits."

Inventories at Peacetime High

Immediately after the price problem in importance I would list our inventory problem. Inventories have reached all-time peacetime peaks. Like Samson of old, what was our strength may become our weakness. Some $10 billion has been added to business inventories in the last 12 months. Obviously, this cannot continue. There must come an end to inventory accumulation, and when it does business activity will decline.

Our large inventories are explained away by some who say that they merely reflect the increase in the general price level and, therefore, cannot be a source of danger. This is a "non sequitur"; clearly, the higher you fly, the further you can fall! Others admit that we have had real inventory increases, as the last-in-first-out method of inventory record keeping has eliminated a large part of the price increases, but that there is nothing to worry about because inventories in relation to sales are lower than the pre-war ratios. This is simply not true in many lines. Department stores, for example, in February of this year, according to the Federal Reserve Board, had 3.5 months sales of goods on hand, whereas, in February, 1946, they had only a 2.3 months supply on their shelves. This is an increase of more than 50%!

Even where inventories are in historic relation to sales, they are still an element of potential danger. After all, sales are extremely high and a slowing up of sales might cause price breaks which would have to be written off on greatly swollen inventories. Such losses, under present conditions of large inventories and high prices, could be enormous.

In my opinion, however, the greatest inventory danger is its unbalanced character — too much and too little—too big and too small. In addition to imbalance and maldistribution, a sizeable part of our inventory is in the hands of new processors and distributors many of whom may decide to "abandon ship" when competition gets a little rough. Along the same lines, we have had a great revival of wholesaling. It remains to be seen whether many of these newcomers are not more interested in inventory speculation than in wholesaling! And even if old-fashioned wholesaling is their aim, many will fail as competition tightens and will necessarily dump distressed inventory on the market. I say this because we know that the pre-war economic tendency was for the wholesaler to disappear in many lines. I don't know of anything which happened in World War II which will permanently reverse this basic trend.

We still have "bottleneck" inventory which can come on the market very quickly when some small gadget is received. And, of course, we have quite a bit of plain, old-fashioned inventory speculation, which might add to our troubles when speculators become convinced that prices have definitely turned downward. One other thing I should mention is the practice of accumulating inventory by purchase or manufacture in anticipation of labor difficulties. The new labor bill should stop such accumulation.

Summarizing, we have record-breaking inventories at record-breaking prices—a bad combination. There are also several internal weaknesses in the inventory situation. May I stress the point that even if we disregard the danger of these great inventory totals hanging over the market, the fact remains that we surely must be approaching the end of inventory accumulation on the part of business. And, the end of inventory accumulation will remove a demand of approximately $12 billion a year, which is bound to have an adverse effect on business activity.

Construction Industry Not Up to Expectations

The construction industry, which was expected to make a great contribution to business activity this year and next, is not up to expectations. In fact, poor quality, labor troubles, and high costs, have brought us far towards a deadlock, particularly for residential housnig. In the past, we have never had a sustained prosperity in peacetime without a healthy construction industry. Other economic forces today may be powerful enough to overcome the drag of low construction volume but, in any event, it will be a real handicap. There are one or two indications that the drop in volume of construction may have started corrective factors to operate. Material costs have weakened and even dropped on some items. There are even a few straws in the wind that labor may increase productivity. Certainly, the new labor bill ought to reduce jurisdictional strikes, secondary boycotts, and a lot of the other hindrances to productivity in this field.

The real estate outlook, also, is not good. True, the short-term prospect is very rosy, but the long-term view is not encouraging. Prices of farm land and old houses are inflated even more than new construction costs. What will happen to the price of farm land when the farmer is no longer getting three times what he got in 1939 for his crops? (Farm products index: August 1939, 61; April 26, 1947, 177.6). The answer is obvious.

While it is not so obvious, as in the case of farm land, it is equally certain that existing housing faces declines in value. As you know, an old house is an *old* house! In addition to engineering and architectural obsolescence, every old house has accumulated nearly ten years of unrealized social obsolescence because of changes in the American family itself and in the standard of living. Business property, likewise, will be adversely affected by the new methods of distribution and new types of marketing specialization, which are bound to come as a result of Herculean efforts to lower the costs of distribution.

Let us now take a quick look at the international situation. Political relations between the United States and the Soviet Union have deteriorated since the Moscow Conference. Developments in Hungary clearly indicate that the Russian Government is endeavoring to strengthen its position vis-a-vis the western democracies. Nonetheless, there is no reason to fear that the present international situation will lead to a war, primarily because nobody is in a position to wage war—certainly not the Soviet Union. The economic effects of the international situation are rather bad, however. First, it prevents the recuperation of Europe and the Far East. Second, it will mean increased military expenditures in the United States.

Developing Financial Crisis in Europe

The economic situation is dominated primarily by the fear that a financial crisis will develop in Europe as soon as the proceeds of American loans have been exhausted sometime in the middle of 1948. It has been predicted that unless the United States makes another loan to Great Brittain there may be a financial crash there. It cannot be denied that a great dollar shortage is developing. In my opinion, however, this situation is only temporary and a crisis may never occur, particularly if political conditions in Europe improve. In the first place, the supply of dollars placed at the disposal of various European countries by the United States Government is very great. Second, the supply of dollar exchange and of gold in the hands of foreigners is still substantial. Third, the International Bank has already made its first loan to France and loans to other countries will undoubtedly follow. Fourth, it is fully realized that exports from the United States cannot be maintained at present levels and a decline is bound to take place. Fifth, the loans made by the International Bank must be for productive purposes only. This in turn will increase the productive capacity of the various countries and not only make them less dependent on American and other overseas products, but will also increase their ability to export merchandise to the United States and elsewhere. Sixth, an improvement in economic conditions will cause a greater influx of American tourists, thus placing dollar exchange at the disposal of certain European nations. Finally, it is being recongized in the United States that this country cannot continue to export without accepting in exchange foreign goods. While economically, therefore, the problem is serious, it is not critical and certainly can be solved in time.

Political Mess in Europe

The real danger in Europe, however, is not so much economic as political. Nobody can tell whether civil wars will develop in the more troubled European countries. Such a development naturally would not only retard economic reconstruction but might also have far-reaching, and very serious, international political consequences. In my opinion, therefore, the principal problem that confronts Europe is not so much economic as the unsatisfactory internal political situation in some of the countries.

Well, how does all of this add up? Prices, in gneeral, are too high; no one denies that. Agricultural and foodprices, in particular, are at dangerously high levels. Inventories are at record-breaking levels. The construction industry lags, and real estate is inflated. The international situation is deteriorating.

Now, let me, for the first time in this talk, reassure you. There will be no repetition of 1920; we face a recession, not a depression. There is too much purchasing power loose in the world, and there is too much need for food and goods for us to have a depression. Widespread unionzation gives us wage floors, which we did not have in 1920, and there are, also, government floors under many agricultural products. We also have a managed money and a huge public debt which can be managed to exercise great influence on business activity. But most important of all, our government is much more socially minded today and would undoubtedly intervene long before conditions became as serious as in 1920.

We *do*, however, face price adjustments, marketing changes, real competition, closer control of costs, increase in bad debts, business failures, and internal readjustments all along the line. But we don't have to get too blue. Summed up, we face a return to normal competitive practices, and efficient, well-managed producers will be able to meet these changes and prosper.

Bond Club of N. J. Elects New Officers

NEWARK, N. J.—At the annual election meeting of the Bond Club of New Jersey, Alexander Seidler, Jr., National State Bank, was elected President. Other officers chosen were, Stanley M. Weissenborn, Parker & Weissenborn, Inc., Vice-President; Courtlandt B. Parker, R. W. Pressprich & Co., Secretary; J. William Roos, MacBride, Miller & Co., Treasurer. Three new governors elected were Frank R. Cole, the retiring President, J. E. Egner and F. Sheppard Shanley.

The Annual Field Day of the Club will be held on June 27th at Echo Lake Country Club.

Yearly Elected V.-P. Of Robinson Humphrey

ATLANTA, GA.—Alexander Yearly IV has been elected Vice-President and director of the Robinson Humphrey Company, Rhodes-Haverty Building. Mr. Yearly has been with the company for seven years. During the war he served as a major in the Army Air Forces.

First Rochester Co. Is Being Formed

ROCHESTER, N. Y.—Edward J. McGrath and Robert C. Doyle are forming the First Rochester Company, with offices in the Granite Building, to engage in the securities business. Mr. McGrath in the past was in charge of the trading department of I. W. Steele & Co. and was head of Pearson, McGrath & Co., Inc. Mr. Doyle was proprietor of Doyle & Co. and did business as an individual dealer in Rochester.

What Can Capital Goods Industries Do For Economic Stability?

(Continued from page 14)

temporizing expedients such as the Civil Works Administration and the Works Progress Administration. It proved impossible, without resort to makeshifts of a bondoggling character, to get a large-scale and rapid expansion in expenditure.

That experience is good for the future also, I believe. It has led the proponents of compensatory policy to shift to the other side of the balance and advocate obtaining the leverage by variation in tax collections rather than in expenditure. On that side, there is the possibility of large-scale action within a short period of time. It is possible to grant by the stroke of a pen tax abatements that will product a Federal deficit of, say $10 billion a year. It is theoretically possible at least—I am not saying politically possible—to boost or restore tax rates in comparable measure and to create, again by the stroke of a pen, a Federal surplus of equal amount.

My own view is that we have in this enormous budget an engine for economic stabilization too valuable, too important, not to use. I feel this the more strongly because it is almost impossible in practice to avoid using it; the real question is whether it will be employed deliberately, and consciously or merely by accident. Let me cite the present situation as an example. The cash surplus of the Federal Government during the first four months of this year was at an annual rate of $13 billion or, after seasonal adjustment, of approximately $9 billion. This gigantic surplus has developed without the deliberate intent either of Congress or the Administration, partly as a by-product of the recent inflation of prices and incomes and the consequent increase in revenue. Needless to say, it is a powerfully deflationary or anti-inflationary factor in the present picture. I have no time here to discuss the question whether so large a surplus is desirable at this juncture; my point is simply that we do not avoid its economic consequences merely by having no conscious policy. The absence of a policy does not neutralize the Federal budget; it merely makes its impact unintentional.

While I favor the deliberate application of fiscal policy in the light of its economic effects, I hasten to add that I have no illusions about the possibility of applying precisely and scientifically. We will have to learn by experience and undoubtedly will make many mistakes. I venture to say, however, that efforts to domesticate this engine of economic control are definitely in the cards, a proposition likely to be demonstrated the next time we get into serious economic difficulties.

I said I have no illusions about the scientific operation of the device. Let me add a word about some of its limitations. The first is political. To make the scheme work as it should it has to operate bilaterally. We must resort to surplus financing in booms just as earnestly and consistently as we resort to deficit financing in depressions.

Is it politically feasible to use the device on a large scale in boom periods for the purpose of repression and restraint? What if it happens to be an election year, for example? Will it be possible to hike taxes merely because the country is in a high state of prosperity? I have my fingers crossed. My guess is that at least in the early experimentation with compensatory fiscal policy it will figure largely as a cushion to depressions and will be inadequately used in booms. That does not mean necessarily that we will never learn to operate it both ways. I hope we will. But we will apply it one way at least.

Another limitation is slowness of operation. If we were to put a tax reduction through the usual Congressional machinery, with the customary committee hearings, it would take several months in each case. We would never catch up with events. Consequently, we would find ourselves limited, because of this sluggishness of application, to reacting to events considerably after they had developed. Thus we would have a weapon appropriate only to fairly long-continued and serious recessions. If the device is to be made more nimble and quickly operable, some method must be found to shortcut the usual tax-revision routines.

But that would cure only part of the trouble. We have a perennial difficulty in the impossibility of making sound and reliable business predictions. The government has gotten hooked in recent years or more than one bad forecast. Consider the moment at which we now stand. Should public policy be based on the supposition that we are in an inflationary boom destined to continue at least over the next few months, or should it atempt to anticipate the recesion which is so widley forecast? As a practical matter, the primitivs state of the forecasting art makes it unwise to try to operate compensatory fiscal policy, even if we are committed to it, on the strength of predictions of what is going to happen. We wil have to operate it, for the most part, in response to developments already visible.

But even if a recession is visibly under way, we still have the problem of prescribing the dosage. We are like doctors dealing with a new drug, the clinical history and behavior of which has not been sufficiently developed to indicate the does to try out on the patient. Suppose that three months from now we are demonstrably in a business recession. We will then find the experts differing on how far it is being to go, and when it will bottom. How can we tell what dosage of Federal deficit (or of reduction in surplus) is appropriate to the circumstances? We can't. If we administer this medicine at all, we can only take a shot in the dark.

For these reasons I think the device will turn out to be chiefly valuable in combating serious and persistent business movements, whether boom or depression, and will not be very effective, at least for some time to come, as a counteractant to short swings and minor corrections in the economy. Certainly it is by no stretch of the imagination a panacea by which we can guarantee full employment at all times.

Let me elaborate that last proposition a little. We get into economic difficulties, not because everything is out of kilter, but because we accumulate maladjustments in particular sectors of the economy. Fiscal policy is a blanket, or shotgun, device operating across the board as a kind of general economic pressure. It does not cure the specific maladjustments that get the economy into recession, nor can it smother them by expanding activity in areas that are not in trouble.

Suppose we are on the skids because the building industry is pinched off by high costs. Can we maintain full employment of building workers under these circumstances, assuming the cost picture is not corrected, simply by creating a large Federal deficit and giving other people than building workers additional spendable money by tax abatements? Obviously, we cannot. If occupations were fully interchangeable, so that building workers could go into ice cream factories or the making of clothing, and if these workers were completely mobile geographically so that we could pull them promptly out of Community X and shift them to Community Y, such a blanket expedient might go a long way toward eliminating unemployment. But given the kind of friction and resistance that we do have, given the slow and limited transferability of mechanical and human resources from one field to another, we cannot cure unemployment in a sour area simply by building demand for the goods produced in other areas of the economy.

Because compensatory fiscal policy is not a specific for local and sectional maladjustments, we must not infer that it is valueless, however. While sour situations cannot be cured by such means they can be alleviated. More important still, the generally tonic influence of an expansive fiscal policy may offset the secondary effects of local maladjustments. Without such support, these effects can snowball into a general liquidation that carries far beyond the limits of any necessary or desirable correction. On the same principle, a physician may prescribe a general tonic to sustain or build up a patient while some local malady runs its course.

To summarize, I regard the use of compensatory fiscal policy as not only inevitable but desirable. I am aware of its dangers and of the fallibility of political operation. I admit that it will be used haltingly and badly. I believe nevertheless that it is necessary in default of other means for stabilizing economic activity, and I know of no other device or group of devices that promises to be adequate. It must never be considered, however, a compensation for bad economic policies elsewhere and otherwise. It should be used rather as one weapon among many and without abatement of the effort to utilize these other weapons to their full possibilities.

In saying this I imply no belief that complete economic stability is either attainable or desirable. Despite the best measures and programs of which we are capable, we will still fall short of *continuously* full production and employment. But we need not strive for an impossible perfection; on the contrary, the minor economic fluctuations inseparable from a dynamic, free-enterprise economy are quite compatible with the preservation of the system. In treating the subject of instability, I am concerned chiefly with the prevention of the sort of major depression which has appeared only at infrequent intervals in our history, and which it may be hoped we will have to deal with only infrequently in the future. The minor swings we may expect to dampen and alleviate, but not wholly to avoid.

In closing, I should like to add a note of warning. We must never make mere stabilization the primary aim of economic policy. An economy can sink into stagnation and decay if it pursues stability and security first of all. Our chief aim must be the preservation of the inherent dynamism and vitality of the system, without which stability is a poor thing indeed. I am bold enough to believe that we can have both in reasonable measure if we can learn to manipulate the instruments of policy at our disposal.

Oil Industry's Future

(Continued from page 9)

convert natural gas into gasoline, diesel fuel, alcoholics and chemicals. And intensive research, already in the pilot plant stage, is in progress on liquefaction of coal by the Fischer-Tropsch process, using the Fluid Catalyst technique. Jersey Standard has been interested in synthetic liquid fuels for a good many years. As a matter of fact, the first synthetic gasoline made from coal in the United States was produced in our laboratories some 20 years ago.

The ability to produce synthetic liquid hydrocarbons from coal assures this county of an almost unlimited future supply of liquid fuels. And it is important to remember that, from an economic standpoint, such processes may soon compete with natural petroleum.

In fact, the cost of making oil products from coal today, particularly if low-cost coal screenings are used, may not be much higher than the cost of making those products from oil at the present average price for crude. And synthesis of oil products from natural gas already appears competitive, in some areas, with petroleum at present prices. Of course a very important factor in this connection is that the capital investments for deriving liquid products from natural gas or from coal are very large — indeed several fold the maximum investment per barrel of crude oil that we have contemplated in the past. It would certainly require a considerable period of years to complete plants to bring such production into an important place in the nation's supply of oil.

Not many years ago, I recall, we used to consider a top on crude price of around $5.00 per barrel, based on the old work on oil shale by the Bureau of Mines and others. Today the same reasoning, based on production of oil products from coal, sets a much lower top price for crude oil.

All of this means that the oil producer is facing real competition from sources that have not been too seriously considered in the past. Now, the probability of competition from synthetic sources is real and close at hand.

There is need for plenty of hard work and hard thinking to reduce costs all along the line. Techniques must be improved. New ones must be developed.

Such challenges are not new. They have been met in the past and I am sure will be in the future.

More Progress Predicted

All branches of our industry have been marked by progress under the stimulus of competition. Right here in Bradford, in your research and engineering to reduce costs and improve yields in secondary recovery work you have exemplified what I mean. You have made great strides which have permitted expanded activity with far less cost than could have been foreseen thirty years ago. I am sure you will continue on the same road. Wider well spacing, variable pressure injection techniques, close control of zones and rates of gas and water injection and now even the possibilities of bacterial action—all have been milestones in progress.

Such advances are part of our responsibility as an industry. Our fellow citizens look to us to get the most that can be had from oil toward better human living for all. We cannot fail to provide adequate oil supplies at reasonable costs. Whether the oil comes from the ground, from imports or from synthetics, it must be supplied. And in doing this we must continue along the path of sound progress which, with the spur of our competitive system, means continually better products at the lowest possible prices.

Future Prices

This brings me to a matter which I particularly wish to call to your attention. We in the oil industry find ourselves in this situation today: All over the world eager markets are waiting for all the oil and oil products the industry can produce. The rapid acceleration in the use of machines for raising standards of living everywhere is calling—and will continue to call—for more and more of the energy and useful products locked up in oil.

Every bit of equipment in every department of the oil business is now being taxed to its capacity. To increase that capacity, the largest capital expenditures in history are being undertaken by all of us for new activities and new equipment.

One result of the tightness of supply, coupled with all this activity, has been a steady upward pressure on prices of crude and products. In the last year crude oil prices on the average have increased 68 cents per barrel. The domestic industry has needed these increases. They have given added incentive for exploratory effort and have, in most cases, provided for the substantially greater cost of finding new oil.

But this is a kind of situation which calls for caution. Freedom carries with it responsibilities. And free men who do not meet their responsibilities risk the loss of their freedom.

The oil industry remains part of a free economy because the American people know that the greatest benefits come from a freely competitive society, not from a regimented one. Over the years they have seen a steadily improved quality of oil products with decreases in price. In 1922, the average American farmer had to sell 2.1 bushels of wheat to buy ten gallons of gasoline. Today 10 gallons of much better gasoline require only six-tenths of a bushel. In 1922, the average worker in manufacturing industry worked five hours and fifty-six minutes to buy ten gallons of gasoline. Today he works only one hour and twenty-six minutes to buy ten gallons of better gasoline. These are economic facts to which our dynamic American oil industry can point with great pride. They are proof of the kind of efficiency which earns applause and deserves support from our customers.

In the present situation the unrelieved demand develops a strong urge to bid up prices in the competition for available supplies. We in Jersey Standard believe that, under today's conditions, present crude oil prices in a majority of cases are adequate. It is difficult to see any benefit to the public—in either greater supplies or better products—from further increases in crude oil prices at this time. The principal problem of our industry today is not that of prices but that of providing the maximum possible quantities of oil products to meet the public's pressing and growing demand.

This is a time to remember that, over the long pull, the lower the prices of oil products, the more are the people who can enjoy their benefits.

This is a time for investment in the future. We have an obligation to help stabilize an economy of which we are an important part. This dictates policies based not on short term expediency but upon the long term best interests of the industry as a whole.

This is a time for self discipline, for business statesmanship, and for driving forward on another gigantic job the American public expects us to do.

What's Ahead for Business and Banking?

(Continued from page 6)

driving power diminishes and dies down, as does the airplane when its jet propulsion engine's fuel is used up.

In 1946 consumers bought $24 billion more of consumption goods. Expenditures rose from $95 billion to $119 billion. But much of this rise represented mere price increase.

In contrast, total "capital formation" increased three-fold from 1945 to the end of 1946. It rose five-fold from 1944 to 1946. Here is the reason why the United States had high level employment and output after the war. Private capital formation turned the trick!

But industry must first get "tooled up." It must produce tools fashioned not by hand, but by machine. Thus, capital formation spurts ahead as our producers get equipped for the larger volume of goods consumers want and can pay for. They can pay for them because producers pay good wages while those factories are being built.

Dangerous Increase

But this jet propulsion of the economy is dangerous. It is dangerous because such a rate of increase cannot continue. Eventually the new factories and new durable goods and new machinery for home and factory are fully completed. Then all the goods consumers want can be turned out without any great amount of further increase in capital formation.

Then will come the test of our enterprise system. What can be done to prevent large amounts of unemployment?

A great responsibility rests upon the banking system of America; it is also a great opportunity for them and these two words, "responsibility and opportunity," are the meaning of the Chinese word or character sign meaning—"danger."

Bankers' Problem

How does the opportunity come about? The opportunity comes to bankers to restore a more respectable fraction for the share of their private investments and loans of a commercial and business character back to proportions that will indicate banks are financing industry and political divisions (and sub-divisions) other than the Federal Government and its satellite corporations. The responsibility comes to bankers because if we are to preserve a free economy, free enterprise, and private control of credit, that preservation must be largely financed by bankers—and it must be financed in volume adequate enough to maintain full employment so that the desire to change to a different system is not widespread.

But what has all this to do with capital formation and the prevention of unemployment in the future? It has just this:

In these first postwar years there is a race to make good the deferred demand for durable products of consumers and to make good as rapidly as possible the enlargement of capacity for production and distribution of private enterprise.

But sooner or later, not too many years ahead, those deficiencies will be made good. Then the warning can easily be sounded that capital formation in a single year might conceivably fall by as much as $40 billion from a high level of, say, $60 billion without greatly entrenching upon the flow of services and enjoyments from the stock of durable goods the Americans as consumers and producers will then own. But such a decline in capital formation spells large amounts of unemployment. The direct unemployment that it would induce in the heavy industries of the United States (taking per-worker per-year productivity at $4,000) would be 10,000,000. They would be the new unemployed created by the post-war capital-building spurt. In addition, the decline in their incomes would probably induce unemployment in consumers' non-durable goods and services areas that would range from 5,000,000 to 8,000,000 more.

Only a maintenance of a high annual rate of capital formation can prevent the possibility of the recurrence of such a danger. But how can it be averted?

Since most consumers can usually be depended upon steadily to purchase products for current consumption up to the amount of their current incomes, and even durable products at fairly steady rates, if their incomes are maintained, our diagnostic attention can be brief to the question of the outlook for consumers' durables. Here the banking profession must come to ascertain its true interest in the regulation of credit terms upon which consumers' durables may be purchased out of bank advances.

Consumer Credit

Is there anyone who would deny that the many billions of consumer instalment loans since the end of the war have contributed to the boom? Is there anyone who would decline to agree that, come the beginnings of depression, the repayment of $20 billion of consumer instalment loans would accelerate the economy into more depression? Is there anyone who would not agree that generous bank loans of this kind in depression could stimulate the economy? And with tighter terms, restrain it in boom?

But the important areas for maintaining formation, and therefore for maintaining employment in the heavy industries in America, are two in number. The first and by far the most important is house building. The second is highway building. We should be planning in the years of high business activity immediately ahead for coping with a later decline in commercial and factory construction and in producers' durable goods. Such planning might well take the form of long-range proposals for rebuilding American cities and enlarging the supply of modern family dwelling units. That would give bankers some fine earning assets!

Recently a cartoonist pictured Uncle Sam in fine expensive raiment, exuding from his person an air of prosperity. But because he was seated in front of a shack of the type seen along railroad tracks, passersby were whispering one to another: "They say he's rich!"

In my own city of Minneapolis, from 1930 to the end of the war, the appraised value of all property for tax purposes (on our very low appraisal base of about 35%) fell from $300 million to $240 million, entirely exclusive of the reduction due to homestead exemption. In these same years, the tax rate of our city on this property increased from a levy of about 90 mills to a levy of 118 mills.

Need Sound Financing Plans

What we need in America is sound financing plans, to which bankers will give their approval, for the rebuilding of our cities to make them attractive places in which our citizens can live and to make their securities attractive for investment by banks and trust funds. Such private, not Governmental, long-range plans call for cooperation of labor and Government. In making these plans, bankers should be the leaders.

A Challenge

Here certainly is a challenge, once stated by Senator Taft in the simple terms: "We need a plan for 1,250,000 houses a year for 10 years." Yet last year we built less than half of that number, and a third of them were shacks, trailers and habitations that cannot be dignified by the term "house" or "home."

In the United States we need the fine modern highways to supplement the dangerous and overcrowded, narrow, race tracks that are so frequently wholly obsolete. Here we need banking plans for great expenditures for new highways that are as modern as our new automobiles and our desire, for which we are willing to pay, to get places with speed and comfort in America.

It has been calculated that $500 million a year, or less than $4 annually from every inhabitant, would finance, and extinguish in a reasonable period of time, the indebtedness incurred for the building of $15 billion of split highways and urban expressways in the next period of recession. Such a program might well provide, through a depression period, a total of two million direct on-site jobs and perhaps more than another million and a half off-site jobs. This would certainly help fill in any valley of sharp recession, threatened from the quarter of an exceedingly abrupt decline in private capital formation. In addition, in the areas of housing and urban redevelopment, we might provide (and have practically all of it privately financed) an expenditure of $8 billion a year for a sustained residential building program that could yield a total of another four or five million jobs, helping very greatly to make up for any potential decline in the areas of private commercial and factory construction, and private producers' good outlays.

It is such programs that represent a twentieth century form of empire-building that we need. But in the past they have all too often been proposed by strictly Governmental planners.

As I sense it, the people in America want to get on again with our building and rebuilding by challenging our private enterprise system and our private financial system to the task of bringing forth plans that can assure achieving reasonably stable security for the workers of America. Nothing less will do.

Our Foreign Problems

(Continued from page 16)

in Manchuria, has obstructed economic and political unification of Korea, and has not carried out its commitments for the return of Dairen to Chinese administration as a free port. These actions have seriously retarded economic recovery and political stability and have contributed vastly to a continuation of poverty and demoralizing uncertainty throughout the Far East.

In the Middle East, Persia has been for some years in turmoil first, through Soviet occupation of its northern territories, and then through Soviet sponsored local attempts to separate those areas from Persia.

In Greece, torn and destroyed by the war beyond any other area, the incalculably difficult task of rebuilding its plant, its production, its people's health and morale, and its governmental services, has been threatened with total defeat by civil disturbances, aided, equipped, and protected by Greece's northern Communist controlled neighbors.

Similar disappointment has followed attempts to establish a just and sound peace. It is unnecessary to recount the weary course of the Italian and Balkan peace treaties from London to Moscow to Paris to New York, or to describe the substance of those negotiations. We can note without surprise the cynical and barefaced *coup d'etat* in Hungary on the very eve of the Hungarian treaty's coming into effect. We note also, two years after Potsdam, that by reason of Soviet unwillingness we have not achieved German economic unification or written an Austrian treaty. As a result the recovery of Europe has been long delayed—tragically long.

This by no means exhausts the catalogue but it is enough to outline the difficulty and to indicate why it is that the United Nations, founded as I have said on the premise of great power unity, has so often been unable to apply the principles set forth in its Charter and has instead had to furnish the forum for bitter, unprofitable and inconclusive dialectics.

It would be quite wrong to leave the impression that the factors I have mentioned have been the sole cause of our present problems. It would have been serious enough that the great area east of the Stettin-Trieste line which contributed so much to Hitler's European economy has been exploited, disorganized and cut off from Western Europe. Nature and man have added other problems. Disasters do not come singly.

Crop Failures Add to Difficulties

Two years of crop failures in Europe and one in the Far East, the most severe winter in half a century which drained the meager coal supplies of England and Europe, and the inefficiency of the industrial plant, due to depreciation, failure of fuel and raw materials, lack of labor and many other causes,—all these have upset all calculations of recovery. Europe has had to use its resources of foreign money and credits, carefully husbanded to restore and improve equipment, merely to keep alive.

Billions of precious dollars saved for machinery, rails, locomotives, harbor equipment and so forth, have been spent for wheat and coal, and the heavy shipping charges to carry them. Financially Europe is bleeding to death, and the period of shock and crisis will come next year. Nor will the crisis be purely European. We are today selling twice the value of goods which our customers can pay for with their sales to us. This is not merely true of stricken Europe, but of our nearest neighbors, Mexico and Canada. The loss of these sales will have—as it has had in the past—a profound repercussion throughout this land.

This is a depressing but not overdrawn report. The outlook, as Secretary Marshall has recently said, is serious. But it has been blacker within the past few years. The Winter of 1941-42 was such a period. The dangers of those years were overcome by determination, by courage and by endless effort. Today's problems can also be surmounted. Tragic as it is that we cannot achieve the whole promise which once seemed almost within our grasp, that is no excuse for not doing what we can. If our own power to help is limited, so is the power of others to impede. And upon our side are the great urges of individual spirits throughout the world to rebuild in some way and to push on to a better day.

We can do—and are doing—many things. We can expose for all to see the shams and frauds behind which peoples are deprived of their liberty by little groups supported by foreign power. The methods have not changed basically since the days of Maximilian in Mexico, merely improved in organization, and brutality and propaganda techniques. But they dislike exposure, and it remains to be seen whether they can survive much longer than Maximilian did the withdrawal of the foreign bayonets.

We also can, and should, help within the limits of our capacity those who wish to help themselves. It was such an action that President Truman proposed to the Congress on March 12 in connection with Greece and Turkey and to which the Congress so overwhelmingly responded. This was not a novel proposal or an invitation to a crusade. It was typically and traditionally American.

U. S. Aid in Maintaining Freedom

This country has always responded to people struggling to attain or maintain their freedom. We have done so because it is important to us that they shall succeed. Sometimes we can do much, sometimes little, but the response is always there. It was there in the case of Greece over a century ago, and in the case of Hungary and Poland and Italy. It was there throughout the 19th century in the struggle of the Latin American states to obtain and keep their freedom from the encroachments of European powers. It underlay our efforts for decades to help China in her struggle against foreign subjugation.

So President Truman was acting and the Congress was acting in the truest and soundest American tradition. The case was an extreme one because Greece was near the abyss. But the principle was as old as our country. It is a sensible and hard-headed principle that where our help can be effective to enable people who are sincerely striving to remain free and to solve their own problems, that help will be given.

We should, and I hope will, continue to act in this way—not waiting for extreme crises to develop, not attempting to carry all the burdens of the world or to solve all its problems, but responding in a thoroughly realistic way to the proposals of those who are exhausting every possibility of their own efforts and powers of cooperation with others to maintain places where free men may remain free.

This, as I see it, has been the course of our foreign policy over these past few years. And it is our present course. It has not created the world of our dream. But that is not our fault. It is the best course I know of, in the world as we find it, to preserve the possibility that a better world may some day eventuate. It is the best course to preserve all that we hold most valuable in life. It is a course that requires determination, intelligence, courage and effort. It requires that Americans be made of good stuff.

"Citizens," said Milton, "It is of no small concern what manner of men ye be whether to acquire or to keep possession of your liberty."

Steele & Company Opens

Steele and Company has been formed with offices at 52 Wall Street, New York City, to engage in the securities business. Partners are Don Wilkins Steele and G. B. Steele. In the past Mr. Steele did business under the name of Steele and Company.

Wasson & Co. of N. Y.

Wasson & Company of New York, Inc. is doing business from offices at 116 John Street, New York City.

Silberkraus in New York

Sam Silberkraus is engaging in a securities business from 403 West 261st Street, New York City.

As We See It

(Continued from first page)

rank and file of the voters of the nation have become sick unto death with the way that organized labor has been behaving during the past few years and are not only willing, but insistent that something be done about it in Washington.

This conclusion they have evidently reached despite the most vigorous sort of effort on the part of labor leaders to create an opposite impression by the usual method of bombarding Washington with letters and telegrams purporting to come spontaneously from the people.

No Hastily Drawn Measure

This new law was a long time aborning. It was not hastily drawn and rushed through to the statute books before proper consideration could be given it. The strength it developed and maintained to the end in Congress reflects not panic but most careful appraisals of the state of mind of constituencies. A great deal of rashness would be required for a belief or an assertion that members of Congress in such numbers as this have misread the trend of current thought, or acted hastily in the heat of passion.

If indeed the public generally has come to look upon the labor unions and their leaders as something definitely less than sacrosanct, then this change is far more significant than any terms which may be included or omitted from this measure which now has passed to the statute books of the nation.

Of course, the Wagner Act should never have become a part of the law of the land. Theoretically at least, the best remedy is to repeal that law and forget all the fol-derol which so abounds in its terms and in the defense which has so often been offered in its behalf. But at bottom, as has been repeatedly said in these columns, it was and is the misdirected beliefs and attitudes of the great American public which is the real difficulty. Out of these come such laws as that which bears the name of Senator Wagner. Out of these also arise the failures of so many local communities even to frown upon the most crass violations of law which regularly accompany all labor disturbances in this day and time.

The newly enacted law should put labor on notice—on notice of a condition in the minds of the rank and file which is far more important than the terms of any law which Congress might conceivably have passed. In the heat of a battle to defeat the legislation, labor leaders have without question given the rank and file seriously misleading impressions of what is in the measure. They have thus made much more difficult their own task—if they have any wisdom left, they must understand that it is their task—of acquainting their followers with the true inwardness of the situation.

It would be exceedingly unfortunate if labor leaders, whatever they may say in public and for political purposes, fail to take careful note of the handwriting on the wall that this vote in the Senate and the House represents. It would be still more unfortunate if they continued to take steps to prevent the rank and file of their membership from gaining a true and good perspective of this existing situation.

A Serious Danger

This, of course, is one of the dangers of the present state of affairs. Next year is a national election year. A President of the United States must be elected. All members of the House of Representatives must come before the people. One-third of the Senate is under a similar requirement. Henry Wallace is stalking the country making as much trouble as he can.

It is inevitable that labor politicians will do what they can to win posts in Washington for those whom they regard as their friends. A substantial share of what has been going on during recent weeks is to be considered and appraised in light of this fact. Must these leaders play small-minded politics rather than exhibit real statesmanship in the months to come? Conditions on the labor front will depend in considerable part upon the answer to that question.

It will likewise depend in substantial measure upon the hard sense of the individual American citizen—both in and out of the labor unions. Fortunately, despite the apparent efforts of some of those who in the past have had great influence upon labor union membership, this is not yet a country where the thought or the opinions of the rank and file can be dictated by any individual or small group of individuals. At times when the wiley Franklin Roosevelt was at the height of his power, it appeared that he could very nearly tell the greater number of American voters what to think about almost anything. It was, we verily believe, a strictly temporary condition. At any rate, there is no single individual, or any group of individuals alive today, who appear to have any such hold upon the minds and emotions of so many.

There Have Been Changes

There is therefore a much greater likelihood now, that the people of this country—union members included—will be able to reach their own conclusions about public affairs. Indications that this change is having practical effects already are not wanting. The action of Congress on the labor law just taken to the statute books is one of them. There are others.

The paramount duty of all men of good sense and influence in their community is that of helping his neighbor (if he needs it) to get the facts of this situation well in hand, and encouraging him to reach his own conclusions about it all. The time is not very far distant when we shall have some sort of expression of the will of the American people. That expression in November of next year must be the outgrowth of the real thinking by the American people themselves—by individuals who have the actual facts in hand.

To see that such is the case is the duty of each of us. What is done and said in Washington and elsewhere by labor leaders and many politicians is much too greatly cursed with politics.

How to Maintain Prosperity

(Continued from page 2)

ried by the level of construction costs, the low productivity of labor, the union restrictions on output in many industries, and the attitude of some short-sighted labor leaders and their complete unwillingness to make any concessions to an aroused public opinion. We are astonished by the argument that prosperity can be built on a firm and lasting foundation only by a simultaneous and rapid increase in wages and reduction in prices, and are disturbed by the criticism of legitimate business profits, by the level of Government spending, and the refusal to come to grips with that problem, especially in view of the unknown demands for international relief and the new domestic spending programs that are being proposed.

Current Outlook for Business

In addition to these more general problems, businessmen are specifically concerned with the present prospects for business activity. In appraising the business outlook today, we appear to be nearing the end of a period characterized by a high volume of soft goods sales. This has been supported, in part at least, by temporary factors such as shortages on the part of consumers and business, by the scarcity of many consumer durable goods such as automobiles and home appliances, by the use of accumulated savings, and by the rapid replenishment of inventories. Neither the spending habits of consumers nor the production of industry has yet returned to the expected peacetime pattern.

In view of this situation, some readjustments in business are likely. This is not unexpected and in fact is healthy. Except under conditions of regimented, all-out production for war, readjustment and change are normal. Some markets and industries have already been affected: the diamond and fur markets last fall; the entertainment business in the winter; some segments of the apparel and shoe industries more recently. I cannot forecast how numerous these adjustments will be, nor what their exact effects may be in the months ahead, but I am reasonably optimistic about the general business outlook. I doubt that we shall experience a decline of business activity comparable to that of 1920-21, or even as bad as that of 1937-38.

My relatively optimistic views are based upon consideration of five factors:

First: For almost a year businessmen have been preparing for the widely heralded recession. They have made great efforts to get inventories in balance, and to reduce outstanding orders. Our customers tell me that they have made good progress along these lines. Furthermore, inventory speculation is by no means as common today as after World War I.

Second: Business has already made substantial readjustments, on a piecemeal basis, during the past six to nine months of transition to a buyers' market. In many commodities, significant price readjustments have already taken place.

Third: The banking system today is in a much more liquid position than it was after World War I. My experience is that very little bank credit is being used for speculation, either in securities or commodities. Some months ago, we started surveying the loans in our bank, in order to determine what our policy should be in case some of our customers were to find themselves in need of additional credit. I feel confident we are in position to give our borrowing customers the support they need, and I believe this is true of other banks in the country. Also, I doubt that we shall see a repetition of the highly restrictive Federal Reserve credit policies which contributed to the price collapse of 1920.

Fourth: While the prices are high and the price structure is unbalanced, the prices of many important manufactured products have risen less than the average. In addition, some of the prices that have risen the most could decline from their peaks without causing widespread unemployment. For example, prices of agricultural commodities have gone up 180% over 1939 and, in many cases, are substantially higher than required to bring forth a large volume of production. By contrast, the price index of commodities other than farm and food products has risen only about 62% over 1939, in spite of very substantial increases in wage rates.

Fifth: Conditions in the heavy industries are reassuring. Our customers say they are operating at capacity, most of them with large accumulated backlogs of orders. The demands for refrigerators, automobiles, electrical and telephone equipment, railroad equipment, and industrial machinery, for example, appear sufficient to assure a high rate of output for a long time to come.

However, the business outlook is clouded by other factors. Perhaps the most unfavorable factor on the domestic scene is the exorbitant level of construction costs. In recent months many of our customers have canceled arrangements for financing additions to plant. They voice one universal complaint—construction costs are too high. Many of them are going ahead with the purchase of equipment where they can see some direct saving. However, most of them are canceling or postponing all but the most essential construction. They recognize that higher prices for materials and higher wage rates have added to construction costs, but almost unanimously they place the greatest blame on the reduced output of labor in the building trades.

Importance of Capital Investment

I am especially concerned about construction because, in my view, what happens to construction will have a great deal to do with whether we continue to have good business. Generally speaking, the activity in the heavy industries, most of which are closely related to construction and expansion of plant and equipment, means the difference between prosperity and depression. This country never has had a serious or sustained depression so long as the capital goods industries were active. Conversely, we have never enjoyed real prosperity unless these industries were busy. Thus, the prospects for business for the next few years depend on the outlook for the heavy industries.

In the outlook for these industries, business spending for plant and equipment plays an all-important role. It is by means of new plant and equipment, and by this means only, that we achieve greater efficiency, larger production, more employment, more purchasing power, and higher standards of living for more people.

Furthermore, as a banker and a businessman, I believe I have some knowledge of the factors which encourage business spending, and of the conditions which tend to stifle such spending. A high level of business spending for plant and equipment requires that two fundamental conditions be met, namely, (1) that business have an incentive to assume the risks involved in making new investment, and (2) that the means be available, either from profits or from the security markets, out of which expansion can be financed. Both depend basically upon the rate of profits and profit expectations.

I think it is time that the role of profits be discussed in a realistic fashion and in some detail. Most businessmen of necessity think in direct terms. They see that good profits, high employment, and high payrolls go together. It is their everyday experience that profits are good when plants are busy and when jobs are plentiful, and that losses or low profits generally mean idle plants and idle men. Looking at the economy as a whole, the records show that years of good profits are likewise years of high national income, good employment, and large wage and salary payments. And the burdens of depression are not borne by workers alone. In fact, business profits are generally the first to decline and usually fall faster and further than do wages and salaries in a depression.

Some of the theorists do not take such a realistic view of business profits. They say the present level of profits is too high, and that, consequently, the purchasing power of the mass of consumers is being reduced. Neither contention is valid.

Are Profits Too High?

Corporate profits, estimated at a rate of about $15 billion a year at the turn of the year, were at the highest level in the country's history. So also was national income. Measured against other factors in the economy, corporate profits are currently no higher than in other prosperous periods. In periods of high business activity, corporate profits generally average between 8 and 10% of national income. Currently, profits are within this range. Furthermore, in the banner year 1946, the last calendar year for which results are available, the net income of the country's leading manufacturing corporations comprised a smaller percentage of sales than was the case in the best years of the 1930's. The latter, as we all recall, were not especially prosperous years.

One significant factor generally overlooked in the current profit picture is that the accepted methods of business accounting result in a substantial overstatement of earnings under present conditions. This is because depreciation charges are based upon book values of capital equipment, whereas replacement of plant or equipment at present high prices requires a considerably larger outlay than is currently being accumulated through depreciation charges. Thus, some of the current profits are quite illusory and really represent the using up of physical capital.

The illusion of high profits is also enhanced by bookkeeping entries which simply record the sale of low cost inventories in a period of rising prices. Recent data from the Department of Commerce shows that as much as $4 to $5 billion out of total corporate profits of $12.5 billion in 1946 may represent increases in the book value of inventory holdings due to a rise in prices. However, losses will materialize once prices turn down, as they are already doing in some fields.

As a result of rising prices, inventory and working capital requirements have increased. Thus, even if a concern realizes a windfall profit due to a rise in prices on its inventory, these profits do not represent a real improvement in financial condition since they must generally be retained to provide additional working capital.

Business financial health requires a high level of profits under conditions of active business. Corporations must provide for their own security. There is no minimum wage or unemployment insurance for business capital to carry it through the lean years. Corporate profits fluctuate sharply with the level of economic activity. Even a slight downturn in business can produce a very large cut in earnings, and, for many corporations can mean a loss. Consequently, out of the profits of the good years reserves must be built up to cover the bad.

Although 1946 was a year of large corporate profits, many leading companies had an unsatisfactory record. Most soft goods industries operated at a high profit level in 1946, but they appear to have passed their peak. The heavy industries, on the other hand, generally showed relatively unsatisfactory results for most of last year, and only during the past six to nine months have their results been favorable. On balance, it appears that corporate profits as a whole have reached their peak and that profits for all of 1947 will not be as high as indicated by the first quarter's results.

Do Profits Reduce Purchasing Power?

Even though profits are not excessive, they might still be regarded as undesirable if they withdrew purchasing power or otherwise restricted the economy. This might be true if profits were salted away in some hidden cache. What actually happens is quite different.

In 1946, about 45% of corporate profits were distributed as dividends. The shares of most large American corporations are widely held and the dividends are consequently widely distributed. Some of the largest stockholders are institutions or scientific, educational, or charitable foundations. In the case of the wealthy stockholders, current high taxes take the bulk of any dividend income. While this redistributes income, it does so at the expense of a continuing supply of risk capital.

Most critics admit that corporate profits, to the extent that they are distributed as dividends, do not reduce purchasing power. They focus their objections upon the portion that is retained. Even the Federal Government, at the time of the ill-designed undistributed profits tax, subscribed to some such misconception. As a matter of fact, however, retained earnings as a whole do more to encourage business spending, to stimulate economic activity, and to expand purchasing power than do the amounts paid out as dividends.

Undistributed profits may be used to add to working capital or may be invested in plant and equipment. If retained as working capital, it is generally in response to a higher rate of activity that requires more work in process, greater inventories, larger payrolls, and more credits to customers. Or, retained earnings may be used to finance new investment in plant and equipment. As I have pointed out before, such expenditures in the construction and heavy industry field are the most effective stimulants of economic prosperity.

In 1946, despite the record level of business profits, the amount retained was insufficient to finance the large requirements for plant, equipment, and inventories. As a result, we had during the year more than a $4 billion expansion in bank loans to business, and about $3 billion of security issues for new capital. In addition, cash and Government securities were drawn down by as much as $7.5 to $10 billion in order to finance business needs.

It must be clearly realized that business cannot maintain a high rate of investment unless prospects are good for a sustained period of reasonably satisfactory profits. Responsible management does not undertake to expand facilities unless they can show some profit. Nor are corporations able to accumulate funds without making profits or to raise them in the financial markets without a good profit record or attractive prospects.

My conclusion, therefore, is that the best way to "promote maximum employment, production, and purchasing power" is to see to it that business enterprise has the incentive and the means to support a high level of business spending. This, in turn, depends on the ability of business to earn and retain adequate business profits. In short, if we are to have an expanding economy, I believe that we need to adopt more constructive and favorable attitudes and policies with reference to business and business profits.

Mass Purchasing Power

There are some people, who do not agree that the most desirable and effective way to insure a high level of employment is to encourage business spending. They would adopt a fundamentally different approach, namely, an effort to maintain mass purchasing power by: (1) increasing the level of Government expenditures; (2) raising wages and reducing prices at the same time; and (3) maintaining a tax system that is very burdensome for business and for risk capital. It is worth noting that the advocates of these policies are generally of the same group that in 1945 predicted unemployment of eight million during the reconversion period.

Those who advocate steps to increase mass purchasing power generally base their case on the fact that, since early 1945 or mid-1946, the cost of living index has increased more than have wages and salaries. They conclude that this portends, for the near future, a situation in which consumers will not be able to buy the output of the economy.

Such a comparison of price and wage changes is of doubtful validity in supporting the claims of vanishing buying power. Conditions in the base periods, whether early 1945 or mid-1946, were very unusual. We were still living in a war economy with its characteristics of widespread scarcities of consumer goods, high levels of individual savings, artificially low prices, downgrading of quality, lack of standard merchandise, together with black markets and black market prices in some fields. What we have seen in recent months is the return to a situation in which demand and supply are permitted to have their customary effects on prices.

It is worth noting that some of the greatest price increases have occurred in commodities for which the consumer sets the price. On the other hand, many manufacturers have set prices well below what the traffic will bear. I need only cite the case of automobiles where high consumer demand has forced prices of new-used cars to substantial premiums over the manufacturers' prices. Thus, in many cases, high prices are a reflection of the high level of buying power. It does not appear plausible to me that we can have heavy consumer buying, rising prices, and a shortage of purchasing power, all at the same time.

The wage and price comparisons would be more meaningful if made between periods in which commodities were available in the markets under comparable conditions. Comparisons between such periods show results contrary to the trends during the reconversion months. For example, compared with prewar years, the average earnings of workers have increased substantially more than has the cost of living index.

I know of no evidence that wage-earners, as a group, have lost ground in recent years. In both the last quarter of 1946 and in the first quarter of 1947, wages and salaries comprised almost exactly the same percentage of national income as they did in the 1920's or in the prewar period from 1935 to 1939.

The proposals to increase mass purchasing power by more government spending, higher wages, and a more steeply graduated tax structure, embrace a fundamental fallacy, namely, the notion that subsidizing consumption and consumer buying power can build real prosperity. We have had some fairly recent experience that illustrates the futility of these proposals.

Experiments in the 1930's

In the 1930's we tried most of the proposals now being advanced to increase mass purchasing power. Our experience with government spending is well known. From a level of about $3.5 billion per year in the early 1930's, the budget rose to about $8 billion in the later years of the decade. These expenditures were first regarded as a temporary expedient required to "prime the pump" of private enterprise. The theory was that the spending would be reduced as business activity increased. Later in the decade, when the ineffectiveness of Government spending as a "pump-primer" became apparent, the emphasis was shifted, and the concept of "economic maturity" was advanced in order to provide a justification for a permanent program of government spending.

Efforts to increase mass purchasing power did not stop with government spending. The idea of raising wages in order to support prices and demand was aggressively supported, and the power of organized labor to enforce demands for higher wages in the midst of widespread unemployment was enhanced. In addition, corporate tax rates were increased in 1932, 1935, and 1938, and a tax on undistributed corporate profits was made effective for 1936 and 1937. The individual tax structure was revised to make the system more burdensome, and the maximum surtax rates were increased from 20% prior to 1932 to 75% in 1935. These were the means by which the policy of raising mass purchasing power was implemented in the 1930's.

Results in the 1930's

The results of these policies are well known to all of us. Only for a brief period in 1937 did the volume of physical production rise to a level above that reached in 1929. Unemployment averaged more than 8 million for the years 1935-1939 and even in the best year averaged 6.4 million. This record of failure is conclusive. It convinces me that we do not want to revive these policies.

The pump priming theory did not work; government spending did not encourage business spending. On balance, this program and the measures that accompanied it did much to destroy the incentives and the means for private capital investment. Expenditures for construction and on producers' machinery and equipment averaged about 40% lower in 1935-1939 than in the latter part of the previous decade. The policy of high wages resulted in increased costs, contributed to inflexibility of prices, and made difficult price reductions that might have increased sales. A wave of labor trouble and wage increases in 1937 was followed by a rapid rise in unemployment in 1938.

Increases in taxes during the 1930's made less attractive that assumption of risk which is necessarily associated with private investment. Tax exemption became more valuable with each rise in the tax rates, so that more and more investors became less and less interested in risking their funds in new enterprises, and preferred the relatively secure haven of government securities.

Finally, business was called upon to adjust itself to a variety of new laws and regulations. Many of these were required to correct the mistakes of government and business during the 1920's. But the very vigor with which their enactment was espoused, the all-inclusive nature of some of the changes, and the extreme manner in which some of the acts were administered, contributed to a breakdown in business confidence. In turn, this delayed our recovery.

Shall We Repeat Our Experiences of the 1930's?

This record of failure convinces me that a repetition of the policies of the last decade would be no more successful this time. Government spending is already much greater, both in absolute amounts and relative to the dollar volume of business in the country, than it was a decade ago. Those who would espouse further increase in government spending from present inflated levels must assume the burden of proof. It is their obligation to demonstrate, conclusively, that government shows greater wisdom in its spending than do those who must pay the bill.

Over a period of years, wages have been increased as labor productivity has risen. Gradual increases in wages and price reductions have been the means whereby the benefits of our productive system have been translated into higher standards of living. However, rapid and substantial wage increases, not accompanied by increases in output, raise costs without increasing the supply of goods, and constitute a tax on the mass of consumers.

Those who favor making our tax system even more steeply graduated apparently ignore the tremendous increases that have occurred in the war years in the tax burdens upon those of modest means, and the confiscatory nature of the present tax rates for those of large incomes. An individual in the $10,000 income bracket can keep only 68 cents of each dollar of additional income; at $21,000 he can keep only 50 cents; at $90,000 he can keep but 20 cents. And it should not be forgotten that these rates also apply to dividend income, even though the corporation tax rate is double the high point reached in the 1930's, and more than three times the rate of the early 1930's.

It is probably true that our present tax structure has carried the principles of progressive income and estate taxation, which are now generally accepted, to such an extreme as to endanger the very system of profit motives on which they rest. The effects of these tax policies take time to make themselves apparent, and for a time the economy can live on its accumulated fat. Over a period of years, however, the effect can only be to erode and wear down the stock of risk capital, and to impede the flow of new risk capital on which American enterprise has depended in the past for its pioneering, its new ventures, its new industries, and its ultimate success.

Summary

To summarize my point of view:

(1) Although continued business readjustments lie ahead, demands on heavy industry are so great that a business downturn comparable with that of 1920-21 appears unlikely. However, if high employment and economic activity are to be sustained over a period of several years, business spending for plant and equipment must be encouraged.

(2) The experience of the 1930's proves that a policy of low profits, sharply increased wages, higher taxes, and more government spending does not achieve high employment and prosperity.

(3) Fortunately, there are large accumulated latent demands for business plant and equipment. Recent scientific and technological progress has opened new vistas for a high and expanding level of business for a long time to come.

(4) In order that these strongly favorable factors can be fully effective, government policies should be directed toward stimulating the incentives and maintaining the ability of business, large and small, to continue programs of plant expansion and modernization.

(5) The accumulation of risk capital must be permitted; its investment in business enterprise must be encouraged.

(6) For the Federal Government, these policies are surely the only effective and the least expensive means of achieving the aims of the Employment Act of 1946.

Julien Collins Adds Two

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Alan H. Bede and John H. Fyfe have become connected with Julien Collins & Co., 105 So. La Salle St., members of the Chicago Stock Exchange.

With State Bond & Mortgage Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, MINN.—Peter F. Meyer is with the State Bond & Mortgage Co., 26½ North Minnesota Street.

The State of Trade and Industry

(Continued from page 5)

This trend, started in the soft goods lines, has invaded the metal-working industry.

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 95.6% of capacity for the week beginning June 23, 1947, as compared with 95.8% one week ago, 95.4% one month ago and 87.2% one year ago. This represents a decrease of 0.2 point, or 0.2% from the preceding week.

The week's operating rate is equivalent to 1,672,900 tons of steel ingots and castings compared to 1,676,400 tons one week ago, 1,669,400 tons one month ago, and 1,536,800 tons one year ago.

ELECTRIC PRODUCTION 13.3% ABOVE A YEAR AGO

The Edison Electric Institute reports that the output of electricity decreased to 4,676,300,000 kwh. in the week ended June 21, 1947, from 4,701,992,000 kwh. in the preceding week. Output for the week ended June 21, 1947, was 13.3% above that for the corresponding weekly period one year ago.

RAILROAD FREIGHT LOADINGS 3.2% ABOVE 1946

Car loadings of revenue freight for the week ended June 14, 1947, totaled 895,292 cars, the Association of American Railroads announced. This was a decrease of 5,455 cars, or 0.6% below the preceding week, and 27,374 cars, or 3.2% above the corresponding week for 1946. Compared with the similar period of 1945, an increase of 21,970 cars, or 2.5%, is shown.

AUTO OUTPUT IMPROVES

Better manufacturing achievements in General Motors, Ford and independent plant operations, made possible by slight increases in the flow of material and the maintenance of relatively uniform schedules, were responsible for the improvement noted in last week's automotive production, according to Ward's Automotive Reports.

Output of passenger cars and trucks in the United States and Canada, Ward's reports, reached 103,278 units the past week. This compares with a revised figure of 97,943 units in the previous week and 54,475 units in the like period a year ago and 133,565 units in 1941.

Of the current week's total, a breakdown reveals that 75,483 cars and 22,640 trucks were produced in this country and 3,502 cars and 1,653 trucks in Canada.

With regard to most 1948 model automobiles, it is reported that they still are six months away with speculation running high on features and innovations halted during the war period.

GLYCERINE PRODUCTION AT ALL-TIME HIGH

Glycerine production in the United States reached an all-time high of 69,000,000 pounds during the first four months of 1947, or an increase of almost 25% over the same period last year. N. N. Dalton of the Glycerine Producers' Association, Kansas City, reported on Tuesday of this week, at the Fifteenth Midwest Regional Meeting of the American Chemical Society.

This record output was attained despite the increased manufacture of synthetic cleaners yielding no glycerine, stated Mr. Dalton, who pointed out that glycerine is an important by-product of soap-making.

Glycerine has so many uses in industry, Mr. Dalton declared, that current glycerine consumption may be considered as good an index of industrial activity as many of the statistical charts furnished by government departments and private economic services.

SUMMARY OF TRADE

Wholesale volume rose again during the past week, being moderately above that of the corresponding week last year. Order backlogs diminished as availability of most supplies continued to increase. Advance buying policies shortened noticeably with deliveries more prompt.

Retail buying increased fractionally during the week as large seasonal purchasing offset a decline in meat sales. The dollar volume of sales was slightly above that of a year ago. Consumers resorted increasingly to credit to finance purchases. Retailers continued their efforts to reduce inventories of slow moving stock in preparation for the accumulation of Fall goods.

BUSINESS FAILURES RISE SLIGHTLY

Showing a slight rise from the previous week, commercial and industrial failures totaled 70 in the week ending June 19, reports Dun & Bradstreet, Inc. This compared with 66 concerns failing last week and 25 in the corresponding week of 1946. While the total number of failures reported this week was higher than in the same week of any other year since 1942, there were only one-fourth as many businesses faiinlg as in the comparable week of prewar 1939. Sixty-one of the week's 71 failures involved liabilities of $5,000 or more with retail trade having the largest number of failures in the week.

THE COURSE OF THE STOCK MARKET

The stock market last week continued its upward trend for the fifth consecutive week without suffering any adverse reaction following the Presidential vetoes of the tax and labor bills, since such action by Mr. Truman was anticipated and discounted in advance. Firmness was present in steel and related stocks and they moved into higher ground. Some slight downward adjustment in prices followed President Truman's vetoes, but this was interpreted by traders as being due more to profit-taking after a long period of advances rather than from pressure of selling stemming from the Chief Executive's action.

At the week's end stocks were close to the highest point of the forward movement which got under way in mid-May.

On Tuesday of the present week the United States Senate by 68 to 25, or six votes more than the necessary two-thirds, passed the Taft-Hartley Labor Bill over President Truman's veto and at 3:17 p.m. (EDT), it became a law. The measure, it is understood, represents the first peacetime Federal restraint on the power of labor unions in half a generation.

MAY BUILDING PERMIT VOLUME CONTINUES MODEST DECLINE

The May volume of building permits continued to recede from the March peak, and dropped below the level of the corresponding month of the previous year for the eighth eccessive month. Permits for 215 cities last month totaled $215,496,151, a decline of 5.6% from the April sum of $228,172,582, and 3.9% under the $224,205,650 recorded in May a year ago, according to Dun & Bradstreet, Inc.

FOOD PRICE INDEX AT HIGHEST POINT SINCE MID-APRIL

Food prices moved upward for the fourth consecutive week. The wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 12 cents to stand at $6.24 on June 17, the highest point reached since April 15. The current figure compares with $6.12 a week earlier, and with $4.35 on the corresponding date a year ago.

Advances for the week included corn, butter, cheese, coffee, cottonseed oil, cocoa, peanuts, eggs, molasses, hams, steers, hogs and lambs. Declines were listed for flour, wheat, rye, oats, lard and potatoes.

The index represents the sum total of the price per pound of 31 foods in general use.

WHOLESALE COMMODITY PRICES STEADY

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved within a narrow range during the past week. It closed at 258.74 on June 17, as compared with 256.76 a week earlier. On the corresponding 1946 date it stood at 198.33.

Grain markets were characterized by irreglar trends with prices fluctuating over a fairly wide range. Wheat averaged lower in the face of a record harvest of that grain and an increased movement of new crop wheat to market. Corn continued to rise, aided by reports of unfavorable weather conditions, and exceptional strength in the cash market due to a drying up of country offerings, despite large stocks still reported on farms. Domestic flour business continued slow with new bookings in the Southwest estimated at less than 50% of capacity. Foreign demand for flour was quiet as the trade awaited announcement of August export allocations. Demand for lard was inactive and cash prices declined more than 2 cents per pound during the week. Livestock markets were strong with steers and hogs registering further advances. Cocoa was firmer with continued tightness noted in the spot market.

Cotton prices continued to move into higher ground in the past week with best advances scored in the nearby futures and spot markets. Aiding in the rise were the continued tight spot position and active mill price-fixing against sales of cotton goods for third and fourth quarter delivery. Reports of better weather throughout the cotton belt, however, tended to hold advances in check, as did advices from India to the effect that all restrictions on cotton exports had been temporarily removed at least until Aug. 31.

The resumption of operations in some of the mills that had been closed or partially closed imparted an improved tone to the Boston wool market last week. Increased inquiries, covering a wider range of types, were noted. Sales volume showed improvement in both the domestic primary wool markets and in the Boston market. Imports of apparel wools received at Boston, New York, and Philadelphia in the week ending June 6 represented 4,512,700 clean pounds, as compared with 4,045,300 in the preceding week.

RETAIL AND WHOLESALE TRADE MODERATELY ABOVE YEAR AGO

Due to differences in weather conditions throughout the country the volume of consumer buying varied. Father's Day sales boosted volume everywhere so that retail sales for the country the past week was slightly above that of the previous week and moderately above that of the corresponding week a year ago, according to Dun & Bradstreet, Inc., in its current survey of trade. Retailers continued to promote goods through large scale advertising and in many cases resorted to markdowns in price. Credit sales continued to increase and collections were slower than in previous weeks.

The dollar volume of food sold last week was close to that of the previous week, although there was a decline in the buying of meat. Increased meat prices met considerable consumer resistance. The selling of fish and eggs increased and the demand for canned meats and cold cuts was up somewhat. The turnover in juices, soft drinks and fresh produce was rapid. The ending of sugar rationing resulted in a buying rush. Sugar supplies were plentiful and many housewives bought for their canning needs.

Apparel stores maintained sales volume last week as the demand for summer clothes remained strong. In many instances high-priced items needed markdowns to stimulate sales. Interest in men's clothing and furnishings remained very high. In addition to clothing, cigarettes, liquor and jewelry sold well as Father's Day gifts.

As more of the wanted durable goods became available sales volume continued to increase. Household furnishings, building supplies and garden tools were fast selling items. The backlog of orders on many large household goods such as stoves and refrigerators remained large.

The dollar volume of retail trade for the week ended last Wednesday was estimated to be from 5 to 9% above that for the corresponding week a year ago. Regional estimates exceeded those of a year ago by the following percentages: New England 2 to 6; East 6 to 10, South 3 to 7, Middle West 4 to 8, Northwest and Southwest 5 to 9 and Pacific Coast 0 to 4.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 14, 1947, increased 6% above the same period of last year. This compared with an increase of 7% in the preceding week. For the four weeks ended June 14, 1947, sales increased by 9% and for the year to date by 10%.

Here in New York retail trade continued active the past week with the gain percentage-wise over a year ago greater than that of the previous week. Department store volume, according to estimates, exceeded that of 1946 by 12%.

Local markets continue to reflect an optimistic spirit over the possibilities of Fall business for women's coats, suits and dresses and manufacturers have reported their inability to cope with the demand for dresses tailored of plied-yarn rayon fabrics. Present labor difficulties in the celanese industry have greatly curtailed acetate fabric production which is used for linings for apparel.

Some easing of meat prices occurred in the week, but they continue to hold the lead of foodstuff advances.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 14, 1947, increased 7% above the same period last year. This compared with an increase of 5% (revised figure) in the preceding week. For the four weeks ended June 14, 1947, sales rose 9% and for the year to date 10%.

Universal Disarmament Under Inter'l Control Essential to Peace

(Continued from page 17)

growth of irritation and hatred than a nominal one world so paralyzed for constructive action as is ours.

Before we resign ourselves, however, to the dangers of two worlds, between which almost inevitably there will be a struggle for supreme power, there is one thing that the United States should do. Its success would change the whole outlook, the whole temper of our times. Its failure or its partial failure woulld at least clarify issues and put the conflict in a form that the plain people of the world could understand.

The one area in which the theory and practice of one world are essential to a sound beginning of lasting peace lies in international provision of security as over against competitive national armament. Conflicting ideologies which may prevent or enormously handicap effective social and economic cooperation need not prevent a universal recognition of the fact that all of us have a desperate interest in avoiding not only the suicide of another total war in the age of atomic bombs and bacteria but in freeing ourselves from the terrible burden imposed upon us, literally at the cost of bread for our children, in preparing for such a war. If, in any near future, any organization expressing the unity of the world will work at all, it will be in the prevention of aggression and the control of armaments. Should that be successful there might conceivably be a fairly decent evolution of Russian policy in the new climate that would be created.

It is in this belief that I literally think that the world's one hope is an American appeal for universal national disarmament, of course under effective international control. It is only in a disarmed world that it makes any sense at all to draw up plans, in themselves wise, for general economic rehabilitation or for a pooling of such resources as petroleum. I should gladly see my country make proposals to these ends on the basis of disarmament. When Henry Wallace makes them on any other basis he talks a kind of folly which is as dangerous as it is Utopian. Why should the United States give extensive economic aid to countries in the Soviet bloc when it knows that every dollar of such aid will merely make easier the strain of the race in arms which is the outstanding economic and military fact of our time?

Favors Baruch Plan

By disarmament I do not mean that vague talk of reduction of arms and American destruction of the atom bomb with which Molotov and Gromyko have tried to fool the world. I mean, of course, the Baruch Plan for the control of atomic energy. And I marvel at both the generosity and the stupidity of our Government in proposing this plan without coupling it with equally stringent provisions for the abolition of those branches of military preparedness in which Russia has an easy superiority.

By national disarmament I mean international control parallel to atomic development authority over other weapons of aggression and mass destruction, I mean the abolition of universal peacetime military conscription, the demilitarization of narrow waterways and bases; the reduction of all national forces on land, sea and in the air to a police level except insofar as may be provided by a quota system for international security. It will of course be necessary to liquidate imperialism which in the last analysis rests on military force, if for no other reason than that armies and navies capable of policing great empires will be capable of aggression. This comprehensive national disarmament is not a consequence but a condition of security. Imperfect as is the United Nations it can serve at least an interim use in supervising and enforcing disarmament by comparatively moderate changes in the composition of the Security Council and the limitation of the veto power.

It is generally assumed in America that Stalin would reject such proposals. I think that this would be his first reaction. I am not, however, entirely certain until we try, and I am certain that a groping American militarism and imperialism masks itself behind the assertion "Stalin won't consent." My point is that it is only on the basis of this American appeal for disarmament that the situation can be clarified at home or abroad, or that economic or social proposals will make much sense. If worst comes to worst, and we have to organize two worlds, the job would be done on the basis of a Soviet refusal of something which is the obvious interest of all peoples and is in itself the basis of cooperation and the beginning of lasting peace. Within or without the United Nations, governments and peoples ready to accept the American proposals should organize their own systems of security within which the Social and Economic Council could function as it cannot function today. Always the door should be left open for the adherents of the Russian bloc to this plan for an international security based on national disarmament. Thus would the dangers implicit in two worlds be greatly mitigated.

I am well aware that what I am saying will seem a sorry denial to the hopes of enthusiastic supporters of the United Nations and more especially to those who believe that desirable world government is possible now. The fault is not in me, but in the facts. Whatever hope there is, and it is not small, lies not in any achievements possible today for the Social and Economic Council and its allied agencies. It lies in the American formulation and proposal of a program fit for peace. That program has many elements, but the first essential is the summons to universal disarmament under effective international control.

Hayden, Stone Offers Benrus Watch Common

Hayden, Stone & Co. and associates on June 24 offered at $8 per share, 125,000 shares of Benrus Watch Co., Inc. common stock, $1 par value, marking the first public distribution of securities of the well-known manufacturer of fine watches. The shares are a portion of the holdings of several selling stockholders and represent approximately 25% of the 504,000 outstanding shares of common stock. The company has no funded debt.

Founded in 1919 and incorporated in 1946, Benrus Watch Co., Inc. manufactures and sells high-grade jeweled watches from movements made in Switzerland and assembled in the United States into cases manufactured by the company here. Sales of the company's products, which also include watch bracelets, cases and straps, aggregated $15,368,596 for the twelve months ended Jan. 31, 1947, equal to $3.27 per share of outstanding common stock.

On June 20, 1947, directors declared a quarterly dividend of 20 cents per share on the common stock, payable Aug. 1, 1947, to stockholders of record July 15, 1947. The company intends to make application to list the common stock on the New York Curb Exchange.

Europe in 1938 and Now

(Continued from page 17)

time. That's minmium. This dims hopes of tax cuts, debt reduction.

(2) *More inflation pressure in U. S.*, especially in price of foods. If food and rents stay high, cost of living may not come down for five years. Aside from a direct squeeze on people's pocketbooks this means:

. . . continuing wage pressure;

. . . less consumer dollars available for businesses that don't deal in cost-of-living products.

(3) *Continuing shortages.* Things like clocks, autos will go abroad. These aren't "necessities," but are needed to rebuild shattered morale . . . as well as to hold down inflation abroad.

(4) *Another drain* will be the call for U. S. technical experts . . . and American industry may badly miss the know-how that goes overseas.

(5) *It will be easier for U. S. firms to trade in non-Communist areas.* The U. S. plan will tend to wipe out tariff barriers and trade restrictions. American companies will face less danger of high taxes or expropriation.

(6) *Exports will be pushed.* Today 10%-15% of U. S. goods goes abroad. The Administration is planning on the assumption that our continuing prosperity depends on keeping exports high—finding some way of helping foreign countries pay for U. S. exports.

(7) *Pinch on some U. S. companies* . . . as in the wool industry now. Congress passed a wool tariff, but Truman is scheduled to veto it. . . . In fostering foreign prosperity, there will inevitably have to be less emphasis on tariff protection of many American industries.

In general, though, few U. S. companies need fear foreign competition. Even at today's high prices, American technology gives us a definite edge. But competition *could* be rough in the case of non-manufactured commodities. Take petroleum, for example. Iran oil fields produce 7,500 barrels a well, compared to a 14-barrel daily average in *good* U. S. fields like east Texas. Obviously, the foreign oil enjoys a large cost advantage.

(8) *We may get a break on raw materials, gaining access to new sources.* We've only lately become conscious of the critical shortage of some needs. If we assume the role of economic leader, we will almost certainly get long-term agreements covering sources previously held by Britain and France.

Stockpiling—Army and Navy Munitions Board wants $360 million a year. Copper, lead, zinc, and other critical materials would be involved . . . but whether Congress will come through is an open question.

Decentralization of Industry—There's a big military push for this, with a lot of experimenting on the use of underground factories. . . . Some type of Federal subsidy will be necessary to pay for this program. Companies that participate will most likely be given the advantages of a tax amortization provision like the five-year period used to encourage industrial cooperation in the original defense program.

RIA Observation—If decentralization is really pushed hard it can have a revolutionary effect on the country's transportation lines. Rail traffic will boom, new lines will be built, maybe with government money.

Army Training—Universal training will go through if crisis lasts. This would mean close to a million boys, perhaps more, in training yearly. Would require vast new government buying—guns, food, clothes, blankets, etc. Keep in mind the possibility of this vast new market. . . .

Development Contracts—These are being let on a big scale now. . . . Contracts may be for a blueprint, a part, a component, a finished item. Demand ranges from models to services such as designing a factory layout. Basic idea is to develop companies that could switch to large-scale war production quickly, in case. . . .

We repeat our advice given several months ago. Manufacturers can find an important source of business in these contracts.

Gearing Into the Mobilization Plans—The military services are working out new methods of closer liaison with industry and executives. They're looking for industry people to staff civilian committees. . . . Committees for seven basic industries have already been appointed.

The services are also looking for "Industrial Minute Men" factories; plants that would be ready to turn out vital war goods on short notice. Part of the program calls for Army officers to work in large companies. Firms like General Motors and TWA have actively entered into the plan. . . . It offers an opportunity to make a contribution to industrial mobilization, and to cement good relations with the armed services.

Consider Leasing Army Plants—Many companies are expanding capacity by leasing the "military standby" facilities. This offers a quick and comparatively cheap way to boost output.

Pacific Coast Fund Offers First Issue

Formation of the first investment fund ever set up for the purpose of investing assets in a specified region was announced June 20 with the initial offering by Hugh W. Long & Co., Inc., of 500,000 shares of Pacific Coast Investment Fund.

Assets of the fund, the prospectus States, may be invested only in securities of companies whose principal offices are located, or have established plants, mercantile outlets or other facilities, in the seven far western States comprising the Pacific Coast region, or whose business is responsive or sensitive to conditions in that region. The shares are initially priced at $11.89. The fund is one of the series of New York Stocks, Inc., a mutual open end investment company.

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 Walter J. Herzfeld to G. Axel von Nolcken will be considered by the Exchange on July 2. Mr. von Nolcken will act as an individual floor broker, it is understood.

Transfer of the Exchange membership of Eugene M. Geddes to Robert Grant 3rd will be considered by the Exchange on July 2nd. Mr. Grant will become a partner in Clark, Dodge & Co.

Robert M. Youngs retires from partnership in Dominick & Dominick on June 30th.

Charles R. Blakely, limited partner in Bache & Co., died on June 16th.

William D. Elwell, partner in Whitney & Elwell, died on June 12th, on which date his interest in the firm ceased.

W. R. K. Taylor, Jr., of W. R. K. Taylor & Co., now signs W. R. K. Taylor.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market celebrates passage of Taft-Hartley Bill. Expect first flush to be followed by reaction.

Past few days have been pretty hectic ones in Washington. The Supreme Court handed down a couple of decisions and many of our leading lawmakers sounded off in no uncertain manner. But by far the biggest event was the Taft-Hartley Bill, vetoed by President Truman, and passed over his veto by both Houses.

* * *

Whether the new law will increase management-labor friction or ease it I leave to people better qualified than I to say. My interest in the new Act is what it will do for, and to business and industry and how that will be reflected in the stock market.

* * *

Up to about 2 p.m. Monday, the market was a desultory affair. After that hour prices began perking up and strings of stock appeared on the tape. It was a foregone conclusion that the Taft-Hartley Bill would pass the Senate and the market began a mild celebration. It is my opinion that any further upward action from here on (unless something new occurs) is the froth which comes after a piece of news. That there is a lot of pleasant feeling about the news, particularly in financial circles, is obvious. Yet because it is obvious it must be assumed that an overriding of the Presidential veto was a foregone conclusion. The only unexpected event was a sustaining of the veto, and even for that, it seemed as if the market were prepared.

* * *

The question now before us is what will the market do from here on. The apparent reply is that it will go up. The next question must therefore be, how far up. The answer to that one depends in a large measure on how the mass public takes the news of the past few days. To get the right answer to that question one has to have the power to look around corners, an ability, I don't possess.

* * *

There is an old trading saw that says something like, "buy 'em on weakness and sell 'em on news." The weakness we've had. The news is something we're gradually assimilating. General conclusion is that the news will put "labor in its place" whatever that means, and by the same token business should make larger profits and stocks should go higher.

* * *

I'm afraid I don't agree with that conclusion.

* * *

This doesn't mean that stocks are going down from here. A public buying momentum once started can carry issues to much higher levels. And the public does want to buy. All it needs is a little push and it will come in. What happens after the first push is over is what matters.

* * *

From a technical viewpoint the market doesn't look bad at all. It does, however, point to an intermediate decline before it turns up again. The stocks that show this most clearly are the steels, with Bethlehem and U. S. Steel in the foreground, and Chrysler. Why these, and not the others is something I can't explain.

* * *

So despite any pessimism you may read in these lines I would suggest buying Bethlehem Steel between 82 and 84, stop 79; and U. S. Steel somewhere in the 64-66 range with a stop at 62.

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.]

Factors in World Bank Success

(Continued from page 11)

porary unbalances in their exchange positions by the use of an $8 billion fund to which all subscribe.

The World Bank today has 45 members, of which 39 participated at Bretton Woods. The six admitted since were Denmark, Australia, Italy, Turkey, Lebanon and Syria, and there are four represented at the 1944 conference who are not yet members: Russia, New Zealand, Liberia and Haiti. You are entitled to your own guess as to whether Russia will cooperate.

Thus far $8,024,500,000 has been subscribed of the $10 billion authorized capital stock, and of this amount 2% was paid at the time of admission and 18% subject to call. This 18% has already been called, the last 5% of which was paid May 26, 1947. Thus the bank now has, after deducting an operating deficit as of March 31, 1947, of $805,335, a total of 726,269,665 United States dollars and face value of other currencies, $872,-910,000, which is not at present useful for lending, or an aggregate of close to $1,600,000,000.

To refresh your memory let us see how the Bank operates. It has a Board of Governors made up of one Governor appointed by each member nation, and an alternate; a Board of 12 executive directors, of which five are appointed by the largest five stockholders (United States, Great Britain, France, China and India); the other seven are elected by the remaining 40 member nations. Each director has an alternate. The President is elected by the Board of Executive Directors and he appoints the staff. The Board of Governors has all the powers and it can delegate these (with exceptions) to the Executive Directors.

The Board of Governors meets annually and at special meetings when called. Each member nation has 250 votes plus one vote for each share of stock subscribed by it. On the Executive Board, each appointed director has the same number of votes as the government that appointed him and each elected director has the same aggregate number of votes as the nations which elected him. The Executive Directors meet once a week, with the President as ex-officio Chairman. He has no vote except in case of tie. The heads of operating departments are present at the directors' meetings and through informal discussions the President and the directors are kept informed of the Bank's operations.

Unfavorable World Conditions

Now as to the objective of the Bank. Informed opinion is generally agreed that the nations of the Old World, particularly, are in dire need of the machinery and materials to restore their productive capacities, and to develop their latent resources. Countries that have been devastated, shorn not only of their best manpower but of the tools needed to make a fresh start, are not far from desperate.

Their bleak outlook makes them the more susceptible to the fine promises of the totalitarians, to the doubts insinuated by the enemies of democratic principles. Unless they can be furnished the tools of production so they can produce the goods and equipment for a satisfactory economic life, they will turn toward the isms which thrive on falsehood and strife. In swallowing the propaganda which veils the exalting of the State and the loss of individual freedom, they embrace the doctrines that split the world into antagonistic groups. It is such a development that the World Bank can help to remedy. It is tangible evidence that in a day of strife sane men see hope in commonsense, cooperative action.

How will the Bank implement its worthy purpose? It can, first, make direct loans from its own capital; secondly, it can grant loans from funds obtained by the sale of debentures in private markets; third, it can guarantee issues placed by foreign borrowers in private markets. The World Bank is a sort of Bank of Last Resort. Its aim is to promote private international investment and it cannot make or guarantee loans that in the opinion of its directors may be obtained on reasonable terms from other sources.

Where private funds are not obtainable the Bank examines the prospective loan to see if it falls within the scope of the purposes of the Bank, that is, reconstruction and productive development; that the project covered by the loan is a sound one, and that there is a reasonable likelihood the loan will be repaid. In fact, while the risk may be somewhat more than you as bankers would take, yet the safeguards attached to the loan are also greater. The Bank is specifically directed to act prudently, not only in the interests of the nation where the loan is to be spent, but in the interests of the members as a whole.

Each loan has its own special committee which studies the loan project and submits a written report. All the data is analyzed by the Loan, Research and Treasury staffs and the legal staff of the Bank. The results of the studies go to the President, Vice-President, and heads of operating departments and are relayed to the executive directors. If more information is desired experts can be sent to the borrowing country.

When satisfactory proof is on hand that the proceeds of the loan will be spent for the purposes specified, then the member may start drawing on the account. This is not all. The Bank must keep informed of the progress of the project for which the loan was made and the general economic conditions in the country of the borrower. The experience and recognized ability of the official staff gives assurance that the loans will be of a nature which can bear the keenest scrutiny. You can see that, considering the nature of its task, it is really a conservative institution.

Funds for the Bank

So much for the makeup of the Bank, its operations and goal. Let us now turn to a subject of more immediate interest, that of finding additional funds for the Bank so that it can proceed with large-scale lending. It has already lent France $250,000,000 which that country says it will spend for coal, oil products, metals, cotton, and industrial equipment for steel, electrical, oil, railway, textile, motor, and potash industries. Denmark has recently asked for a $50,000,000 loan and Luxembourg for $20,000,000, both of which are now being processed.

To date nine nations have applied for loans aggregating $2,-553,875,000. To meet this huge total, the Bank has available only $1,590,000,000, if we include $40,-000,000 from Australia, which is the 20% on the subscribed capital paid by 45 countries. The other 80%, while subject to call, cannot be used for loans but only to meet obligations of the Bank.

Actually only $726,000,000 of the $1,590,000,000 can be used for current lending, the rest of it being in pounds, francs, kroner, gulden, etc. In addition there is a clause in the statutes which says that even the 18% paid in, exclusive of the original 2% paid when joining, cannot be lent without the subscribing members' consent. United States, Canada, and a few European countries can give this consent freely but most of the others are short of capital. Thus there won't be much more than a billion dollars available for direct loans in the early stages of the Bank's operations.

As time goes on these other nations may beter their positions and they too might afford limited capital exports. All this means that the Bank must attract the dollars of private firms or individuals before it can accumulate enough funds to meet foreign needs.

During the time when there are no private funds in the Bank's hands it must rely, of course, on the free funds I mentioned earlier. Suppose that the market doesn't absorb the Bank's offering readily or that the Bank had taken some foreign securities which it deemed good but unseasoned, and therefore didn't think the market ready for them. These are cases where it would have to rely on its free funds. And of course it would be logical to put these back in the till as soon as possible and to replace them by subscriptions in the private market.

What About Sale of Bank's Obligations

The question now arises: Will the Bank have difficulty in winning the confidence of investors so that a broad and firm foundation can be built for the Bank's obligations? Last year at the time when Eugene Meyer resigned from the presidency of the Bank and it remained three months without a head, the State banking commission of Wisconsin voted to forbid state banks and trust companies to buy any of the World Bank's issues. This action has seemed more like the last vestiges of isloationist sentiment rather than a reasoned policy.

At any rate, the prestige of the Bank has risen so noticably since then that Wisconsin may be glad to rescind its action and join the parade of states which are viewing the Bank's activities with favor. John J. McCloy, President of the Bank, stated last month that the Bank had succeeded in obtaining legislation to make its securities eligible for investment by savings banks and insurance companies "in practically all the important states." I am forced to admit that my own state has not yet acted favorably on such legislation though editorial comment indicates such a course would be received with favor by the public.

A big step in favor of the Bank's debentures was taken last April when Governor Dewey approved a bill which authorized insurance companies in the State of New York to invest up to 5% of their total admitted assets in the securities issued by the Bank, or guaranteed by it. The State's savings banks are already permitted to do so through legislative action last year. In a number of states, savings banks and insurance companies may buy the debentures without special legislative authorization. I do not know what the situation in this respect is in Maine.

So far as purchases by member banks of the Federal Reserve System are concerned, all they lacked until recently was a ruling by the Comptroller of the Currency that the Bank's issues are "investment securities." Such a ruling was made about three weeks ago and the national banks can now buy such issues up to the limit of 10% of capital and surplus.

Other potential buyers of the Bank's bonds would be the Export-Import Bank and possibly the Reconstruction Finance Corporation. These could use some of their liquid assets during some period when investors were hesitant or unreceptive to the Bank's obligations. This could happen if conditions abroad should get worse or if a domestic recession should tend to dry up private investment.

Thus government agencies could help to fill the breach when foreign lending outside the bank falls off. In this way the Bank's operations could be intensified to offset retrenchment elsewhere. Of course, if it has established a high credit rating so that its issues are widely in demand, no such support by Federal agencies need be encouraged.

In speculating about such a possibility it should be remembered that a loan to the World Bank by a government agency would require Congressional approval. The enabling legislation undoubtedly was passed in order to insure that the United States would not put more money into the Bretton Woods machinery than was originally intended. There is no specific provision in the legislation, however, that would prevent the Federal agency from buying securities guaranteed by the Bank.

Primarily the Bank will make funds available to borrowers in two ways—either by itself borrowing through the issuance of debentures or by guaranteeing issues floated by other borrowers. That the debenture method will be chosen, at least early in the Bank's operations, is indicated in speeches by the Bank's officers. This method, while it does not have every advantage over guaranteed obligations, seems preferable (a) because it gives the Bank a greater degree of control over the use of the borrowed funds; (b) the funds thus obtained are disbursed gradually as needed with a saving to the borrower of interest on the funds held back; (c) the terms of the loan, such as maturities, call features, etc., are kept uniform and are thus easier to handle; (d) when debentures are issued to cover, say, a group of small loans, invidious comparisons are eliminated, which would not be the case where guaranteed loans of strong and weaker nations may sell at different prices, thus reflecting on the credit rating of some; (e) guaranteed issues may go into default and have to be redeemed.

Interest Rate on Bank's Bonds

Of importance is the interest rate at which the Bank will issue its debentures. There has been some intimation from official sources what investors shall be offered to attract them. It stands to reason that persons or institutions with surplus funds in the United States must get a better rate than what is obtainable from Government obligations. If later the Bank's issues were put on the market abroad where investment yields are higher, they would have to have correspondingly higher yields.

Here where yields on the long-range Federal obligations range between 2¼ to 2½% and 2½ to 3% on prviate bonds of prime quality, it would seem that a yield of 3 to 3⅜% would do the trick. That represents a premium of ½ to 1% over the yields on high grade issues available today. On June 10, Mr. McCloy indicated that the debentures would bear interest of ABOUT 3%.

Of course, there are various provisions which have an effect on the coupon rate, such as the maturity, the sinking fund, and the right to call. In any event, the $250,000,000 loan to France at a 3¼% rate to be charged from the date of disbursement gives us a yardstick. We might infer from this the Bank's willingness to sell debentures to yield 3%, the extra ¼% to take care of expenses. The 1% additional which France pays, raising its loan to 4¼%, goes into a special reserve or guarantee fund. This guarantee commission can range between 1 and 1½%.

Preparing the Market

An immediate duty of the Bank now is to prepare the market for its call on private funds. In doing so it will have to convince investors that here is an avenue for funds which is not only attractive and as safe as human ingenuity and precaution can make them, but which carry the additional satisfaction of contributing to the foundations of international stability. In New York they have an Avenue of the Americas. This is a Financial Avenue of the Nations.

It is hard to believe that the officers cannot present the strong story the Bank has to tell in such a way as to create a substantial oversubscription of the first issue—provided, of course, that it is of comparatively modest dimensions. The amount most often mentioned has been $250,000,000—the equivalent of the French loan. However, it would be logical to have it somewhat larger so as to cover, in addition, the comparatively small loans requested by Denmark and Luxembourg.

First, they can show rightly that so far as safety is concerned, the debentures are on an equality with Federal securities, at least up to the extent of the entire United States subscription. This includes the $635,000,000 paid in (20%) and the 80% subject to call, which is an additional $2,-540,000,000, or a total of $3,175,-000,000. That much, together with other gold or dollar subscriptions paid in, totalling $90,000,000, is more secure than the Rock of Gibralter, even though all the rest of the Bank's assets may become worthless and the member nations fail to meet a call for funds. That would guarantee satisfactorily more than one-third of the aggregate of loans the Bank can make. And these in toto cannot go beyond the sum of its unimpaired subscribed capital, surplus and reserves.

A second line of defense, as viewed by the domestic investor, are the liquid funds which can be paid in by countries whose credit position is strong and whose record for meeting international financial debts is good. It cannot be doubted that in the event of losses such countries as Canada, Australia, Switzerland, Norway, Holland, to name only a few, and various South American countries would meet calls to offset any defaults. Thus it can be assumed that enough of these additional contributions would be forthcoming to add up to, say $4 billion. Loans above that amount would have the less satisfactory safeguard of the word and ability of weaker nations to furnish acceptable currency.

Beyond this, and looking somewhat further ahead, there will be the ever-growing reserves built up out of the 1 to 1½% commission charged on all loans. On an aggregate of $3 billion of loans, this would provide a minimum of $30,000,000 annually as an additional safety factor. Then, too, American investors can limit the total of loans made by refusing to buy more of the Bank's securities than are covered by the total liability of the United States Government. In this sense, they could control automatically the Bank's ability to extend loans beyond a definite amount.

Factors Restricting Loans

There are other factors which will tend to keep borrowing within conservative bounds. One is the restricting factor of shortages of materials in the United States. At the present time many of the capital goods needed in Europe are in sharp demand on this side of the water. It will take longer than previously visualized to get the products being bought with borrowed dollars, having due regard for domestic needs. Then, too, the Bank will have to take notice of the probable slowness which conceivably will characterize the reconstruction projects abroad. Thus the elements of time and availability of supplies will be on the side of the investor, giving him opportunity to evaluate the Bank's operations and the applicability of its loans.

For those who would look for historical precedent in the matter of international loans, a survey by the National City Bank of New York, based mainly on United States Department of Commerce figures, indicates that losses due to defaults, while heavy, have been less bad than usually realized. In the two decades between 1920 and 1940, the data show that Americans put 8½ billion dollars in foreign loans and that about one-third of the total went into default during the depression of the thirties. By 1940, losses of principal added to losses by market depreciation, totalled 3½ billion, according to the Commerce Department.

Conditions, of course, are different today. Rates were high then. They are low now. Today there is a guarantee fund, none then. Today every loan is for reconstruction and to boost productivity; then the purpose was not a vital factor. And, today, the uses to which the loan is put is subject to continuous Bank scrutiny. Even if the defaults should ever total those of the 20s and 30s, they would still be amply covered by subscriptions of United States and Canada alone.

Mr. E. Fleetwood Dunstan, the Bank's director of marketing, who formerly was Vice-President in the bond department of the Bankers Trust Company, New York, will have the advice of two top-flight men in their field in distributing the initial security issue. They are Mr. Francis T. Ward, partner of Morgan Stanley & Co., President of the Bond Club of New York and a governor of the New York Stock Exchange, and Mr. H. Warren Wilson, Vice-President, the Union Securities Corporation, Chairman of the New York group Legislation Committee of the Investment Bankers Association of America and formerly associated with Dillon, Read and Smith, Barney & Co.

These men can conscietiously say "Let us have your investment dollars. They will do a necessary job and the debentures they buy will give you a good return. We will undoubtedly come around for more when you find these palatable."

Major Problems in Creating Full Employment

(Continued from page 3)

ment of labor and capital from one industry to another or artificially restrict production and job opportunity.

There is a serious economic heresy that constantly keeps cropping up in all of the discussions of this problem of maintaining a high level of employment. It is that we can maintain such employment only by rapidly increasing the wages of factory workers. Such rapid increases in wages without any corresponding increase in productivity is essentially inflationary since these increases require corresponding increases in prices.

While the workmen involved in such wage increases might temporarily seem to gain thereby, actually they do not. For other producers, who are in the great majority, raise the prices for their goods and services eventually bringing about a parity in the value of all goods and services throughout the economy, but with a lessened demand.

This does not seem to be clear to some who argue that such an inflation would do no particular damage since a balance in prices would ultimately be restored. Actually, great damage is always caused by such an inflation. It writes down the value of all savings in terms of current purchasing power, thus importantly affecting both the ability and confidence to buy on the part of those dependent on savings, annuities or any form of fixed income, even for their services. Furthermore, greatly increased working capital is required to maintain a given volume of business. This additional capital in terms of dollars cannot be currently earned as rapidly as the inflation requires. Therefore, either prices must be raised in the effort to accumulate the capital required, thereby curtailing demand and resulting in unemployment or businessmen are forced to restrict their activities within the limits of their available capital, resulting in a curtailment of production and again causing important unemployment. This is why no nation ever achieved prosperity through inflation.

In the final analysis employers do not pay wages—customers do and the percentage of the consumer's dollar required to provide equipment and a place to work, and as an incentive to save and expand the economy of the whole country has been estimated to be, with a stabilized economy, on the average about 15%. This covers all rents, interest of all kinds, dividends and accumulated profits retained in businesses to expand them. The balance of 85% shows up somewhere in somebody's wages or salaries. However, in an inflationary period, when the value of savings is being written down, profits must be much greater in order to accumulate enough capital to maintain a high level of physical production. In such a period prices must go up even faster than wages in order to keep businesses going. In such a period customers restrict their purchases. Therefore, when some workers price their labor so high that the workers in other industries, other producers and consumers generally cannot buy their products and industry and business cannot make enough money to maintain working capital and replace worn out equipment, there is bound to be a curtailment of employment until the situation is corrected.

The Importance of Maintaining Productivity

It was the enormous productive ability of the United States that was our real secret weapon during the war. If our enemies had believed that it would have been possible for us to do what we did, in the way of design and mass production of totally new articles, and our ability to convert from the mass production of peacetime goods to weapons of war, they would never have dared to attack us. It was this same productive ability which prewar gave our country the highest standard of living ever achieved by any nation. This same productivity under our American system of free competition is the means for achieving the postwar prosperity we all dreamed about during the war years. But we must stick to our system and not attempt to substitute too much state planning for the initiative of the millions.

In this connection, I can do no better than to quote a statement which Senator O'Mahoney made on the floor of the Senate on May 19, 1947, as follows:

"What this country needs more than anything else, and what the world needs more than anything else, is the stimulation of production. Nothing else will solve our problem; and the wider we make the field of productive opportunity the closer we shall be to a successful solution of the problems which are bringing this country to the brink of the same sort of disaster which has overtaken the countries of Europe, the erection of arbitrary central power."

One of the fundamental reasons why this country enjoys the highest productivity of any nation on earth, and hence the highest living standards, is that we have better tools. A Chinese laborer, laboring all day with a pick and shovel, earns a bare pittance—hardly enough to keep him alive, and frequently not that much. An American worker, with a bulldozer, accomplishes 1,000 times as much useful work in the same time, because he has a machine equal to several hundred horses. I could extend and expand this comparison indefinitely, but the fundamental is inescapably the same. It is that only as we continue to increase our productivity can we have more goods to enjoy, and can we afford to have the leisure in which to enjoy them.

But, better tools and equipment do not spring full blown out of the mind and hands of one man. They are the product of long hours of research, of the painstaking application of such knowledge to the design and production of better products by competent management. They require large investments in productive equipment, efficient sales forces and efficient and aggressive workmen. Only as we can increase our productivity further can we hope to continue to raise our standard of living in the terms in which it can concretely be measured, the goods and services we use.

Now, if the only way by which we can maintain and increase our standard of living is by increasing our productivity, it follows that any policy which increases our productivity is economically sound, and any policy that diminishes our productivity is economically unsound. This is true of governmental policies — federal, state and local—as well as industrial and labor union policies. This is the heart of the matter—our productivity must be maintained and increased. If we want more, we must produce more. We cannot eat food that has not been produced. We cannot wear clothes that have not been made. And if we want more food and more clothing, without working unduly long hours, we can have them only by better management, better tools, and more efficient labor and use of our resources.

All present legislation affecting this problem of high employment opportunity should be reviewed to make sure it is consistent with the fundamental principles of our system and whether it really accomplishes the purposes for which it was intended. Any new legislation proposed to improve our competitive system should likewise be checked.

To balance supply and demand and increase productivity without serious unemployment requires the right attitude on the part of workmen, a willingness to learn new jobs and achieve the extra production made possible by improved processes and the superior tools provided. Otherwise, the fruits of technological improvements are dissipated through feather-bedding. Likewise, to balance supply and demand and to increase productivity without unemployment requires the right attitude on the part of industry and businessmen generally to accept the challenge of competition and to strive to earn profits by delivering an ever better value for the customer's dollar, and not just to sit by and collect a toll. Only this will maintain confidence of customers.

Government can help, not by going into competition with its citizens nor by attempting to regulate production, wages and prices, but by legislation which fosters free competition both in business and labor. The peaks and the valleys of the business cycle can be importantly influenced and leveled out by sound fiscal policies on the part of the government. Government policies should not promote inflation, and needless taxes must not be collected from the people. Federal expenditures not directly contributing to the welfare and standard of living of our citizens must be avoided. Such non-productive governmental expense reduces the average standard of living by about the same proportion of the national income that it represents. All citizens must realize we cannot have an economy of plenty if millions look to the government for something for nothing and do not make the effort to look after themselves. Government policies must encourage individual competence and not subsidize inefficiencies and laziness in any form.

Warns of Decline in Exports

Commerce Department says severe dollar shortage by end of year will reverse upward export trend and may lead to foreign import restrictions and barter arrangements.

Foreign countries have been using up their dollar exchange so rapidly that dollar shortages may materialize before the end of the year with a corresponding decline in United States exports, the Department of Commerce reported on June 26.

From now on, at least until productive facilities abroad are restored, United States exports are likely to decrease as the supply of dollar exchange available to foreign countries is reduced.

During the first four months of 1947 United States exports were very heavy. Recorded exports—i.e. exports of goods in normal trade and not counting surplus property sales abroad and exports by the armed forces of civilian supplies for occupied areas—reached an annual rate of $16 billion in March and $15.5 billion in April.

The March and April rates of export were exceeded only in the Spring of 1944, immediately preceding the landing of our troops in Normandy when lend-lease exports were at their peak. However, prices of export goods have increased by about 30% since the Spring of 1944 so that the physical volume of exports during March and April was considerably below the wartime peak.

At the end of March 1947 foreign gold holdings and dollar exchange amounted to about $20 billion, a decline of more than $2.2 billion from the peak at the end of 1945, but $7 billion above the amount held at the end of 1937. This increase of $7 billion from 1937 to the end of March 1947, actually is proportionately less than the price increase of goods entering world trade as indicated by United States export and import prices. Therefore, in relation to the amount of goods foreigners could purchase in this country with their gold and dollar exchange, there has been a decline in the period from 1937 to March 1947, instead of an increase.

The Department of Commerce explained that gold and dollar balances serve foreign countries in dual roles, as reserves for domestic currency and bank deposits, and as working capital for international transactions. Rising prices as well as rising business activity has increased the requirements of monetary reserves for both of these purposes. It seems, therefore, that foreign liquid reserves are by no means ample if all foreign countries are viewed as a group.

If world prices in terms of gold or dollars do not decline substantially, the need of foreign countries for monetary gold or dollar reserves can be reduced only by lowering or abolishing legal requirements for reserves against domestic money and credit; by relying increasingly on exchange controls or barter; or by resorting to restrictive measures with respect to their domestic business activity and imports, the Department of Commerce said.

Most foreign countries would prefer to draw on their credit allowances and liquid assets so long as they are able to purchase the foodstuffs and industrial equipment they urgently need rather than to postpone rehabilitation or expansion of productive facilities. They would prefer to do this even though at present prices they are getting less for their money than they might be able to get later on. Some additional countries may restrict imports of less essential commodities, as Sweden and Brazil have already done.

In the second quarter of this year and perhaps also in the third quarter, United States exports are expected to remain large with a correspondingly heavy inflow of gold and reduction of foreign dollar assets.

Larkin Chairman of Fulton Trust Co. Board

John Adrian Larkin, Vice-Chairman of the Board of Celanese Corporation of America, was elected on June 19th as Chairman of the Board of Fulton Trust Company of New York. Mr. Larkin, who remains Vice-Chairman of the Celanese Corporation, has been a director of Fulton Trust Company since 1928. He succeeds Edmund P. Rogers, who at the same meeting of the bank's board of directors was elected Honorary Chairman. Mr. Rogers was President of the trust company from 1925 to 1934, when he was named Chairman of the Executive Committee and since 1945 has been Chairman of the Board.

John Adrian Larkin

Frank D. Rose Joins Stern Bros. Co. Staff

Special to The Financial Chronicle

KANSAS CITY, MO.—Frank D. Rose has become associated with Stern Brothers & Co., 1009 Baltimore Avenue, members of the Chicago Stock Exchange. Mr. Rose in the past was Manager of the municipal bond department for Callender, Burke & MacDonald and prior thereto served in a similar capacity with Prescott, Wright, Snider Co.

Clarence Luce Jr. Dies

Clarence Luce, Jr., partner in Gamwell & Company, New York City, died at his home at the age of sixty-four.

With P. R. Smith & Co.

Special to The Financial Chronicle

ELYRIA, OHIO—John F. Smith has joined the staff of P. R. Smith & Co., Elyria Savings & Trust Building, members of the Cleveland Stock Exchange.

Is Labor Peace Possible Under Taft-Hartley Act?

(Continued from first page)

termined to turn around in the direction of law and order and peace and away from lawlessness, intimidation and disorder.

For 160 years with many periods of crises and narrow escapes we held nevertheless to the concept that all men are endowed by the creator with certain inalienable rights in the pursuit of life, liberty, work, property and happiness. Peace comes only when these inalienable rights are respected. The other concept necessary for possible labor peace is that the function of Government be instituted to protect and maintain those fundamental inalienable rights. This is self government of men disciplined to do right in their own account without the compulsion of mere men over other men. This is still the road to peace.

We Must Avoid European Pattern

In order to turn on to the road to peace we must recognize the evils of the way we have been traveling. We must quit fooling ourselves in thinking we can avoid the same end if we travel on exactly the same road that the European countries have traveled. None of them attained internal peace and all of them eventually engaged in aggressive warfare. All of them deliberately turned their backs on freedom and supported by overwhelming majorities the false gods that promised higher wages, cheaper beef and butter and houses by force and violence by combinations of groups that exploited the rest of society by the use of the machinery of government itself.

Let us illustrate what is happening among us that is strictly according to pattern in all other nations that traveled this road down to yesterday. Motor squads of secret police appear in the coal fields. They issue orders that men quit work, scatter to their homes and stay there until further orders. Four hundred thousand men obey almost to a man out of utter fear of violence. A million and a half people are ruled absolutely by the this secret police while regular law and order enforcement is set aside. The surplus coal pile is reduced, scarcity and distress become imminent. Finally the miners and workers get together, agree to raise the price of coal 50 cents, each side takes a quarter and declares a truce. The public pays the bill. That goes on year after year until the product is priced out of the market. The monopoly is complete. The needy can't buy fuel; they cry out to the Government, the God-State, for help. If the miners are unable to force the owners to pay further monopoly wages and the people are unable to pay the price of coal, they all join in the clamor together for protection of the needy against cold and demand that the Government take over the mines and supply coal. The Government takes over and at the same time pays the monopoly wages and settles all other demands through taxation of the whole people.

Labor Versus Housing

Let us illustrate what is happening in another field. Let us take the best unions, namely, the trades unions and the worst of evils, namely, the housing shortage.

The testimony before the Labor Committee of Congress showed $9,000 for a decent house to be prohibitive. What made it prohibitive? The labor costs. They are about $7,000 in a $9,000 house. Just add up for yourself the costs in all the steps from sawing down the trees, mining the iron, burning the bricks and splitting the stones, to the finished house. Obviously they are nearly all labor costs.

Masons, carpenters, painters, plasterers, and plumbers in many areas get $20 a day, or $2.50 an hour, for eight hours. Masons, for example, used to work for $8 a day and laid 9,000 bricks in nine days at a cost of $72 for the ordinary house. Since the labor monopoly in building, he slows down to take 18 days to lay 9,000 bricks at a total cost of $360 for our new house.

Add to that the Federal taxes of about 12½% on all the business transactions, or $1,134, which is the share of the $37,000,000,000 Federal budget our new house must bear. The total labor and Government cost is $8,134.

So much to our surprise (and I think it will surprise you) we find in a $9,000 house, only about $866 to pay for insurance, interest, plans and profit for the contractor. He is that person who is so often referred to as the capitalist, and blamed by demagogues and Communists and Government propagandists for not raising wages and reducing prices. The fact is the greatest of American business, viz., the building business, has been largely taken over by the double-headed, monstrous *labor monopoly and Government control*. They go together in our country as they do in the other nations. Free enterprise in building houses is gone in whole cities, whole States. Even the President of the United States resorts to double-talk that free enterprise is given its last chance to build houses and that if it doesn't, if it is too selfish and greedy, why of course the Government will have to build houses for the people.

More than half of the American people can't build houses. Why? Because half of our American families make only $6 a day. Veterans, farmers, preachers, teachers and pensioners and white collar workers can't pay $20 a day or exchange 3½ days' work for one day's work. They can't pay $12 a day. That would make them work two days to get one in exchange from a carpenter or mason. Nonunion men, even veterans, are stopped from work by the minions of the union bosses who act as their secret police. Young workers can't join the union without paying prohibitive initiation fees. They are therefore stopped from building houses in two ways. This lawlessness has been going on for two generations. Now, who can build houses? How many of you could possibly contemplate undertaking such a venture?

Taft-Hartley Remedy

The new Taft-Hartley Bill of Rights for labor makes all men free again to enter the building trades without having their heads bashed in. They may join a union or not and pay $25 initiation fee instead of a $1,000 fee. Under this bill no group will be able to strike or boycott or intimidate or stop work or use their secret police and fear to force a free American to join a union against his will. This is the way to peace. No industrial condition short of the discipline and atmosphere of freedom in which to exchange on an even basis one man's work for another's, the freedom of the market place, the freedom of a willing buyer and seller will stop the evils of industry-wide labor monopoly that has emerged in many fields like those just described.

Bosses Must Be Curbed

Without legislation to reduce and scatter the monopolistic power of the rough, tough labor bosses they would have combined their power on a national scale imposing their wills on the people and approaching the time when they would have taken over the National Government itself. That's what they mean when they objected to the Labor Bill of Rights and threaten to go into politics so they can elect their own men. Then they can make the rest of us pay through their political government for houses and food and fuel by force of national government taxation what we cannot or will not pay in a state of freedom. They are confident, fanatical and work without ceasing. Who opposes them? How many of you leaders work in the election districts where you live to see that the people organize and vote against the forces of this statism?

Using Housing for Political Ends

Again let us use public housing to illustrate how it builds up the political party so that it becomes one with the labor monopoly. The good citizens, many of your wives, join forces to clear the slums and cure the diseases of the big cities, with all the left wing influences and the labor monopolies and the politicians who work for that group. The houses are built. The unions collect their $20 a day all around with additional bonuses and overtime by the force of Government from the taxpayers. The left wing politicians move in. They select the tenants. If the tenants vote right they keep their living space. If they do not they are moved out. This vote added to the vast party patronage already built up is decisive.

The one party is entrenched for good. They call such a political job "government housing." The pretense is that Government housing will clear slums and cure disease in dark alleys. It will bring prosperity. They make it sound respectable. In fact, it amounts to the exploitation of the people. The slums and the diseases grow worse and worse.

A Private Secret Police

To protect monopoly prices and the closed shop secret police take the law into their own hands and ignore outright the regular police forces in the use of meat chopper picketing and other violence. They ride in motor squads around the jobs and force men and women to work, strike, boycott or commit violence as directed. The Teamsters' Union squads upset trucks of food and beat up the drivers to force them to join their gang. Coal miners are ruled by the same force and so on.

These separate groups of secret police are gradually merged into one great national secret police in the same way they became the dreadful secret police of Italy, Germany and Russia. The rough gangs of those countries, served first the unions, then became the government gangs. They threaten now to become our G. P. U., our own President, Congress and Legislatures, supervisors and councilmen, our election district leaders to nominate and control politics

Orderly Law Will Bring Peace

If we can overthrow these industrial and labor forms of monopoly and compulsion of the 1947 American type by the orderly process of law, we may expect labor peace. On two occasions when resisting combinations of force over us we had to resort to war. We overthrew domination by one race over another race. Our national life was paralyzed by the evil forces of being master on the one hand and slave on the other. The great struggle in 1776 resisted the foreign group combinations created by royal favors to exploit the majority of the people. These organized favored groups at home corrupted the government in England. In the struggle with industrial monopoly in 1890-1900 we did not resort to war but to law. Because the 1947 struggle is the same struggle for freedom from domination of groups that have corrupted our government, legislation to bring freedom about cannot be called anti-labor. It is freedom for labor and for all men, the very basis of all peace, the only medicine that heals strife. We can make peace as we made it in the 1890 struggle.

We ought to have the wit in America to profit by our own experience with monopoly and apply it by peaceful means of legislation, to the needs of 1947.

A friend on General Clay's staff for industrial rehabilitation in Germany has just returned home with amazing stories of what happened there by reason of the combinations of industrial labor groups and the government monopoly of Germany. They parallel so nearly our own experience as to put one in a cold sweat. As he went from factory to factory he asked these questions: "How many of the labor leaders in your factory participated in political leadership in your city?" The answer was that about nine or ten out of twelve were political leaders as well as industrial labor leaders in their communities. "How many of the executive officers of your company participated actively in political leadership in your community where your factory is?" The answer was always, "Nein, nein!! We never thought of bothering with politics. We had more important work to do, we thought." "What happened to the officers of your company?" "Three or four of us are left. Seven or eight of us are dead. Some were disposed of the very night they were taken; others in ways, we know not of." The leadership of city after city is gone. There is not the semblance of an opposing political party left.

Good Men Needed to Overcome Politicians

It is too obvious to require illustrations that we are ruled over as the people are in every land by those who volunteer to take over the machinery of politics. If good men volunteer, if they exercise their leadership in the election districts where they live and work to support and maintain and fight for freedom, it will work. Otherwise those who believe that freedom is unworkable, that men will not behave on their own account without compulsion, constitute themselves the government for the purpose of compelling and exploiting the rest for whom they have contempt. Without active opposition in politics the false gods easily deceive the people by promises of food and houses and health.

Let us make freedom work if food is to be found, if houses are to be built, if health administered by free men doing it, and let us organize to resist the encroachment of the compulsory state which is always ready to do it for us. One way is the way to industrial peace; the other way is the other way is the way of permanent compulsion, violence, fear and ultimately war with other nations. Freedom is not a mere sentiment in a game to be played by the strong to exploit the weak. Freedom is a practical, hard-headed concept; the only source of practical things such as food, houses, health as well as the good life. Out of it alone comes peace and the end of wars. This freedom, made of such practical stuff, comes, however, only by the disciplines of men devoted to the concept of right according to God's laws. That means the inescapable religious disciplines as the very base of a triangle on which peace is possible. On it rests completely economic freedom, freedom of markets, freedom to exchange one man's work for another; freedom of the willing seller and the willing buyer; freedom from restraints and compulsions and exploitation. Without confidence in men doing right on their own account there can be no faith in their observerance of the economic laws though such laws be perfectly clear and well understood. In turn without economic freedom there can be no such thing as religious freedom. The pagan God-State always sees to that. And finally our political freedom rests on the assumption that men will do right on their own account without compulsion. Government in that case is confined to the maintenance and to the protection and to the extolling of the benefits of freedom itself. It never depreciates freedom and extolls itself.

So the sides of the triangle—religious, economic and political freedom—appear to be so dependent on each other that they are one and the same thing. When one fails they all fail. Disorder follows. And the most frequent point of attack seems to be applied against the economic angle. At this time the pressure is by labor bosses. At another time it will appear in different form.

In the last analysis, the defense of the whole structure depends squarely on all the American people. This the new law will make possible!

National Supply Debs. Issue Oversubscribed

Goldman, Sachs & Co. and Lehman Brothers and associates on June 24 offered to the public $15,000,000 The National Supply Co. 2¾% debentures due June 1, 1967, at 100¾% and accrued interest. The issue has been oversubscribed.

The Company, one of the nation's largest producers and distributors of oil and gas well equipment, will apply net proceeds from the sale of debentures to the prepayment of $11,250,000 of instalment bank loans, with the balance to be added to general corporate funds.

The debentures are entitled to a sinking fund, beginning June 1, 1952, sufficient to retire 66⅔% of the issue prior to maturity. They are redeemable, other than through the sinking fund, at prices starting at 103¾% and for the sinking fund at prices starting at 101¼%.

Outstanding capitalization following the financing will consist of the $15,000,000 debentures; 166,600 shares of 4½% cumulative preferred stock, par $100 per share; 279,537 shares of $2 Ten-Year Preference Stock, par $40 per share (which will automatically be converted into a like number of shares of common stock on Oct. 1, 1947); and 1,154,928 shares of common stock, par value $10 per share.

Halsey, Stuart Offers Kentucky Utilities Bds.

Halsey, Stuart & Co. Inc. heads a group which is offering publicly $24,000,000 Kentucky Utilities Co. first mortgage bonds, Series A, 3%, due May 1, 1977, at 101.985% and accrued interest. The bonds were awarded to the group at competitive sale on its bid of 101.209%.

Proceeds from the sale of the bonds are to be applied to the redemption of $21,000,000 outstanding first mortgage 4% bonds, and toward paying the cost of additions and extensions to the company's properties. The bonds may be redeemed by the company at its option in whole or in part at any time upon 30 days' notice at 105% to May 1, 1948, the premium reducing thereafter.

Kentucky Utilities Co. operates in 72 counties in Kentucky, and in one county in Tennessee. In 1946 approximately 91% of operating revenues was derived from the sale of electricity, 3% from the sale of gas, 2% from water and 4% from ice. The estimated population of the territory is 458,300 and includes the cities of Lexington and Paducah.

No Bad Inventory Situation

(Continued from page 4)

inventory shocks has a tremendous influence on his chances for survival in the turbulence of a market which is still feeling the pull and tug of many conflicting forces. We have entered a competitive era in which both inflationary and deflationary forces are still bobbing up and down like passing elevators. In the highly coordinated automotive industry, many assembly lines are idle because necessary parts have been delayed by labor difficulties. A shortage of this type causes inventory excesses to back up all along the production line, and in themselves create an excess of that highly necessary but often unpredictable inventory which is "skilled labor." Here we must deal with human equations rather than arithmetic equations.

Current Inventory Situation

What then is the current dollar inventory situation? The trend is generally upward, but so are sales. What is the comparative rate of climb? If we plot the graph lines for manufacturers, inventories, shipments, and new orders from 1939 to 1947, including the first quarter, we observe a general affinity of movement. In the first quarter of 1947, inventories made a swift climb to 21.6 billions while the index of shipments and new orders climbed on the same angle. The angle of the climb of the wholesale inventories and sales is less dramatic, and while retail inventories are gaining over sales, there is nothing alarming as yet. Wrong inventories rather than excessive inventories seems to be a major difficulty. New orders and shipments are not likely to maintain the same rate of climb as inventories, because of changing price schedules for parts and other materials.

A pre-war inventory is often a blessing in disguise but a post-war inventory can be an undisguised headache. In 1916-1917, I worked for a concern manufacturing bathroom accessories. Some of the basic materials were imported from Austria. Business was bad in 1916 and worse early in 1917. It looked like an inevitable liquidation at the expense of creditors in January, 1917. The principal assets of the company were a variety of scarce chemicals and a huge supply of brass screws of all sizes, and brass and bronze castings. By July of 1917 this brass inventory turned into a gold mine, and was sold at several times its purchase price. All creditors were paid and the business got a second breath with a new product. In 1918, I worked for a shipbuilding concern, and when the Armistice Day came there were 26 ships in various stages of completion on the ways and in the fitting-out basin. The company acquired this once scarce item of war for a song, but the song had a sour note for the ships were too small and too slow to compete with European bottoms. The prime asset here became a problem which was only solved by a painful inventory loss, for the ships were sold as scrap.

When prices collapsed in 1921, the shrinkage in retailing value has been estimated at a billion or more. I have no authority for such a figure, but liabilities of failures reached $621,000,000. I don't look for any such collapse in price structure because of the strength of our labor force, individual savings, and the unsatisfied needs of the public, and company reserves.

A recent spot check of stocks for ten wholesale lines reveals no alarming inventory condition in a comparison of balance sheet ratios for 1940 and 1946. Only in groceries and women's wear does the ratio of inventory to net working capital show a gain over 1940. Inventories generally were lower in 1946 as compared with 1941, excepting women's wear, and we have already discussed the special circumstance leading to this condition. We have also seen a recent improvement in the women's wear lines, the best evidence of which is the number of re-orders. Sales however, are estimated 8 to 10% under 1946.

Manufacturing failures in the heavy machinery field reflect some of the inventory difficulties in the metal trades, especially those with complicated reconversion problems. In the first quarter of 1947 there were 53 failures in this category with total liabilities of $8,761,000 and an average liability of $165,302, a substantial increase over the comparable period of last year when there were 24 failures with liabilities of $2,060,000 and an average of $85,833. The rubber industry especially tire manufacturers, are feeling the lack of war demands and the slow gain of the automotive industry in getting new cars on the road. Many war inflated industries, aircraft, shipbuilding, rubber and chemicals have found it difficult to cut their postwar operations down to a peacetime market without inventory pains, part of which must be suffered and shared by the government through tax adjustment.

Plus and Minus Factors

Here are a number of Plus and Minus Factors to consider:

Plus Factor — Inventories are leveling off in some lines and in the aggregate are not out of line with sales by prewar standards.

Minus Factor — Inventories in certain lines are growing faster than sales volume. Low grade inventories have handicapped sales expansion.

Plus Factor — Sales opportunities have increased. For instance, there are ten million more people to feed, clothe, and house.

Minus Factor — Returned goods and cancellations were high in proportion to sales in costume jewelry, cosmetics, perfumes, furs, sport clothes.

Plus Factor—Sales volume continues high in most lines.

Minus Factor — Textiles have suffered and many workers are idle at the mills and in the needlecraft industries.

Plus Factor — Some concerns that must carry large inventories over comparatively long periods of time have set up reserves against possible decrease in value.

Minus Factor—Past experience indicates that inventories continue to pile up for six months or so after sales start to drop.

Plus Factor — Inventories in items that are still relatively scare — such as steel, brass, and electric goods.

Minus Factor — Some concerns are undercapitalized for the size of inventories they are now carrying.

Many bankers are requiring liquidation of inventories on loan renewals.

Hidden inventories are showing up.

Plus Factor—While purchasing power has fallen off in some lines, there are still "spending dollars" held back for better markets, in price and quality.

Plus Factor—Lack of homes and apartments within means of new families has held back and spread the market for home furnishings and larger appliances.

Minus Factor — Small, single-unit houses built to sell for over $10,000 are not selling.

Plus Factor—Reorders are prevalent in several lines, indicating more confidence and better sales than expected.

Minus Factor—Many orders are small — on week-to-week or month-to-month basis.

Buyers are selective as to quality and stubborn on prices.

The housewife has also accumulated heavy inventories in items once scarce. When they became plentiful she was somewhat indifferent.

Plus Factor—New plant expenditures for 1947 estimated at 14 billions, nearly two billion more than 1946 (according to U. S. Department of Commerce).

Plus Factor—America is a larger enterprise, more people, high employment, high income and a confident outlook.

Pegging of Inventories

Now let us consider the ways and means of diagnosing inventory ailments and offering some prevention medicine, and a possible correction. It is natural to compare net sales to inventories, and for comparison purposes that's acceptable. However, net working capital is a much safer measure of control. We have already discussed the danger of hitching the jeep and the steam roller, or net sales and inventory. Working capital has a greater degree of stability than net sales, and when inventories are pegged to 75% of net working capital for manufacturing and 100% for retailing (including seasonal peaks in certain trades and industries), we have a means of keeping the steam roller from running berserk. When the inventory ratio equals or exceeds 100% of working capital, the cash position of the concerns is impaired and payments usually suffer.

Roy A. Foulke in his brochure, "They Said It With Inventories," explains the problem in the language of the commercial analyst. He writes, "The relationship between the closing inventory and the annual net sales is between two variables, between items which change materially from year to year. The relation between the inventory and the net working capital is between one variable and one constant. That means in the first comparison, that if the inventory and net sales increase in the same proportion, the ratio between them will show no change. In the second comparison, the proportion would change, as the net working capital of the typical business concern is a relatively constant figure." In other words, we have a constant working dollar against the fluctuation of inventory values. And, according to Foulke, the net working capital position of many concerns has improved steadily during the past seven years.

During the war period inventories were prime assets, and easier to trade in than money in comparable lines. Today the soldier in Germany and Italy with a carton of cigarettes can do business quicker than the soldier with ten dollars.

The postwar market, and all wars of the past 200 years are marked by similar characteristics. Inventory values carry over for a year or two in a tidal surge, and then recede leaving a lot of debris in the wake. The recent war, however, with the overall controls exerted by the government prevented inventory speculation to a large extent. Of course, we had our black markets, up-grading, under the counter cash payments, and all that, but inflation was checked to a reasonable degree. The pattern of prices upward was not as steep as in the Civil War or World War I, and is not likely to reach the destructive levels of 1921, when price rises continued far into a low employment period which does not exist today. We are in a strange period of rise and fall—a period, however, in which pessimism is testing the tremendous hidden strength in our economy. This pause may be a "thank you, mam," a knoll on the upward grade, a pause for consideration and adjustment. An airplane has three speed categories—top speed, cruising speed, and stalling speed. We may be entering the period of cruising speed now.

Prices

Prices are high and must come down to lowel levels, but not to 1939 levels. The national debt would be an almost unbearable load under a 1939 economy. We have moved upstairs to another floor, and we'll have to get used to doing business at that level. Yes, excessive, unbalanced, or wrong inventories will result in some painful adjustments. The market must continue to be a buyers' market, for a sellers' market is not the natural order of affairs in a free economy. There will be failures, plenty of them. In good times, or bad, there are always failures, it is a part of the process of the natural law. Failures are rising gradually in number, and substantially in amounts. Today, however, failures among manufacturers exceed those in all lines of distribution. Failures among the retailers are rising but it is still negligible in comparison to the number who have entered business, and small in comparison with any other period on record. The July, 1947 Reference Book contains about 2,500,000 commercial names for the United States, the greatest in our history, a net gain of 600,000 since the end of the war. It is inconceivable that the present low rate of retail failures will continue, but it is equally apparent that the retailer has an amazing tenacity to life, even when the rewards of a business life hardly make existence worth while.

A large volume of goods have been spread out in the 42,500 communities to this increased crop of retailers. How many of them will survive with a profit to themselves and then suppliers? The answer is implied in another question. How many retailers can the consuming population of the country support? We have about 10,000,000 more people. In 1939, there was a commercial enterprise for each 74 people, a grocery store for each 338 and a filling station for each 150 cars. In 1947, according to a recent estimate, there is a commercial venture for each 50 people, and in the struggle for volume and profits, some are going to quit, and only a small proportion of them will be commercial failures in the sense that their sources of supply will suffer losses.

A failure in a receding market can aggravate an inventory situation with distress merchandise—goods which must be disposed of without a profit on the working capital used. That is the problem to be considered while we are attempting to determine how many outlets are necessary to supply the wants of the people.

Importance of Consumer Demand

Consumption, of course, is the key to the successful and profitable dispersal of inventories. The whole cycle of processing goods from raw material to the consumers' doorbell succeeds or fails at the point of a sale. Goods must be sold with a realized profit, or the whole distribution structure sags from inherent weakness. Productive capacity doesn't mean a thing unless there is a consumptive capacity to buy, to use, and even to waste. There can be no prosperity when the consumer lacks confidence in his ability to replace the dollar he spends today by his work tomorrow. We are all dealing in futures, but there is a vast difference between the actual hazard and the rash gamble. Life is an adventure and we are called upon to share its dangers and rewards, but the wise man takes the calculated risk with his eyes wide open—and doesn't accept the blind gamble in which he is at the mercy of luck.

The manufacturer considering his inventory position is dealing in futures, and invests with a reasonable respect for his day by day requirements. He has a proper balance of caution and daring when he keeps his inventory investment below his net working capital—and the 75% margin is a reasonably good guide to safe and profitable management.

The outlook in this buyers' market is still bright for profitable operations. The need of the market rather than greed for volume should be the guide to judgment. I should like to suggest to manufacturers that they consider the technique of the market research specialists who can apply the principles of scientific sampling in maintaining a vigil over merchandise flow through the various stages of processing, and progress through channels of distribution to the ultimate consumer. Knowing the progress of goods to end use is the first physical step in inventory control. Why not try it? There is an old saying in the credit world that no sale is complete until the money is collected. From an inventory point of view, I would like to change it—"No sale is complete until the goods are paid for and is used."

May Department Stores Securities on Market

Goldman, Sachs & Co. and Lehman Brothers head a public offering today of $15,000,000 2⅝% sinking fund debentures due 1972 and 89,467 shares of new $3.75 cumulative preferred stock of The May Department Stores Co. The offering prices are 101% and accrued interest for the debentures and $100 per share and accrued dividends for the preferred stock. The financing is to provide additional general funds to the company, particularly in the light of past and prospective expansion, including new stores in Los Angeles, St. Louis, and Phoenix, Ariz.

A sinking fund for the debentures, operating for each year after July 1, 1951, will retire 75% of the issue prior to maturity. The call prices will start at 101½% for sinking fund and at 103½% for all other purposes. The new preferred stock sinking fund will retire for each year after Jan. 31, 1949, 1% of the shares issued prior to such year, and the stock will be callable at prices starting at $101.50 per share for sinking fund and at $104 per share for all other purposes.

The company, incorporated in 1910, is the outgrowth of a small business established in Denver more than half a century ago. Combined sales of the stores in the year ended Jan. 31, 1947, exceeded $330,000,000 and consolidated net profits were reported at $18,826,697.

Behel, Johnsen & Co., Inc. Expelled From NASD

Behel, Johnsen & Co., Chicago brokerage firm on June 25 was expelled by the Securities and Exchange Commission from membership in the National Assn. of Securities Dealers for "willful violation of antifraud provisions of the Securities Exchange Act."

The SEC also revoked the firm's registration as a broker and dealer in securities.

The Commission held that Behel, Johnsen secured secret profits by urging customers to engage in trading solely to secure a profit for themselves.

The firm's active members were controlled by William L. Johnsen and Robert B. Tennington.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The death, at Buergenstock, Switzerland of Otto Jeidels, of Santa Barbara, Calif., was made known in Associated Press advices from there on June 19. His death, resulting from a heart ailment, occurred on June 16. He was 65 years of age. He and Mrs. Jeidels had been in Switzerland several weeks on a vacation, said the press accounts.

In the New York "Herald Tribune" of June 20 it was stated in part:

"Dr. Jeidels was general partner in the banking firm of **Lazard Freres & Co.**, 44 Wall Street, from 1939 to 1943. For 20 years previously he had been managing director of the **Berliner Handelsgesellschaft,** one of Germany's leading banks. He represented Germany in negotiations with foreign creditors from 1931 to 1938 and also served on the board of many industrial, commercial and banking companies. He was a member of the supervisory board of the German Railway System.

"After his resignation from the German bank in 1938, Dr. Jeidels became a Swiss citizen and came to the United States. In 1943, after leaving Lazard Freres & Co. he became associated with the **Bank of America National Trust and Savings Association, in California.** He became a U. S. citizen in 1945."

* * *

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on June 24, Roger Milliken was elected a director to fill the vacancy caused by the recent death of his father, Gerrish H. Milliken, who had been a Director of the Bank since 1910. Mr. Milliken is a Director, Vice-President and Treasurer of Deering, Milliken & Co., Inc., with which he has been associated since his graduation from Yale in 1937.

* * *

The Corn Exchange Bank Trust Company of New York announces the appointments of Paul F. Bubendey, former manager of the Pennsylvania Station Branch, as Assistant Vice-President, and S. A. Hayner as Assistant Secretary.

* * *

Robert A. Barnet, President, has announced the election on June 10 of Arthur Jansen as a member of the board of trustees of the **Irving Savings Bank of New York.** Mr. Jansen is a general partner of **E. W. Clucas & Co.,** members of the New York Stock Exchange, is a frequent contributor to "Barron's" and is an instructor in finance at New York University and the American Institute of Banking.

* * *

Harry C. Howe, who retired a year ago as Assistant Secretary of the **Lawyers Trust Company of New York,** died on June 20. He was 61 years of age and was formerly Secretary and Treasurer of the New York State Bankers Association for Group VII, it was noted in the Brooklyn "Eagle" of June 21.

* * *

T. Arthur Nosworthy, President of **The Bronx Savings Bank of New York,** has announced that deposits have reached $100,000,000. Organized in 1906, The Bronx Savings Bank has over 80,000 depositors.

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According to a joint statement released by Andrew Wilson, Jr., President of **The County Trust Company, of White Plains, N. Y.;** Joseph E. Hughes, President of the **Washington Irving Trust Company, of Tarrytown,** and Henry F. Freund, President of **The Bank of Westchester, of Yonkers,** the proposal to merge the three institutions under the name of **The County Trust Company** was approved by the directors of each at meetings held on June 23. Under the terms of the arrangement, The County Trust Company will acquire the assets and assume responsibility for the deposits of the other two. All three institutions, which are State banks, are also members of the Federal Reserve System and of the Federal Deposit Insurance Corp. If the merger is completed, the total capital funds will be in excess of $7,750,000 and total resources should exceed $120,000,000. The merged bank will have 18 offices located in the following Westchester communities: White Plains, Mamaroneck, Scarsdale, Hartsdale, Pleasantville, Hastings-on-Hudson, Ossining, Fleetwood, Mount Vernon, Port Chester, Tarrytown, Yonkers, Larchmont and Mount Kisco. It is expected that the new institution will be headed by Andrew Wilson, Jr., as Chairman of the Board of Directors, and that Joseph E. Hughes will serve as President. It is understood that Henry F. Freund, of the Bank of Westchester, has been planning for some time to retire from the banking business and will hold no official post in the new organization.

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Robert S. Darbee, President of the **Bay Ridge Savings Bank, of Brooklyn, N. Y.,** and former Chairman of Group V of the Savings Banks Association of the State of New York, died on June 15. Mr. Darbee, who was 66 years of age, had been associated with the bank for 30 years. After serving with the Williamsburgh Savings Bank for a number of years Mr. Darbee, in 1917 was named Cashier of the Bay Ridge Savings Bank and 14 years later, after having officiated as Vice-President was elected President to succeed the late Dr. Maurice T. Lewis. Mr. Darbee was a member of the Brooklyn Chamber of Commerce, the Bay Ridge Chamber of Commerce and a director of the Brooklyn Real Estate Board.

* * *

An increase of $125,000 in the capital of the **Franklin Square National Bank, of Franklin Square, New York,** raising it from $500,000 to $625,000, became effective June 4, it was reported in the bulletin, June 9, of the Office of the Comptroller of the Currency.

* * *

Charles P. Cooley has resigned as a director of the **Hartford National Bank & Trust Company, of Hartford, Conn.,** on account of ill-health. His successor on the bank's board is H. Mansfield Horner, President of the United Aircraft Corp. According to the Hartford "Daily Courant," Mr. Cooley has served on the board of the bank since its consolidation and with one of the predecessor banks for a total of 51 years.

* * *

The election of Francis L. Pell, Jr., as a Vice-President of **The Philadelphia National Bank, of Philadelphia, Pa.,** has been announced by Frederic A. Potts, President. Mr. Pell was with the Corn Exchange Bank Trust Company, New York City, for 12 years and prior to joining the Army Air Forces in 1942 was manager of the 36th Street office. He served as Lieutenant-Colonel with the Alaskan Division of the Air Transport Command. Mr. Potts also announced the appointments of Harold W. Wallgren as an Assistant Vice-President; G. Edward Cooper as Assistant Vice-President and Comptroller, and Walter F. Smith as an Assistant Cashier.

* * *

Preston D. Brenner resigned as Title Officer of the **Commonwealth Title Company of Philadelphia** to assume a similar post with **Land Title Bank and Trust Company** as of June 25th. Mr. Brenner, who was recently elected Vice-President of the Pennsylvania Title Association, has been Secretary of the West Philadelphia Real Estate Board since 1933. He also is a member of the Central, South Philadelphia and East Montgomery County Real Estate Boards. He is Assistant Secretary of the West Somerset Building and Loan Association and a director of the Pennsylvania Housing Finance Corp. and the West Philadelphia Federal Savings and Loan Association. He has spent 37 years in the title business.

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The Corn Exchange National Bank and Trust Company, of Philadelphia, announces the election of Vincent E. Furey to the office of Vice-President, and B. G. Walton to that of Assistant Vice-President, effective July 1.

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Melville E. Ambler was on June 23 appointed Assistant Secretary of the **Land Title Bank and Trust Comp, of Philadelphia,** effective June 30.

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The appointment by the **Fidelity Trust Company of Pittsburgh** of three investment officers who had served in the armed forces during the war was announced by Alexander P. Reed, President, it is learned from the Pittsburgh "Post Gazette" of June 18. The appointees are Henry W. Wickenhiser, Paul D. Remington and Don Rose, Jr. The advices from which we quote, added:

"Mr. Wickenhiser has been connected with the securities division of the trust department, Mr. Remington was admitted to the practice of law in 1941 and Mr. Rose joined the Fidelity in 1946."

* * *

The election of John D. Bainer, President of the **Merchants National Bank and Trust Company of Meadville, at Meadville, Pa.,** as a Class A director of the Federal Reserve Bank of Cleveland is announced by Board Chairman George C. Brainard, of the Reserve Bank. Mr. Bainer, who will take office July 10, was chosen by the Group 2 member banks in the Fourth (Cleveland) Federal Reserve District. His election fills the unexpired term, ending Dec. 31, 1949, of the late Harry B. McDowell, of Sharon, Pa. Mr. Bainer joined The Merchants National Bank and Trust Company of Meadville in 1936 as Cashier, later becoming executive Vice-President and Secretary, and director. He was elected President of the bank in May of this year.

* * *

The election of Joseph E. Spruill as Assistant Vice-President in charge of advertising and publicity of **The Bank of Virginia, at Richmond, Va.,** has been announced by Thomas C. Boushall, President. Mr. Spruill has been managing director of the Virginia Beach Chamber of Commerce since July, 1945. A native of Surry County, Va., he received his B.A. degree from Emory and Henry College in 1932 and took post graduate work at the College of William and Mary. Mr. Spruill has served as Treasurer of the Princess Anne County Chapter of the American Red Cross; Secretary of the Better Business Association of Virginia Beach and Princess Anne County, etc.

* * *

The stockholders of the **National Bank of Commerce of Chicago, Ill.,** have voted an increase of $100,000 in the capital and an increase of $50,000 in surplus, according to the Chicago "Journal of Commerce," of June 14, which said:

"Capital stock of the National Bank of Commerce will be increased from $500,000 to $600,000, through the sale to stockholders of 1,000 additional shares. After crediting $100,000 to capital, the balance of $50,000, and other funds from undivided profits and reserves, will be added to surplus, which then will total $400,000.

"Shareholders of the National Bank of Commerce of record June 9 will be given the right to purchase within 30 days, in the ratio of one new share for each five owned, new stock at a price of $150 a share."

* * *

In our issue of June 12, page 3158, we inadvertently reported the celebration on May 12 of the 75th anniversary of the **First National Bank of Danville, Ill.,** whereas the item was actually intended to have applied to the **First National Bank of Danville, Va.** Incidentally, the Illinois institution this year marks its 90th anniversary.

We are repeating here the item in our June 12 issue, as it should have read, changing "Illinois" to "Virginia":

The **First National Bank of Danville, Va.,** 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 $3\frac{1}{3}$ times the amount of the capital stock.

* * *

The **Third Northwestern National Bank of Minneapolis, Minn.,** has increased its capital, effective June 11, from $100,000 to $150,000 by the sale of $50,000 of new stock, it is learned from the weekly bulletin, June 16, of the Office of the Comptroller of the Currency.

* * *

Mercantile-Commerce Bank & Trust Company, St. Louis, Mo., has announced the appointment of John F. Wilkinson as Assistant Vice-President in the Correspondent Banks' Department of the bank. Following graduation from the University of Oklahoma in 1923 Mr. Wilkinson entered the investment business in St. Louis, joined the investment division of Mercantile-Commerce in 1930, covering southern and southwestern states until 1941, when he was appointed Sales Manager of the Bond Department. He is a member of the Class of 1944 Graduate School of Banking, Rutgers University, and at present is serving as St. Louis member of the State Bank Committee representing bankers of the United States Savings Bond Committee.

The appointment of John B. Payne as Director of Research of the Mercantile-Commerce Bank and Trust Company was announced on June 10 by Gale F. Johnston, President. Mr. Payne comes from New York where for some 17 years he served as Advisor on Management to the Policyholders' Service Bureau of the Metropolitan Life Insurance Company. In addition to counseling business executives on their management problems, he conducted surveys and prepared management reports for publication.

* * *

Byron Moser, Jr., has been elected Assistant Vice-President of the **Jefferson Bank & Trust Company of St. Louis,** it was indicated in the St. Louis "Globe-Democrat" of June 12, which also noted that he was recently elected a director. The election of Byron Moser as Chairman of the board of the bank was referred to in our issue of June 12, page 3158.

* * *

First-Owensboro Bank & Trust Company, of Owensboro, Ky., a State member, was absorbed, effective June 2, by **The National Deposit Bank in Owensboro, at Owensboro.** In connection with the absorption the National bank changed its title to The Owensboro National Bank, the Board of Governors of the Federal Reserve System reports.

* * *

James White, Jr., former President of the **National Bank of Athens, Ga.,** has joined Frederic H. Rahr, Inc., color consultants, as a member of the firm, it is announced. Mr. White is still a director in the Athens bank, one of the oldest National Banks in the South operating under its original charter. Both his father and grandfather before him served the institution as President. He is also a director in the Georgia Railroad & Banking Company of Augusta, Ga. The Rahr organization, serving industry at large as color engineers, was founded in 1936 by Frederic H. Rahr, one of the country's leading colorists. In addition to his administrative duties, Mr. White will take an active hand in the firm's textile projects.

* * *

Appointment of Henry W. Drath as Assistant Vice-President of the International Banking Department of the **Bank of America, of San Francisco,** is announced by L. M. Giannini, President of the bank. Mr. Drath has been assigned to the bank's representative office in New York, at 44 Wall Street, where he will act as liaison for the California institution in the field of international banking activity. He brings to his new post a background of 18 years' previous experience in foreign department banking in New York and overseas.

* * *

The board of directors of **The Pacific National Bank, of Seattle, Wash.,** announces the retirement July 1 of George H. Greenwood, Chairman of the board. Mr. Greenwood has been associated with the bank since its organization in 1928; he will continue as a member of the board of directors.

* * *

Sir Charles Lidbury, Chief General Manager of **Westminster Bank Ltd (London)** and General Manager of **Westminster Foreign Bank Ltd.,** will retire from active management of both banks on June 30 after 54 years of service. He will be succeeded as Chief General Manager by W. T. Ford, at present Deputy Chief General Manager of Westminster Bank Ltd. E. L. Palmer, Assistant General Manager of Westminster Foreign Bank, will become General Manager of that bank. Sir Charles Lidbury will continue as a director of both institutions.

Robert C. Jones & Co. To Be NYSE Member

WASHINGTON 5, D. C.—Robert C. Jones & Co., 613 Fifteenth Street, will become a member of the New York Stock Exchange, as of July 2, when Robert C. Jones will acquire the Exchange membership of John H. Koehler. Other partners in the firm are Joseph P. Kreeger, Edgar B. Rouse, Oscar P. Hunt, J. Newton Brewer, Jr., Edward M. Becker, and August H. Schmidt.

With Hunter, Prugh Firm

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO — Oliver Baughan has become associated with Hunter, Prugh, Ball & Davidson, Inc., Winters Bank Building. He was previously with Dayton Bond Corporation.

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.

● **Adlite Corp., Salt Lake City**
June 20 (letter of notification) 48,000 shares of ($1 par) common. **Price**—$1 a share. No underwriting. For corporate purposes.

● **Aetna Insurance Co., Hartford, Conn.**
June 20 filed 250,000 shares ($10 par) capital stock. **Underwriters**—Dillon, Read & Co. Inc. and W. C. Langley & Co., New York. **Offering** — The shares initially will be offered for subscription to stockholders on the basis of one share for each three shares now held. Unsubscribed shares will be sold publicly. Price by amendment. **Proceeds**—To be added to capital funds.

Allied Finance Co., Dallas, Texas
May 26 filed 25,000 shares ($20 par) 5% cumulative convertible preferred. **Underwriting**—None. **Offering**—Offered to stockholders of record May 10 in the ratio of one share for each two shares of common held. Rights expire July 15. Any shares not taken up to and including 18,750 shares will be purchased by Republic Insurance Co.; balance will be sold to or through the Dallas Texas National Association of Security Dealers. **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 (6/23)
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 Veterans Housing Cooperative, Inc., Philadelphia**
June 19 (letter of notification) certificates of investment in membership capital. 425 certificates in the face amount of $675 each to be issued upon payment of face amount of certificate plus entrance fee of $25. No underwriting. For purchase of land in Ridley Township, Pa., and construction of 425 housing units and for other expenses.

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.

● **Anchor Mines, Inc., Riggins, Idaho**
June 16 (letter of notification) 300,000 shares ($1 par) common. **Price**—$1 a share. To be sold through NASD selling agents. For rehabilitation of mining machinery and for mine development.

● **Apollo Records, Inc., New York**
June 16 (letter of notification) 15,000 shares of (10¢ par) common. **Price**—$5 a share. No underwriting. For working capital.

Arcady Farms Milling Co., Chicago (7/8)
June 17 filed 96,000 shares ($5 par) common. **Underwriter**—Central Republic Co. (Inc.), Chicago. Price by amendment. **Proceeds**—Of the total, company is selling 30,000 shares while the remaining 66,000 shares are being sold by stockholders. Company will use its proceeds for payment of its indebtedness of $400,000 to the First National Bank of Chicago.

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.

● **Arkansas Power & Light Co., Pine Bluff, Ark.**
June 20 filed $11,000,000 of first mortgage bonds, due 1977. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. and Harriman Ripley & Co. (joint); Lehman Brothers and Stone & Webster Securities Corp. (jointly); Central Republic Co. and Equitable Securities Corp. (jointly). **Proceeds** — To repay short-term bank loan and to finance construction program.

Armour and Co., Chicago
July 12, 1946, filed 350,000 shares (no par) cumul. 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.

● **Arrow Safety Device Co., Mt. Holly, N. J. (6/30)**
June 19 (letter of notification) 8,000 shares (no par) common. **Price**—$12 a share. Stockholders are given right to subscribe to new stock on or before July 15 in ratio of one new share for each 13 shares held. No underwriting. For working capital.

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 was to become effective June 15 and continue to the end of 1948. The SEC has granted American Gas & Electric Co. until Aug. 5, 1947, to sell the shares.

Barium Steel Corp., New York
June 17 filed $3,000,000 15-year sinking fund debentures, due 1962, with non-detachable subscription warrants for purchase of common stock. **Underwriter** — Name by amendment. Price by amendment. **Proceeds**—For payment of loans and for other corporate purposes.

Berbiglia, Inc., Kansas City, Mo.
Sept. 12, 1946 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. **Offering price** $6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

● **Berg Plastics & Die Casting Co., Inc., N. Y. (6/27)**
June 18 (letter of notification) 56,044 shares (10¢ par) common. **Price**—$4 a share. **Underwriter** — Gordon Meeks & Co., Memphis, Tenn. For acquisition of machinery and for working capital.

● **Blakeslee Forging Co., Southington, Conn.**
June 19 (letter of notification) $100,000 10-year 5% sinking fund debentures, due 1957. **Price**—$1,000 per unit. Bull Holden & Co., New York, will use best efforts to sell stock. To refund notes.

Blumenthal (Sidney) & Co. Inc., New York
Aug. 30, 1946, filed 119,706 shs. (no par) common and subscription warrants relating to 30,000 shs. thereof. **Underwriting** — None. **Proceeds** — For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withhold action.

Bowman Gum, Philadelphia (6/27-30)
Sept. 27, 1946, filed 268,875 shs. ($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. **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). **Bids**—Bids for the purchase of the securities scheduled for May 20 and postponed to June 18 further delayed. It is reported company has abandoned sale of preferred for a construction credit and term of loan of amounts up to $9,000,000.

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, 1946, filed 400,000 shares of common. **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.

(Continued on page 46)

NEW ISSUE CALENDAR

(Showing probable date of offering)

June 26, 1947

American Cyanamid Co.---Preferred
Southern Bell Telephone Co. 11:30 a.m. (EDT)---Debentures
New York New Haven & Hartford RR.---Equip. Trust Ctfs.

June 27, 1947

Berg Plastics & Die Casting Co., Inc.---Common
Bowman Gum Co.---Common
Frank Bros. Footwear, Inc.---Class B. Stock
Holt (Henry) & Co., Inc.---Common
Konga International Inc.---Common

June 30, 1947

Arrow Safety Device Co.---Common
Chicago Milwaukee St. Paul & Pacific RR., noon (EDT)---Equip. Trust Ctfs.
Frontier Industries, Inc.---Common

July 1, 1947

General Foods Corp.---Preferred
Kansas-Nebraska National Gas Co.---Preferred
Seaboard Finance Corp.---Preferred & Cl. A. Com.

July 2, 1947

Chicago & North Western Ry. Noon (CST)---Equip. Trust Ctfs.

July 7, 1947

Acme Electric Corp.---Common
Clary Multiplier Corp.---Debentures
Equitable Office Bldg. Corp.---Debentures

July 8, 1947

Arcady Farms Milling Co.---Common
Chesapeake & Ohio Ry. Noon (EST)---Equip. Trust Ctfs.

July 9, 1947

Wheeling Steel Corp.---Bonds

(Continued from page 45)

Central Soya Co., Inc., Fort Wayne, Ind.

Aug. 21, 1946, filed 90,000 shares (no par) common. **Underwriter**—None. **Offering**—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.

● **Citizens Loan Corp., Springfield, Mo.**

June 20 (letter of notification) $11,035 aggregate par value of 5% $10 par preferred to be offered publicly at $11 a share and $38,965 aggregate par value of 5% $10 par preferred to be exchanged for outstanding shares of other classes of preferred at par. No underwriting. For working capital.

Clary Multiplier Corp., Los Angeles (7/7)

June 16 filed $750,000 15-year 5% sinking fund debentures. **Underwriter**—Maxwell, Marshall & Co., Los Angeles. **Proceeds**—Estimated proceeds of $681,000 will be used to retire $250,000 of bank loans. The balance will be added to working 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%.

Coast Counties Gas & Electric Co.

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.

● **Colonial Packing Co., Ward, Pa.**

June 19 (letter of notification) 20,000 shares ($10 par) 6% cumulative preferred, 25,000 shares of ($1 par) common, of which 5,000 shares reserved for warrants. **Price**—$12.50 a preferred share and $1.50 per common share. **Underwriters**—Buckley Brothers, and Bioren & Co., both of Philadelphia. **Proceeds** for additions, etc.

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.

Crawford Clothes, Inc., L. I. City, N. Y.

Aug. 9, 1946, filed 300,000 shares ($5 par) common. **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, 1946, filed 500,000 shares of common (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.

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.

Edelbrew Brewery, Inc., Brooklyn, N. Y.

Dec. 31, 1946, filed 5,000 shares ($100 par) 5% non-cumul. 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.

● **English Lumber Co., Asheville, N. C.**

June 20 (letter of notification) 1,000 shares of (no par) 6% cumulative preferred. **Price**—$100 a share. No underwriting. For completion of plan, purchase of machinery and for operating capital.

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.

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.

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.

● **Florida Power & Light Co., Miami, Fla.**

June 24 filed $10,000,000 of first mortgage bonds, due 1977; $10,000,000 of sinking fund debentures, due 1972, and 150,000 shares of $100 par cumulative preferred. **Underwriters**—Names to be filed by amendment. Price by amendment. **Proceeds**—To redeem outstanding debentures, serial notes, and promissory notes, and for expansion of facilities. **Business**—Public utility.

● **Frank Brothers Footwear, Inc., New York (6/27)**

June 20 (letter of notification) 7,500 shares of class B voting stock (par $20). **Underwriter**—None. **Price**—$20 per share. Expansion of business, etc.

● **Frontier Industries Inc., Buffalo, N. Y. (6/30)**

June 23 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$11.25 per share. **Underwriter**—Hamlin & Lunt, Buffalo. Retire indebtedness and general corporate purposes.

Fundamental Investors, Inc., New York

June 16 filed 600,000 shares ($2 par) capital stock. **Underwriter**—Hugh W. Long & Co., Inc., New York, is the exclusive wholesale distributor of the company's stock. **Price**—Based on market price. **Proceeds**—For investment.

General Foods Corp. (7/1-3)

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.

● **General Portland Cement Co., Chicago**

June 20 filed 42,480 shares ($1 par) common. **Underwriting** — No underwriting. **Offering** — To be sold to holders of Portland's consolidation warrants. The warrants, entitling holdings to purchase stock at $12 a share, were issued to stockholders of Florida Portland Cement Co. and Signal Mountain Cement Co., January, 1947. **Proceeds**—For general corporate purposes. **Business**—Manufacture of Portland cement.

Glensder Textile Corp., New York

Aug. 28, 1946, filed 355,000 shs. ($1 par) common, of which 55,000 shs. 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.

● **Green Mountain Mining Co., Missoula, Mont.**

June 17 (letter of notification) 151,040 shares (6¼¢ par) common. **Price**—16 cents a share. No underwriting. For operating funds.

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. In no event will any offering be made until approval for sale has been secured from several blue-sky States.

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.

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.

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.

● **Holt (Henry) & Co., Inc., N. Y. (6/27)**

June 20 (letter of notification) 5,000 shares ($1 par) common on behalf of Reserve Loan Life Insurance Co. of Texas and 5,000 shares common on behalf of Atlantic Life Insurance Co. To be sold at market, approximately $10 a share. Underwriter—Kneeland & Co., Chicago.

Household Service, Inc., Clinton, N. Y.

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.

● **Huttig Sash & Door Co., St. Louis, Mo.**

June 16 (letter of notification) 1,500 shares ($5 par) common on behalf of Roy R. Siegel and Charles M. Huttig, President and Executive Vice-President of the company, respectively. To be sold at market. Underwriter—Stifel, Nicolaus & Co., Inc., St. Louis.

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.

● **Industrial Office Building Corp., Newark, N. J.**

June 20 filed a registration statement for purpose of extending maturity date of its $1,954,000 first mortgage 6% cumulative income bonds to Dec. 1, 1957. The bonds otherwise mature this year. The bonds will be deposited with the Chase National Bank, New York, to be exchanged for certificates of deposit. The deposit constitutes endorsement of the extension plan.

If the plan is approved by the board of directors, new bonds will be issued in place of the certificates of deposit.

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.

K. C. Working Chemical Co., Long Beach, Calif.

June 10 (letter of notification) 15,000 shares ($10 par) preferred, to be offered publicly at par, and 10,000 shares ($10 par) preferred to be offered to officers, directors and employees at par. To be sold through Pearson, Richards & Co., San Francisco. To decrease current liabilities and for working capital.

Kansas-Nebraska Natural Gas Co. (7/1)

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.

Kentucky Utilities Co., Lexington, Ky.

May 9 filed 130,000 shares ($100 par) cumulative preferred. Underwriters—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly) and Lehman Brothers and Lazard Freres & Co. (jointly). Offering—Preferred stock initially will be offered in exchange for 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 preferred will be used to redeem unexchanged shares of old preferred. Bids—The sale set for June 23 has been postponed.

● **Konga International, Inc., New York (6/27)**

June 19 (letter of notification) 30,000 shares (par $1) common. Price — $2 a share. No underwriting. For expansion of business.

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.

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.

Lock Nut Corp. of America, Chicago

June 17 filed 50,000 shares ($12.50 par) 5% cumulative preferred and 250,000 shares ($1 par) common. Underwriting—No underwriting. Price—$17.50 per unit consisting of one share of preferred and five shares of common. Proceeds—For payment of outstanding notes and for purchase of machinery and equipment.

● **Loew's Inc., New York**

June 20 filed 59,676 shares (no par) common. Underwriting—To be sold at market through regular brokers. Offering—To the Public. Proceeds—The shares are being sold by Nicholas M. Schenck, President, who will receive proceeds.

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 par 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.

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.

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 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.

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.

● **Motion-Ad Corp., Philadelphia, Pa.**

June 20 (letter of notification) 50,000 shares of Class A common ($1 par). Price — $2.50 a share. To be sold through officers and directors of company. For working capital.

● **Musser Marimbas, Inc., Chicago**

June 18 (letter of notification) 500 shares ($100 par) preferred and 4,000 shares (no par) common. Price—$100 a preferred share and $10 a common share. No underwriting. For property, machinery and raw materials.

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.

New York Telephone Co.

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. Petition Denied—Although company had issued invitations for bids to be received June 24, the N. Y. Public Service Commission denied application to issue the debentures. The Commission, however, on June 5 approved company's plan to issue $125,000,000 35-year first mortgage bonds.

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.

● **Northern Film Productions, Inc., Los Angeles, California**

June 20 (letter of notification) 16,000 shares of preferred and 4,000 shares of common. Price—$25 per unit consisting of four shares of preferred and one share of common. To be sold through officers and directors of company. Brokers not selected yet. For production of stage plays and motion pictures.

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.

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. Rights expire Aug. 13. No underwriting. For additional working capital.

Pacific Power & Light Co., Portland, Ore.

June 18 filed $29,000,000 30-year first mortgage bonds. Underwriting—Of the total, $26,900,000 will be offered at competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly), Blyth & Co., Inc. Offering—

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$2,100,000 of the bonds will be issued to Pacific's parent, American Power & Light Co., in exchange for the same principal amount of 4½% debentures due 1959. **Price**—To be determined by competitive bidding. **Proceeds**—For redemption of 5% first mortgage and prior lien gold bonds due 1955. For construction program and for payment of indebtedness.

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.

Pennsylvania (Pa.) Salt Manufacturing Co.

June 18 filed 50,000 shares ($100 par) convertible preferred series A stock. **Underwriter**—No underwriting. **Offering**—Shares will be offered to the company's common stockholders on the basis of one share of preferred for each 15 shares of common held. **Price**—By amendment. **Proceeds**—For expansion of production facilities and other corporate purposes. **Business**—Manufacture of chemicals.

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 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 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, 1946, filed 100,000 shs. (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.

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, 1946, covered 184,823 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company decided to issue 454,465 shares of common stock only, which were to be offered for subscription to stockholders of record Sept. 5, 1946, to the extent of one share for each five held. Issue not to be underwritten.

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. Corporation has temporarily abandoned the proposed financing. It was announced June 17, due to "unacceptable" conditions of New York P. S. Commission. Instead company June 18 asked SEC permission to issue unsecured notes.

Rochester (N. Y.) Telephone Corp.

June 4 filed 67,500 shares ($100 par) cumulative preferred. **Underwriting**—By competitive bidding. Probable bidders—Merrill 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.

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.

• **Sams (Howard W.) & Co., Indianapolis**

June 16 (letter of notification) 1,000 shares of 5% cumulative preferred and 20,000 shares ($1 par) common. The common stock is being sold by Howard W. Sams, sole owner of all the outstanding stock. **Price** — $150 per unit, consisting of one share of preferred and 20 shares of common. No underwriting. Proceeds from the sale of the preferred will be used as working capital.

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.

Seaboard Container Corp. (7/1-3)

May 9 filed 75,000 shares ($20 par) 5½% cumulative convertible preferred and 112,500 class A shares ($1 par) common (also 225,000 shares class A reserved for conversion and 69,000 reserved for warrants). Underwriter will make special offering of 12,500 shs. of pfd. to holders of 6% debs. at $18.15 for a limited period. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$20 a preferred share and $6 a common share. **Proceeds**—The company will receive proceeds from the sale of all the preferred and 37,500 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.

• **Selectronic Dispersion, Inc., Montclair, N. J.**

June 23 (letter of notification) 1,840 shares (no par) preferred and 1,840 shares (no par) common. **Price**—$100.50 a unit, consisting of one share of each. An additional 460 shares of common will be sold at 50 cents a share to Henry Jeuett for investment. No underwriting. For general corporate expenses.

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.

Solar Manufacturing Corp.

March 19 (by amendment) filed 110,000 shares of 75c 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. (6/26)

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) June 26 at 195 Broadway, New York.

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.

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

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.

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. The SEC June 11 started stop order proceedings due to the fact that the registration statement "appears to include untrue statements of material facts." On June 17 the SEC granted company's request to waive a trial examiner's report in stop-order proceedings. This will expedite the SEC's decision on the public offering of the stock.

• **United Oil Corp., Farmington, N. M.**

June 16 (letter of notification) 10,000 shares ($10 par) capital stock. **Price**—$10 a share. No underwriting. For drilling well in San Juan County, N. M.

United States Television Mfg. Corp., N. Y.

June 18 filed 75,000 shares of 5% convertible preferred stock (par $4). **Underwriters**—William E. Burnside & Co., Inc. and Mercer Hicks & Co. **Offering**—To be offered at par. **Proceeds**—For general corporate purposes as additional 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.

• **Warren Petroleum Corp., Tulsa, Okla.**

June 19 filed 100,000 shares ($100 par) convertible preferred. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. Price by amendment. **Proceeds**—To reduce bank loans and to increase general funds **Business**—Manufacture of gasoline.

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.

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.

• **Wheeling (W. Va.) Steel Corp. (7/9)**

June 19 filed $20,000,000 20-year first mortgage, Series D, sinking fund bonds. **Underwriter** — Kuhn, Loeb & Co., New York. Price by amendment. **Proceeds**—To finance construction and improvement program. **Business**—Manufacture of steel.

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.

• **Witt Tire Co., Inc., Atlanta, Ga.**

June 18 (letter of notification) 5,000 shares ($1 par) common. To be offered to employees at $3.20 a share. No underwriting. For working capital.

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

• Chesapeake & Ohio Ry. (7/8)

Bids will be received up to noon (EST)) July 8, at company's office, 3400 Terminal Tower, Cleveland, for the purchase of $3,150,000 serial equipment trust certificates of 1947. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; Harris, Hall & Co. (Inc.)

Chicago Milwaukee St. Paul & Pacific RR. (6/30)

Company has issued invitations for bids to be received up to noon (CDT) June 30 at Room 744, Union Station Bldg., Chicago, for $6,000,000 of equipment trust certificates, series Z. The certificates will be dated July 1, 1947, and are to mature semi-annually from Jan. 1, 1948, to July 1, 1957. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago & North Western Ry. (7/2)

Company has asked the ICC for authority to issue $4,650,000 of equipment trust certificates to be dated Aug. 1, 1947, and due in 10 equal annual instalments. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.). Bids for purchase of certificates will be received up to noon (CST) July 2 at company's office, Chicago.

• Equitable Office Building Corp. (7/7)

J. Donald Duncan, trustee, has issued invitations for proposals from bankers or others for the underwriting of a new issue to replace the corporation's present $4,754,000 of outstanding debentures. Bids will be received at the office of the trustee, 120 Broadway, New York City, up to 3 p.m. (EDT) on July 7. The bids will come up for consideration at a hearing on July 8 in the U. S. Court House, Foley Square, New York. Stockholders will be given an opportunity until July 15 to file proposed alterations or modifications of the plan of reorganization, based on the bids received for the new bonds.

• Hooker Electrochemical Co.

June 25 company plans to file with SEC this week 110,000 shares of cumulative preferred stock (no par). A portion of the proceeds to be used to retire 50,000 $4.25 preferred stock. Proceeds and the balance will be used for capital expenditures, etc. Underwriter—Smith, Barney & Co.

• New York Chicago & St. Louis RR.

The company has asked the ICC for authority to issue $1,350,000 of equipment trust certificates. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

New York New Haven & Hartford RR. (6/26)

The trustees have issued invitations for bids to be received June 26 for $5,955,000 of 1-to-15-year equipment trust certificates. The certificates are designed to finance not more than 80% of the purchase price of new equipment. Probable bidders include: Salomon Bros. & Hutzler; Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc).

• Public Service Co. of Colorado

Company plans to offer 160,000 shares of new preferred stock (par $100). It is planned that shares will be sold to underwriters, but 62,199 shares will be utilized, either through exchange or through application of proceeds of sale, to retire the presently outstanding 7%, 6% and 5% cumulative first preferred stock. It is expected that each holder of the presently outstanding old preferred stock is to be given the opportunity to exchange his shares for shares of new preferred stock on the basis of one share of new preferred stock for each share of old preferred stock, with an appropriate cash adjustment to be fixed at the time of the exchange offer. Company proposes to utilize the net proceeds of the sale of the balance (97,801 shares) of new preferred stock sold to underwriters toward its construction program scheduled for 1947 and 1948.

• Tennessee Gas & Transmission Co.

July 15 stockholders, with a view to facilitate additional financing, will vote on changing state of incorporation to Delaware and on increasing preferred from 150,000 to 400,000 shares and the common from 2,255,000 to 5,000,000 shares. Probable underwriters: Stone & Webster Securities Corp. and White, Weld & Co.

Federal Reserve April Business Index

The Board of Governors of the Federal Reserve System issued on May 27, its monthly indexes of industrial production, factory employment and payrolls, etc. The Board's customary summary of business conditions was made public at the same time. The indexes for April, together with a month and a year ago, follow:

BUSINESS INDEXES

1939 average = 100 for factory employment and payrolls;
1923-25 average = 100 for construction contracts;
1935-39 average = 100 for all other series.

	Adjusted for —Seasonal Variation— 1947		1946	Without —Seasonal Adjustment— 1947		1946
	Apr.	Mar.	Apr.	Apr.	Mar.	Apr.
Industrial production—						
Total	*187	190	165	*185	187	163
Manufactures—						
Total	*195	198	176	*193	194	174
Durable	*222	225	190	*221	223	190
Nondurable	*173	176	164	*170	171	161
Minerals	*141	148	104	*138	143	99
Construction contracts, value—						
Total	†	132	170	†	133	194
Residential	†	129	172	†	135	201
All other	†	134	168	†	132	188
Factory employment—						
Total	*153.4	154.7	139.4	*152.5	154.0	138.5
Durable goods	*180.6	181.6	156.2	*180.2	181.0	155.9
Nondurable goods	*132.0	133.4	126.1	*130.6	132.8	124.8
Factory payrolls—						
Total	---	---	---	†	313.9	254.8
Durable goods	---	---	---	†	350.3	275.7
Nondurable goods	---	---	---	†	278.4	234.4
Freight carloadings	136	146	109	134	137	107
Department store sales, value	†	277	252	†	265	255
Department store stocks, value	†	274	189	†	265	188

*Preliminary †Data not yet available.

NOTE—Production, carloadings, and department store sales indexes based on daily averages. To convert durable manufactures, nondurable manufactures, and minerals indexes to points in total index, shown in Federal Reserve Chart Book, multiply durable by .379, nondurable by .469, and minerals by .152.

Construction contract indexes based on 3-month moving averages, centered at second month, F. W. Dodge data for 37 Eastern States. To convert indexes to value figures, shown in Federal Reserve Chart Book, multiply total by $410,269,000, residential by $184,137,000 and all other by $226,132,000.

Employment index, without seasonal adjustment, and payrolls index compiled by Bureau of Labor Statistics.

INDUSTRIAL PRODUCTION

(1935-39 average = 100)

	Adjusted for —Seasonal Variation— 1947		1946	Without —Seasonal Adjustment— 1947		1946
MANUFACTURES	Apr.	Mar.	Apr.	Apr.	Mar.	Apr.
Iron and steel	*196	196	159	*196	196	159
Pig iron	†	194	142	†	194	142
Steel	213	213	175	213	213	175
Open hearth	178	179	148	178	179	148
Electric	468	457	363	468	457	363
Machinery	*276	281	225	*276	281	225
Transportation equipment	*237	237	245	*237	237	245
§Automobiles	*194	196	161	*194	196	161
Nonferrous metals and products	†	196	132	†	196	132
Smelting and refining	*198	192	108	*197	192	108
Lumber and products	*141	147	130	*140	140	129
Lumber	*131	138	123	*129	126	122
Furniture	*162	166	144	*162	166	144
Stone, clay and glass products	*216	218	190	*212	209	187
Plate glass	151	159	130	151	159	130
Cement	†	192	152	†	157	145
Clay products	*164	165	148	*159	158	144
Gypsum and plaster products	*220	226	202	*216	218	198
Abrasive and asbestos prod.	*251	258	221	*251	258	221
Textiles and products	*165	172	161	*165	172	161
Cotton consumption	154	160	144	154	160	144
Rayon deliveries	*268	270	249	*268	270	249
Wool textiles	†	172	169	†	172	169
Leather products	†	122	131	†	121	131
Tanning	†	121	115	†	121	114
Cattle hide leathers	†	140	135	†	140	135
Calf and kip leathers	†	97	84	†	95	81
Goat and kid leathers	†	83	54	†	83	56
Sheep and lamb leathers	†	102	134	†	99	131
Shoes	†	122	142	†	122	142
Manufactured food products	*155	157	153	*142	140	139
Wheat flour	*156	160	120	*150	157	116
Meatpacking	*149	149	130	*138	138	120
Other manufactured foods	*157	160	164	*140	142	145
Processed fruits and veg.	*147	150	165	*90	83	101
Paper and products	†	159	146	†	159	146
Paperboard	178	180	166	178	180	166
Newsprint production	93	89	86	95	89	88
Printing and publishing	*142	142	126	*146	145	129
Newsprint consumption	124	124	108	131	129	114
Petroleum and coal products	†	186	166	†	186	166
Gasoline	*148	142	133	*148	142	133
Coke	†	172	113	†	172	113
By-products	†	165	116	†	165	116
Beehive	*407	423	18	*407	423	18
Chemicals	*252	252	235	*254	254	237
Rayon	*291	289	260	*291	289	260
Industrial chemicals	*435	432	392	*435	432	392
Rubber products	*235	239	219	*235	239	219
MINERALS						
Fuels	*143	153	108	*143	153	108
Bituminous coal	*127	163	10	*127	163	10
Anthracite	*101	113	121	*101	113	121
Crude petroleum	*154	153	146	*154	153	146
Metals	†	118	76	†	83	46
Iron ore	--	---	---	†	72	58

*Preliminary †Data not yet available.

§This series is currently based upon man-hour statistics for plants classified in the automobile and automobile parts industries and is designed to measure productive activity during the month in connection with assembly of passenger cars, trucks, trailers, and buses; production of bodies, parts and accessories, including replacement parts; and output of nonautomotive products made in the plants covered.

FREIGHT CARLOADINGS

(1935-39 average = 100)

Coal	119	147	26	119	147	26
Coke	173	180	94	169	182	93
Grain	151	159	112	133	146	99
Livestock	111	121	143	98	96	127
Forest products	148	159	143	148	159	143
Ore	171	171	66	157	50	50
Miscellaneous	147	151	143	145	144	141
Merchandise, l.c.l.	79	78	81	80	79	82

NOTE—To convert coal and miscellaneous indexes to points in total index, shown in Federal Reserve Chart Book, multiply coal by .213 and miscellaneous by .548.

Tishler With Raymond Co.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, CONN.—Manuel H. Tishler has become associated with Raymond & Co., 148 State Street, Boston, Mass. He was previously with Amott, Baker & Co.

W. Berry Berblinger With Sills, Minton & Co., Inc.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—W. Berry Berblinger has become associated with Sills, Minton & Co., Inc., 209 South La Salle Street, members of the Chicago Stock Exchange. He was formerly statistician with Link, Gorman & Co.

With Herrick, Waddell

Special to THE FINANCIAL CHRONICLE

ST. LOUIS, MO.—Anthony B. Effrein has been added to the staff of Herrick, Waddell & Co., 418 Locust Street.

Kremer With Merrill Lynch

Special to THE FINANCIAL CHRONICLE

ASHEVILLE, N. Y.—Almer A. Kremer has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 22 Batter Park Avenue.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month 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 29	95.6	95.8	95.4	87.2
Equivalent to—					
Steel ingots and castings produced (net tons)	June 29	1,672,900	1,676,400	1,669,400	1,536,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	June 14	5,113,200	5,064,200	5,008,050	4,960,650
Crude runs to stills—daily average (bbls.)	June 14	5,164,000	5,148,000	4,867,000	4,802,000
Gasoline output (bbls.)	June 14	15,695,000	15,350,000	14,522,000	14,591,000
Kerosine output (bbls.)	June 14	1,972,000	2,311,000	2,137,000	2,055,000
Gas oil and distillate fuel oil output (bbls.)	June 14	5,981,000	5,286,000	5,662,000	5,427,000
Residual fuel oil output (bbls.)	June 14	8,960,000	9,032,000	8,217,000	8,618,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 14	93,356,000	94,802,000	99,793,000	92,670,000
Kerosine (bbls.) at	June 14	13,094,000	12,678,000	10,586,000	13,895,000
Gas oil and distillate fuel oil (bbls.) at	June 14	38,385,000	37,173,000	33,844,000	36,235,000
Residual fuel oil (bbls.) at	June 14	47,812,000	46,779,000	44,390,000	45,224,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 14	895,292	900,747	888,208	867,918
Revenue freight rec'd from connections (number of cars)	June 14	700,790	686,071	703,971	688,663
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	June 19	$94,488,000	$158,140,000	$131,313,000	$105,784,000
Private construction	June 19	41,868,000	91,981,000	92,226,000	58,974,000
Public construction	June 19	52,620,000	66,159,000	39,087,000	46,810,000
State and municipal	June 19	46,459,000	40,201,000	32,662,030	28,864,000
Federal	June 19	6,161,000	25,958,000	6,425,000	17,946,000
COAL OUTPUT (U. S. BUREAU OF MINES AND NATIONAL COAL ASSOCIATION):					
Bituminous coal and lignite (tons)	June 14	12,875,000	13,500,000	12,970,000	12,368,000
Pennsylvania anthracite (tons)	June 14	1,155,000	1,108,000	1,074,000	1,120,000
Beehive coke (tons)	June 14	117,000	130,300	138,700	91,800
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 14	300	*293	273	283
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 21	4,676,300	4,701,992	4,662,858	4,129,163
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 17	2.85664c	2.85664c	2.85664c	2.73011c
Pig iron (per gross ton)	June 17	$33.15	$33.15	$33.15	$26.12
Scrap steel (per gross ton)	June 17	33.25	32.00	29.50	19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 18	21.225c	21.475c	21.225c	14.150c
Export refinery at	June 18	21.425c	21.425c	23.675c	14.425c
Straits tin (New York) at	June 18	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	June 18	15.000c	15.000c	15.000c	8.250c
Lead (St. Louis) at	June 18	14.800c	14.800c	14.800c	8.100c
Zinc (East St. Louis) at	June 18	10.500c	10.500c	10.500c	8.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	June 24	121.42	121.55	121.64	124.08
Average corporate	June 24	116.80	116.80	117.00	118.80
Aaa	June 24	121.88	122.09	122.50	123.34
Aa	June 24	120.22	120.22	120.22	121.25
A	June 24	116.41	116.61	116.41	118.20
Baa	June 24	109.24	109.06	109.60	112.56
Railroad Group	June 24	111.25	111.25	111.62	116.02
Public Utilities Group	June 24	118.60	118.60	118.80	119.20
Industrials Group	June 24	120.84	120.84	120.84	121.25
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	June 24	1.59	1.58	1.57	1.47
Average corporate	June 24	2.81	2.81	2.80	2.71
Aaa	June 24	2.56	2.55	2.53	2.49
Aa	June 24	2.64	2.64	2.64	2.59
A	June 24	2.83	2.82	2.83	2.74
Baa	June 24	3.21	3.22	3.19	3.03
Railroad Group	June 24	3.10	3.10	3.08	2.85
Public Utilities Group	June 24	2.72	2.72	2.71	2.69
Industrials Group	June 24	2.61	2.61	2.61	2.59
MOODY'S COMMODITY INDEX	June 24	400.0	403.4	397.2	286.8
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	June 21	216.3	216.2	212.2	150.1
Fats and oils	June 21	203.5	204.3	205.9	152.7
Cottonseed oil	June 21	273.5	267.8	279.2	163.1
Farm products	June 21	248.9	248.1	243.8	181.9
Cotton	June 21	359.0	354.5	342.1	277.0
Grains	June 21	254.9	252.8	256.6	190.3
Livestock	June 21	232.1	232.3	227.0	164.6
Fuels	June 21	172.2	172.2	170.4	135.8
Miscellaneous commodities	June 21	159.3	158.9	161.8	139.4
Textiles	June 21	218.7	217.8	215.3	169.7
Metals	June 21	148.5	148.2	149.3	123.5
Building materials	June 21	180.9	185.7	189.7	168.3
Chemical and drugs	June 21	155.6	155.6	157.4	127.5
Fertilizer materials	June 21	125.9	125.9	127.5	114.8
Fertilizers	June 21	134.5	134.5	134.5	119.8
Farm machinery	June 21	125.3	125.3	125.3	105.8
All groups combined	June 21	197.1	197.2	195.4	150.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 14	146,726	217,658	153,869	136,211
Production (tons)	June 14	183,105	171,855	179,155	161,240
Percentage of activity	June 14	103	98	102	98
Unfilled orders (tons) at	June 14	512,578	552,280	532,231	567,037
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 19	143.5	144.6	145.0	135.3
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	June 14	147.6	147.9	147.0	111.8
Farm products	June 14	178.3	179.5	176.9	139.9
Foods	June 14	162.4	163.1	161.1	111.8
Hides and leather products	June 14	167.0	166.6	166.4	123.4
Textile products	June 14	138.5	138.5	138.5	108.3
Fuel and lighting materials	June 14	104.4	104.4	104.1	86.9
Metal and metal products	June 14	142.3	142.5	141.8	111.0
Building materials	June 14	176.1	177.5	177.4	128.5
Chemicals and allied products	June 14	124.4	124.7	125.9	96.8
Housefurnishing goods	June 14	129.6	129.6	129.4	110.4
Miscellaneous commodities	June 14	116.0	115.9	115.9	97.9
Special groups—					
Raw materials	June 14	161.2	161.8	160.2	125.8
Semi-manufactured articles	June 14	142.3	142.5	143.2	104.4
Manufactured products	June 14	142.9	142.9	142.2	106.8
All commodities other than farm products	June 14	141.0	141.0	140.5	105.6
All commodities other than farm products and foods	June 14	132.1	132.2	132.1	104.9

	Latest Month	Previous Month	Year Ago
ASSOCIATION OF AMERICAN RAILROADS—Month of May—			
Freight traffic handled by Class I RRs. (revenue ton-miles—000's omitted)	54,000,000	*51,500,000	39,464,673
BANKERS DOLLAR ACCEPTANCES OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of May 31—			
Imports	$117,686,000	$139,828,000	$123,743,000
Exports	45,137,000	42,035,000	17,711,000
Domestic Shipments	11,119,000	12,191,000	10,718,000
Domestic Warehouse Credits	9,864,000	13,259,000	17,744,000
Dollar Exchange		101,000	127,000
Based on goods stored and shipped between foreign countries	5,450,000	7,686,000	7,130,000
Total	$189,256,000	$215,100,000	$177,27[illegible]
COAL OUTPUT (BUREAU OF MINES)—			
Bituminous Coal and Lignite (net tons)—Month of April	41,120,000	54,995,000	*3,506,000
Pennsylvania Anthracite (net tons)—Month of May	4,543,000	*4,279,000	5,463,000
Beehive Coke (net tons)—Month of May	586,000	*427,465	25,950
COTTON AND LINTERS—DEPT. OF COMMERCE RUNNING BALES—			
Consumer Lint—Month of May	827,234	882,830	871,470
In consuming establishments as of May 31	1,923,815	2,112,346	2,331,747
In public storage as of May 31	1,835,991	2,603,678	6,405,726
Cotton spindles active as of May 31	21,624,002	21,804,590	21,351,204
Consumed Linters—Month of May	80,410	85,161	84,847
In consuming establishments as of May 31	246,444	289,625	327,726
In public storage as of May 31	70,111	72,993	64,626
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. 1935-39 AVERAGE=100—Month of May—			
Sales (average monthly), unadjusted	219	228	242
Sales (average daily), unadjusted	214	223	237
Sales (average daily), seasonally adjusted	228	235	253
Stocks, unadjusted as of May 31	192	233	224
Stocks, seasonally adjusted as of May 31	189	230	221
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX JAN. 2, 1931=100 (COPYRIGHTED AS OF JUNE 1)—			
Composite Index	123.8	123.9	114.5
Piece Goods	120.0	120.5	113.1
Men's Apparel	121.5	121.5	106.2
Women's Apparel	120.6	120.6	114.7
Infants' and Children's Wear	121.8	121.2	108.1
Home Furnishings	130.5	130.4	117.0
Piece Goods—			
Silk	79.8	82.1	84.8
Woolens	112.8	113.4	109.9
Cotton Wash Goods	167.5	165.9	144.6
Domestics—			
Sheets	167.0	166.5	132.8
Blankets and Comfortables	142.9	142.7	135.5
Women's Apparel—			
Hosiery	83.8	85.1	90.0
Aprons and House Dresses	151.0	151.7	138.7
Corsets and Brassieres	123.4	123.4	113.2
Furs	143.8	142.5	150.0
Underwear	111.1	111.0	102.4
Shoes	110.2	110.1	93.6
Men's Apparel—			
Hosiery	120.9	120.3	103.2
Underwear	130.3	131.6	116.8
Shirts and Neckwear	112.5	112.0	100.2
Hats and Caps	105.5	105.3	94.4
Clothing Including Overalls	114.4	114.1	107.2
Shoes	145.6	145.5	110.1
Infants' and Children's Wear—			
Socks	126.3	124.7	114.6
Underwear	110.5	110.4	103.3
Shoes	128.7	128.5	106.5
Furniture	140.1	140.1	131.1
Floor Coverings	163.7	163.6	147.9
Radios	73.1	73.2	67.0
Luggage	96.2	96.7	94.3
Electrical Household Appliances	106.9	107.3	94.1
China	120.1	119.7	110.6
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of May—			
1935-39 Average=100	†134.4	†133.9	123.6
NEW CAPITAL ISSUES IN GREAT BRITAIN—			
Midland Bank, Ltd.—Month of May	£9,338,000	£9,758,000	£7,133,000
NEW YORK STOCK EXCHANGE—As of May 31—			
Market Value of Listed Shares	$33,646,000,000	$64,520,000,000	$84.0[illegible]
Market Value of Listed Bonds	140,426,000,000	140,833,000,000	143,944,000,000
Stock Price Index, 12-31-24=100	44.4%	75.7%	103.2%
Member Borrowings on U. S. Govt. Issues	$130,000,000	$81,000,000	$324,000,000
Member Borrowings on Other Collateral	180,000,000	196,000,000	403,000,000
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100—Month of May—	145.9	152.3	135.1
PORTLAND CEMENT (BUREAU OF MINES)—			
Finished Cement—Month of March—			
Production (bbls.)	14,205,000	*12,618,000	11,305,000
Shipments (bbls.)	12,133,000	*8,434,000	12,718,000
Stocks (at end of month) (bbls.)	22,184,000	*20,112,000	18,651,000
Capacity used	70%	*68%	50%
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—			
Net Sales			
Net Purchases	$338,623,000	$61,285,000	$385,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—As of May 31—	$258,520,735,030	$257,879,614,963	$273,135,331,868
General Fund Balance	4,066,388,541	4,311,655,617	18,536,134,538
Net Debt	254,454,346,489	253,567,959,346	254,599,197,330
Computed Annual Interest Rate	2.095%	2.089%	1.994%

*Revised figures.

Our Reporter's Report

Evidently it is one thing to operate a utility property or a system and yet another to judge the securities market, particularly from the standpoint of "timing" and "pricing."

At any rate, after their experience just closed, Standard Gas & Electric Co. people probably have about arrived at that conclusion, though not without having done it the "hard way," to use the vernacular of the day.

Just a year ago, the big holding company, seeking to carry out required divestment of certain of its properties, called for bids on holdings of California Oregon Power Co. common stock, then 312,000 shares.

Bankers offered prices ranging from $24.03 to a high of $28.33 a share and on the basis of the latter bid the company could have realized $8,838,960 from the sale. But it rejected the bids, presumably as too low.

Meanwhile in a capital readjustment the parent company received 390,000 shares of new stock in exchange for the foregoing holdings. It has just negotiated the sale of this block of stock to bankers at a price of $20.35 a share, after taking down a dividend of 40 cents a share or $156,000.

Allowing for the increased amount of stock, it received $7,936,500 on the current sale, which if the foregoing dividend is included is just short of $750,000 less than it could have realized a year ago.

Which only goes to show that the market plays no favorites as between the so-called "insiders" and the uninitiated.

Southern Bell Issue

Bids are due to be opened this morning on an issue of $75,000,000 of 40-year debentures of the Southern Bell Telephone Co. Originally this sale was scheduled for July 8 but was moved up when the company issued its call for bids.

Kentucky Utilities Co.

Four groups sought the $24,000,000 issue of first mortgage bonds sold in competition by Kentucky Utilities Co., on Monday, with the successful group bidding 101.209 for a 3% coupon.

Good demand was reported indicated at the reoffering price of 101.985 set by the bankers, at which the indicated yield was approximately 2.90%.

The company delayed the projected sale of a block of 130,000 shares of preferred stock, and according to reports, is seeking approval of the Securities and Exchange Commission to complete this end of the deal through negotiations.

The rank and file of new issues brought to market this week appeared to find a good reception. National Supply Co.'s $15,000,000 of 20-year 2¾% debentures, priced at 100¾ were quickly sold, and the same held true of the initial public offering of 125,000 shares of Benrus Watch Co. common.

Public Service Corp. of New Hampshire's $4,500,000 new first mortgage bonds were placed quickly, and demand was brisk for the Public Service Co. of Colorado 2⅞s.

Meanwhile the long-delayed California Oregon Power Co. common stock offering found ready takers when the books were opened for subscriptions.

Florida Power Issue Filed

With the new securities in registration Florida Power & Light Co. should be calling for bids, to be opened early next month, on $10,000,000 of new first mortgage bonds, a similar amount of sinking fund debentures and a block of 150,000 shares of $100 par preferred.

HELP WANTED—MALE

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Several important progressive positions are open to men and women of vision, good character and reputation on staff of investment firm now in process of formation. Offers excellent opportunity for Lawyer, Certified Public Accountant, Cashier, Engineer and those versed in public relations operations. Firm will specialize in industrial financing with particular reference to North and South America. All members of personnel are expected to invest at least $1,000 in the business which will have expert leadership already highly connected in Wall Street and elsewhere in financial circles. When replying please give full paticulars. Address Box A 627, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

DIVIDEND NOTICE

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

The Chase National Bank of the City of New York has declared a dividend of 40¢ per share on the 7,400,000 shares of the capital stock of the Bank, payable August 1, 1947 to holders of record at the close of business July 11, 1947.

The transfer books will not be closed in connection with the payment of this dividend.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
W. H. Moorhead
Vice President and Cashier

REDEMPTION NOTICE

NOTICE OF REDEMPTION

$42,300,000

COMMONWEALTH OF PENNSYLVANIA

TURNPIKE REVENUE 3¾% BONDS

Notice is hereby given that pursuant to the terms of the Trust Indenture dated August 1, 1938 between Pennsylvania Turnpike Commission and Fidelity-Philadelphia Trust Company as Trustee, Pennsylvania Turnpike Commission hereby gives notice of its intention to redeem and does hereby call for redemption on August 1, 1947 all of the outstanding $42,300,000 principal amount of Commonwealth of Pennsylvania Turnpike Revenue 3¾% Bonds, dated August 1, 1938, due August 1, 1968, and numbered 1 to 42,300, inclusive, at the principal amount thereof and accrued interest to August 1, 1947, together with a premium of 4% of the principal amount thereof.

On August 1, 1947 there will become and be due and payable at the Fidelity-Philadelphia Trust Company, 135 South Broad Street, in the City of Philadelphia, Pennsylvania, or at the option of the holder, or registered owner, at the principal office of Bankers Trust Company, 16 Wall Street in the Borough of Manhattan, the City of New York, the principal amount of said bonds and accrued interest thereon together with the premium above set forth, and after said date interest on said bonds shall cease to accrue and interest coupons maturing after said date shall become void.

All bonds are required to be presented at either of said offices for redemption and payment.

Coupon bonds should be accompanied by all coupons appertaining thereto and maturing subsequent to August 1, 1947. Coupons maturing August 1, 1947 or prior thereto should be detached and presented for payment in the usual manner. Fully registered bonds or bonds registered as to principal only should be accompanied by assignments or transfer powers duly executed in blank.

PENNSYLVANIA TURNPIKE COMMISSION
By JAMES F. TORRANCE, *Secretary and Treasurer*

Dated: June 26, 1947.

PRIVILEGE OF IMMEDIATE PAYMENT

Holders and registered owners of said bonds may at their option surrender the same as aforesaid at any time prior to August 1, 1947 and obtain immediate payment of the principal thereof and the premium of 4%. Coupons maturing on February 1, 1947 and August 1, 1947, will also be paid immediately at their face amount if surrendered with said bonds, or they may be detached and presented for payment in the usual manner.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared a dividend of 25c per share on the Common Stock, payable July 1, 1947 to Stockholders of Record at the close of business June 19, 1947. Transfer books will remain open.

ROBERT B. BROWN, Treasurer.

THE SUPERHEATER COMPANY
Dividend No. 170

A quarterly dividend of twenty-five cents (25c) per share on all the outstanding stock of the Company has been declared payable July 15, 1947 to stockholders of record at the close of business July 3, 1947.

M. SCHILLER, Treasurer

THE UNITED STATES LEATHER CO.

The Board of Directors at a meeting held June 25, 1947, declared a dividend of $1.00 per share on the Class A stock payable September 15, 1947, to stockholders of record August 15, 1947.

C. CAMERON, *Treasurer.*
New York, June 25, 1947.

UNITED STATES SMELTING REFINING AND MINING COMPANY

The Directors have declared a quarterly dividend of 1¾% (87½ cents per share) on the Preferred Capital Stock, and a dividend of fifty cents (50¢) per share on the Common Capital Stock, both payable on July 15, 1947 to stockholders of record at the close of business June 28, 1947.

FRANCIS FISKE, *Treasurer.*
June 19, 1947

THE YALE & TOWNE MFG. CO.

On June 24, 1947, a dividend No. 233 of fifteen cents (15c) per share was declared by the Board of Directors out of past earnings, payable October 1, 1947, to stockholders of record at the close of business September 5, 1947.

F. DUNNING, Secretary.

a.c.f.

AMERICAN CAR AND FOUNDRY COMPANY
30 CHURCH STREET
NEW YORK 8, N. Y.

There has been declared a dividend of one and three-quarters per cent (1¾%) on the preferred stock of this Company outstanding, payable July 7, 1947, to the holders of record of said stock at the close of business June 30, 1947.

Transfer books will not be closed. Checks will be mailed by Guaranty Trust Company of New York.

CHARLES J. HARDY, *Chairman*
HOWARD C. WICK, *Secretary*
June 19, 1947

The Weatherhead Company

A quarterly dividend of $1.25 per share has been declared by the Board of Directors on the outstanding Preferred Stock of the Company, payable July 15, 1947, to stockholders of record at the close of business on July 2, 1947.

MORRIS H. WRIGHT, *Treasurer*
May 22, 1947
Cleveland, Ohio

LEE RUBBER & TIRE CORPORATION

FACTORIES
YOUNGSTOWN • CONSHOHOCKEN
DIVISIONS

REPUBLIC RUBBER
Youngstown, Ohio
INDUSTRIAL RUBBER PRODUCTS

LEE TIRE & RUBBER COMPANY OF NEW YORK, INC.
Conshohocken, Pa.
LEE DELUXE TIRES AND TUBES

The Board of Directors has this day declared the regular quarterly dividend of 50c per share on the outstanding capital stock of the Corporation, payable August 1, 1947, to stockholders of record at the close of business July 15, 1947. Books will not be closed.

A. S. POUCHOT, *Treasurer*
June 19, 1947

Washington . . . And You

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

There's blood on the moon, now, so don't be shocked to see Washington take on a tinge of political gore. When President Truman vetoed the tax and labor bills, he ravished that rapprochement between the Republican Congress and Democratic White House you've heard so much about. From now on you'll witness undiluted politics with the voters sure to trample the hindmost politician.

* * *

That means collaboration between Republicans and Trumanites is to be ended. It means (1) Republicans will push their our reforms with more vigor; (2) will rebuff White House gestures of friendship; (3) will never lose an opportunity to cast doubt on the President's sincerity of intent. The two party system is coming back into operation with a bang.

* * *

The direct impact of this Republican-Truman smashup on foreign rehabilitation is to be watched. In long-term results, it can't be projected. It does mean, however, the President probably won't dare now to petition Congress this session for wider authority on dollar distributing. It will make Republicans less anxious—perhaps less willing—to OK the huge dollar give-away plan the President can't avoid recommending next year.

* * *

Before you consider terminating that employees' pension, profit-sharing or stock bonus plan set up during the war, better ask the Pension Trust Division, Bureau of Internal Revenue, for a preliminary ruling. The bureau has just established machinery for rendering advance opinions on the taxwise results of such terminations. Correspondence on this subject should refer to PS No. 60 IT:PS.

* * *

Default potentiality of GI home loans insured by the government is breeding official worry wrinkles. Net results today are two: (1) House Banking Committee has voted out a legislative ban against the RFC providing a secondary market for any more such paper; (2) Veterans Administration is contriving a mechanism for handling distressed GI properties.

* * *

You can make only one safe guess on the Reconstruction Finance Corporation—it will be continued after June 30. How long or in what form can't be foretold until Senators and House members compromise their differences. Senate Banking committeemen want to extend it one year in present form. One year's continuation in limited shape is the formula of House Banking Committee. Where the twain will meet remains unapparent.

* * *

The House has thrown a roadblock across SEC's trek back to Washington's promised land. SEC yearns to return from Philadelphia this Summer. Last week the House voted down the necessary moving money. Ejected without even being permitted to testify, was an SEC spokesman who turned up before the House Appropriations Committee to tell why SEC should be repatriated.

* * *

SEC expects the current decline in registration statements to reverse into an upward spiral during fiscal 1948, commencing July 1. Filings mounted steadily from 150 in fiscal 1943 to 245 in 1944, to 400 in 1945, and to 752 in 1946, thereafter receded with the NYSE decline to 446 in the first nine months of fiscal 1947.

* * *

Approximately 27,500 miles of railroads are now on court hands—high point of the last 40 years.

* * *

Talk of wrenching away the judicial powers of such agencies as the ICC, FTC and FPC is just talk. Murmurs mount that such outfits should be restrained from issuing orders until OK'd by courts, but don't bank on any real action in that direction.

* * *

Clayton Act amendments to prohibit one corporation from acquiring physical assets of another and thereby lessening competition has wriggled through the House Judiciary Committee but won't be enacted this year. Eight committee members signed a lusty dissent. That's enough to give proponents pause for meditation.

* * *

Don't expect any congressional veto of the Treasury's intention to enforce Revenue Code Section 102 after a wartime holiday. Under Section 102 the Treasury currently stipulates that at least 70% of corporate earnings after taxes must be distributed in dividends or suffer a penalty surtax for "improper" accumulation of surplus. But remember—there's nothing sacred about the 70% level—the Treasury can raise or lower it without ado.

* * *

Hardest hit by 102 are smaller and newer businesses. They have difficulties obtaining expansion loans, need large reserves to cushion adverse earnings. Drumming up support for legislation to rid small enterprise of this straitjacket is New York Republican Representative McMahon, but don't count on his success this session.

* * *

U. S. Tax Court opened the door for some escape from Section 102. The Court has said surplus won't be regarded as "improper" if accumulated for (1) retirement of mortgage debt; (2) improvements adding to convenience and efficiency, (3) expanding operations; (4) reasonable cash reserve as a bulwark against future depressions and to meet unknown risks of the war and postwar period.

* * *

Attention private lenders: you're now competing with 32 government credit agencies. That's the conclusion to be drawn from a Comptroller General's finding that 29 agencies are now lending money and three insure loans or deposits.

* * *

It's official now, the tale of how you Wall Streeters aim to steer the special tax study group created by the House Ways and Means Committee. Michigan's Democrat Representative Dingell spills your formula thusly. . . . "It is obvious now, and publicly admitted on Wall Street, that Federal expenditures must remain high. So their answer to their tax burdens is to send the Wall Street lawyer, the New York banker, and the representative of the National Association of Manufacturers to sit in with the Committee on Ways and Means. They are expected to study and advise the enactment of a sales tax to permit even greater income tax cuts for the wealthy than provided by HR. 1 (the vetoed tax bill)."

* * *

Incidentally, you bankers will be interested to know the special tax study group has mentioned an excise levy on checks. That discussion still is in the casual stage, may become serious.

* * *

Contact the House Small Business Committee if you feel small enterprise is being hurt by (1) government competition, or (2) preferential tax treatment of co-operatives. The committee is set to explore those possibilities, will do the leg and paper work this Summer, then sound off with public hearings next session.

* * *

Here's a note on the boxcar shortage. In the last four months one manufacturer has shipped 3,600 new freight cars to Russia. Congressional investigators heard from ODT Director Johnson the charge this was "criminal," also a confession he hadn't sought to stem the outward flow.

* * *

Don't overlook the possibility Congress may resurrect the dime cigarettes by preferential tax legislation next year. Small manufacturers pleas that the flat $3.50 excise tax per thousand be retained on the "entrenched" brands but sliced to $1.75 on the economy brands, are to be sympathetically surveyed by the House Ways and Means Committee. Some committeemen feel this schedule would (1) revitalize the little fellows, (2) hike consumption of surplus leaf stocks, (3) help maintain wages.

* * *

And there's a fair chance, too, Ways and Means men may conclude to halve the prevalent 18-cent per pound excise on chewing tobacco.

* * *

If you're interested in cocoa deals, watch the mid-July London meeting of the International Emergency Food Council's committee on cocoa and spices. The committee will wind up this year's allocations, then debate the future of controls. Our delegate is being pressured by the trade to demand complete decontrol by October 1.

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Innocent stockholders of registered distilleries which defraud the government would be immunized from liability through legislation initialed by the House Ways and Means Committee and now awaiting a vote.

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Don't try to shrink taxable income by selling stock at a loss and having your spouse buy it back. The Supreme Court won't sanction such deals. The court says you can't have your cake and eat it—your family can't take a stock loss and still hold the stock.

"Free Associations"?

"At the same time it [the Taft-Hartley Labor Bill] would expose unions to suits for acts of violence, wildcat strikes and other actions, none of which were authorized or ratified by them. By employing elaborate legal doctrine, the bill applies a superficially similar test of responsibility for employers and unions—each would be responsible for the acts of his "agents." But the power of an employer to control the acts of his subordinates is direct and final. This is radically different from the power of unions to control the acts of their members—who are, after all, members of a free association."
—President Truman.

President Truman

A "free association"? Can it be that the President is so unfamiliar with union practices and union policies?

And if the unions are so "free" as this, is it not stretching a point a little to term any undertaking on their part a "contract"?

We wonder if the President fully realizes the implications of what he is saying.

Contends Coal Reserves Will Last 1500 Years

Dr. Harold J. Rose says large supply is bright spot in serious situation of declining mineral resources.

Coal reserves in this country are so enormous that they can supply all U. S. requirements for the next 1500 years, Dr. Harold J. Rose, Vice-President and Director of Research for Bituminous Coal Research, Inc., Pittsburgh, told the American Society of Mechanical Engineers on June 18 at the fuels luncheon of its Semi-Annual Meeting in Chicago.

Harold J. Rose

This applies to requirements for heat, light, power, transportation and the smelting of metals, all liquid and gaseous fuels, and most synthetic chemicals, at the present rate of consumption with allowance for conversion efficiencies, he said.

"The world has spent more of its mineral wealth in the last 40 years than in all preceding history," the speaker stated. "Production has been particularly great in the United States, so that we already are a 'have-not' nation, or are rapidly becoming one, with respect to many important minerals."

"The outstanding bright spot in this serious situation," he said, "is the enormous coal supply, amounting to about one-half the world's known reserves.

"Coal has been, and will continue to be, this country's most important mineral resource, and the foundation of its expanding industrial production. Technical developments have been so rapid that coal can now be used to produce almost any type of solid, liquid or gaseous fuel or synthetic product."

With Paine, Webber Co.

Special to THE FINANCIAL CHRONICLE

HARTFORD, CONN.—George S. Goodspeed is now associated with Paine, Webber, Jackson & Curtis, 43 Pearl Street. In the past he was with W. R. Bull & Co., Inc. and Fahnestock & Co.

With Fahnestock & Co.

Special to THE FINANCIAL CHRONICLE

TORRINGTON, CONN.—Martin J. Moraghan, Jr. has joined the staff of Fahnestock & Co., 127 Main Street.