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Marshall Plan Problems

By PAUL EINZIG

Dr. Einzig reviews difficulties in way of implementing the Marshall Plan arising from Russian opposition. Says it is doubtful whether any concrete plan can emerge before end of year or even middle of next year. Holds Britain in meantime must adopt measures to cut down dollar expenditures.

LONDON, ENG.—As it was to be expected, the Marshall Plan gave rise to heated controversy in Europe. The Paris meeting of the Foreign Ministers of Britain, France, and Russia disclosed the existence of a fundamental disagreement on the line of approach. Britain and France are anxious to comply with the vague outlines of the Marshall Plan, under which there should be a joint European reconstruction scheme based on mutual aid, the United States supplying the deficiencies. Soviet Russia, on the other hand, insists on simply presenting to the United States a combined list of European requirements. Mr. Bevin and M. Bidault rejected this line of approach on the ground that

Dr. Paul Einzig

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Interest Rate, Price Level and Keynesian Ideology

By GILBERT E. JACKSON*

Formerly Professor of Finance, Toronto University, and Advisor to the Bank of England

Prominent Canadian economist attacks Keynesian theories of Full Employment and interest rate control. Says gospel of Full Employment has been oversold and theories of controlled economy are applicable only to self-contained nation. Points out adverse effects of artificial low interest rates and cites interest rates and prices in last century as showing interest rate fluctuations act as curb on inflation. Sees anomolous situation in present era of inflation accompanied by low interest rate.

The discussion of interest rates is not encouraged. One is told, gently but quite firmly, that whatever needs to be known about interest rates is now known. "Why flog a dead horse?" ask the pundits. "Has not the late Lord Keynes already said all that needs to be said on this most technical subject? If you don't understand him yet, go back home and read the 'General Theory.' Then you can settle down again and act like a good little taxpayer."

Gilbert E. Jackson

The Laws of Economics, they tell us, have at last been understood. Problems which puzzled Adam Smith and John Stuart Mill, problems which infuriated Marx and severely limited the scope of Cassel, problems which Marshall and Wesley Clair Mitchell were

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*An address by Mr. Jackson before the Annual Meeting of the Dominion Mortgage and Investments Association, Waterloo, Ont., May 29, 1947.

Minimum Wage Fixing by Law

By EMERSON P. SCHMIDT*

Director, Economic Research Department Chamber of Commerce of the U.S.A.

Dr. Schmidt though admitting minimum wage law is widely applauded, points out as its actual defects (1) increasing unemployment among low efficiency workers; (2) its inability to reach many low income groups; (3) its accentuation of both inflationary and deflationary tendencies; (4) its stimulation of upward wage movements to restore time honored wage differentials; and (5) its inadequateness in solving the poverty problem. Says maintaining prosperity is best solution to higher earnings.

No one benefits from poverty. The low-wage earner is a poor producer and a poor consumer. His poverty arises primarily from his low productivity, which leads to low earnings and therefore to low consumption.

Dr. E. P. Schmidt

The Chamber of Commerce of the United States of America has in the past been opposed to fixing minimum wages by Federal law. Although this policy position has technically expired, as recently as last January our membership expressed almost unanimous agreement, in Referendum No. 90, prepared by our

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*Testimony by Dr. Emerson P. Schmidt before a subcommittee of the House Labor and Education Committee, Washington, D. C., July 8, 1947.

EDITORIAL

As We See It

What Is the President Saying?

The President's Independence Day address last week may prove to be the most important message issued on this annual occasion for a long while past. It is being widely hailed as a continuation, if not completion, of the exposition of the position of the United States which, in a sense, began with the President's message asking aid for Greece and Turkey and continued with the now well publicized Harvard address of the Secretary of State. It is likewise regarded in many quarters as a sort of answer to Mr. Molotov who chose not to remain in Paris.

It is embarrassing in all the circumstances to examine carefully the implications of the President's words—particularly since such examination leads inevitably to very serious doubts about the wisdom of the positions taken at a good many points.

Indeed, to many it has become almost high treason to say or do anything which might shatter our supposed unity on foreign policy. The strength of this feeling in many quarters, together with what appears to be rather general approbation of the position the

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Trends, Cycles and Business Forecasting

By EDWARD R. DEWEY

Director, Foundation for the Study of Cycles
Co-author, "Cycles: The Science of Prediction."

Mr. Dewey maintains businessmen and analysts should not ignore regularity in repetition of changes in prices and activity, which regularity cannot result from chance. Concludes that if rhythmic patterns of past continue: (1) wholesale prices will decline irregularly until about 1952; (2) building activity and real estate will decline until about 1953; and (3) industrial activity and common stocks will decline irregularly until 1951-1952, with an intervening 1948-1950 bull market.

I thank the good Lord I do not have to forecast business activity or the stock market, for the plain and simple reason that I do not know what is going to happen. I have no "formula." I can not predict. If I could forecast future stock market or future business behavior with any degree of certainty, I would do so unhesitatingly—for it is the business of science to predict. An exact science like astronomy can usually make very accurate predictions indeed. A chemist makes an exact prediction every time he writes a formula. When economists can do likewise, economics will rank with the physical sciences.

Edward R. Dewey

However, although in the present state of our knowledge neither I nor any other man knows what is ahead, I do have some facts in regard to the behavior of the stock market, wholesale prices, and business in general, which, *if used with intelligence*, should be of value to those who need to look into the future.

These facts fall into two main groups; one group has to do with the underlying growth trends, the other group has to do with cycles.

In regard to underlying growth trends, it can be said positively that everything in the universe that grows must eventually grow at a decreasing rate as it gets older. This law applies, for example, to the underlying growth trend of security prices, to national populations, to industrial production, and to the sales of an individual corporation, as well as to the growth of a child, or of a tree, or of a cabbage.

In conformity with this law, the population of the United States for many years now has been growing at a less rapid rate than formerly. Also, surprising as it may seem to some, manufacturing in general, and all our industries individually are growing at a less rapid rate than used to be the case. For many industries this tendency has reached the point where the rate of growth is now very slow indeed. Such industries are said to be mature. Some of our basic industries have reached their peak and are now on the down grade.

The consequence of the fact that our entire economy may now be characterized as mature is chiefly this: the cycles that are wrapped around the underlying growth trend no longer have their down turns offset by much active growth of the economy. Therefore, although there is no evidence that depressions, relative to trend, are more severe than formerly, they hurt more because the trend is now so nearly flat.

The second fact that is of use to those who must forecast the future has to do with cycles.

Cycle comes from a Greek word

(Continued on page 28)

Argentina—The World's No. 2 Garden Spot

By CLINTON DAVIDSON

President, Fiscal Counsel, Inc., New York

Mr. Davidson, recently returned from a visit to Argentina, notes that country and U. S. are the only two in world which are financing themselves without outside assistance, buying back foreigners' investments in their country, making large external loans, and living in luxury. Concludes that (1) Argentina is in fine position to buy more of our manufactured goods; (2) she offers best opportunity for profit to our exporters, if our selling methods are adjusted; and (3) it is to our benefit to stimulate her industrialization.

In all the world, only two countries have been able to: (1) finance themselves with no outside assistance; (2) buy for cash, from foreigners, hundreds of millions of dollars of investments in industries of theirs which were previously owned by foreigners; (3) make large loans to various governments, and (4) live in luxury while most nations suffered privation and starvation.

Clinton Davidson

Of course, the United States is one of these two countries. The other? Not England, which is borrowing billions and selling the industrial investments it owns in other countries! Not France, which has borrowed $500 million from the United States, and is perfectly willing to borrow more. Not Belgium, Holland, Poland nor any other European country. Nor will it be found on the roster of North American and South American countries which have borrowed from the Export-Import Bank.

The other nation—and few average, successful American businessmen could tell you this—is **Argentina.**

Here are some of the things that Argentina has done recently, which qualify it to be bracketed with the United States from an economic point of view: (1) It purchased the railway in Northern Argentina from Great Britain and paid $600 million cash. (2) It purchased its telephone system from I. T. & T. for $95 million. (3) It made a long-term loan of $100 million to Spain, plus a three-year revolving credit of about $90 million. (4) It loaned $175 million to Chile and approximately $60 million to Bolivia.

So far as living standards go, Argentina serves the best food in the world today. The meats and pastries served by hotels in Buenos Aires surpass those at the Waldorf-Astoria and the Ritz-Carlton. No better vegetables are served anywhere. In quality and quantity, the food eaten every day by the average Argentine is as good as that consumed by the average American.

It is regrettable that such facts are not widely understood in the United States, especially on the part of companies which could probably transact business more profitably today in Argentina than in any other country. Its unusual financial position and its industrial expansion plans should be known to every executive whose firms produce or export the items which Argentina needs.

Here are some additional indications of Argentina's favorable status: (1) It is the world's largest exporter of linseed, chilled beef and corn, and the second largest exporter of wheat and wool. (2) Manufacturing has increased greatly during recent years, and will increase faster

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The "Vassar Plan" For Stock Investments

The George Putnam Fund describes what it is and how it functions. Holds basic idea is to sell stocks on a scale up at percentage points above base line, and to buy stocks in same way on the scale down.

The current issue of the "Portfolio News," published by the George Putnam Fund, contains a description of the so-called "Vassar Plan" for comon stock investment. Because of the interest in this formula method of investment timing, which has been followed in some quarters since 1938, we print below the Putnam Fund description of the plan:

The problem of investing in common stocks involves two important considerations: **What** stocks to buy and **When** to buy or sell. As every experienced investor knows, "when" is often more important than "what," due to the characteristically wide price fluctuation of even the high grade common stocks. Formula plans are an attempt to solve the "when" problem—often referred to as "timing"—without the need of forecasting.

Every Formula method of investment timing is designed to compel the sale of stocks in rising markets and the purchase of stocks in declining markets. It should be emphasized that Formula plans are **not** designed to secure spectacular results. They seek to derive some benefit from the fluctuations in stock prices and to protect against the very human inclination to buy stocks when they are doing well and sell them when they are doing badly.

Formula Plan investing recognizes the very great difficulty of accurate stock market forecasting —a fact which is being impressed upon more and more investment managers. It substitutes a more or less automatic plan for the problem of "when" to buy or sell or how much to hold in common stocks at any particular time.

Background of the "Vassar Plan"

Twenty-five years ago the Vassar College portfolio consisted almost exclusively of real estate mortgages and corporate bonds—the majority of which were rail bonds. The first substantial purchases of common stocks were made in substitution for unsatisfactory rail bonds.

In an article published in 1941, Mr. Ray Morris (Chairman of the Committee on Investments and Finance of Vassar College and a member of the private banking firm of Brown Brothers, Harriman & Co.), made this statement: "For a time we sold rail bonds on advances in the market and bought common stocks at the same time, but we soon realized that this was an error in judgment, because the right market in which to sell bonds was not the right market in which to buy the stocks. Influenced by these considerations, and also by the technical factors which resulted in a price level for long-term bonds which was not only higher than any level at which bonds had ever sold before but which seemed to us exceedingly vulnerable in the event of a change in money rates, the Finance Committee tentatively set up a common stock control plan in the Summer of 1938, and this was subsequently ratified in October of that year."

Under this plan the so-called "Stock Fund" was established with a total market value of approximately $3,000,000 as of June 30, 1938. At that time the fund represented approximately one-third of the total investment portfolio of the college. Subsequent additions have been made to the common stock portion so that at present it represents one-half of the college portfolio, the balance being invested in bonds, preferred stocks and a few mortgages. The original $3,000,000, known as "Stock Fund No. 1," has been maintained as a separate account and hence provides a continuous record of the application of the control plan.

How the Vassar Plan Works

The Vassar Plan works on the basis of a median—or base—line which is established at the beginning of each year by the Finance Committee and holds for the year. The median line and the formula can be revised by the Committee during the year, but in actual practice no interim change has ever been made.

In recent years the median line has represented the 10-year average of the monthly averages of the Dow-Jones Industrial Average, reduced to a round figure. In other words, it represents the average level of the stock market over the past decade. The number of years used in arriving at the median line has been varied by the Committee from time to time.

The basic idea of the Vassar Plan is to sell stocks on a scale up at certain percentage points above this median, or base line, and to buy on a scale at certain points below the historic median.

At the present time the Stock Fund owns no common stocks, its investments consisting solely of selected bonds and preferred stocks. Under the formula established by the Committee for the present year, no purchases of stocks will be made until the Dow-Jones Industrial Average reaches 145, at which time the fund would be invested 50% in bonds and 50% in stocks. The percentage in stocks would be increased as the Average declines as follows:

Dow-Jones Industrial Average

	Stocks	Bonds
145	½	½
130	⅔	⅓
117	⅚	⅙
105	100%	--

No stocks purchased when the Dow-Jones Industrial Average was below 145 would be sold until

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This Perverse Stock Market

By JACQUES COE*

Pointing out that the stock market habitually does the unexpected, Mr. Coe cites the public's caution, evidenced by predominant odd lot sales and low borrowings, as highly constructive. Says recent market "crises" have only been nine-day wonders. Contends both economic and technical factors indicate renewed major bull market.

In discussing the outlook for the stock market, first we must have a meeting of the minds as to whether we mean the short or long term. I will discuss the short term as follows:

Jacques Coe

Considering the fact that the market has been going up in an almost uninterrupted straight line for 35 days, the prevailing view would call for—or at least look for—a correction no matter how temporary. The stock market, however, has a peculiar way of doing the unexpected and I call particular attention to the fact that **the public in general, or rather the mass mind, all over this country, does not believe in this market.**

During this recent period of advance, the public (as indicated by odd lot transactions) constantly has been on the selling side.

Casually going back over the last two years of trading, we cannot find any period which even remotely represents the lack of confidence on the part of the public in the stock market, translated into what has been taking place in these less than one hundred-share lot transactions.

On May 16 the industrial averages closed a little above 163, within a fraction of their lows of last year. At that time, the Street was convinced of a collapse into new low ground. The headline news was interpreted as being discouraging—yet security prices stiffened and from that moment on, as the market kept creeping higher, it could not muster any nation-wide confidence.

The Public's Position

The selling of odd lots became heavier than the buying and from that day on, right to the present time, the selling has been greater than the buying by a substantial margin.

Yesterday morning the Stock Exchange published figures as of June 30 showing the amount of money borrowed on stock exchange collateral exclusive of U. S. Government securities; the amount was $209,000,000 which in former times would represent the borrowings of probably one large wire house!

If the public has been selling stocks during these last four or five weeks and the market has advanced from 163 to 183, certainly some smart people with lots of money, vision, courage and probably astuteness, have been buying stocks; and if the past record amounts to anything—and it always has—these same people who have been buying stocks from the public will be selling them back to the public at higher prices.

What I have just said is not an indictment of the public or its thinking. It simply proves that mass psychology, or in other words, the unanimity of opinion among crowds, usually is based upon surface factors and not on fundamentals.

This brings us to the longer term outlook.

What the market does this Fall and Winter depends entirely on what happens during the Summer months. If we went into an excess on the up side between now and the Fall, a substantial reaction could occure this Winter due to any number of causes—either domestic or international—before swinging into the big years of 1948 and 1949.

On the other hand, if we proceed slowly, gathering up the inflationary forces as they come along, any setback this Winter may be mild.

Market Excesses Will Continue

The reason we have the never-ending stock market cycle of tops and bottoms is because, human nature being as it is, we must have

(Continued on page 39)

*A speech by Mr. Coe before Society of Security Analysts, New York City, July 9, 1947.

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BUSINESS BUZZ

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Stock Market Outlook

By COL. HERBERT G. KING
Member, New York Stock Exchange

Col. King contends we are in a creeping bull market and future looks bright. Foresees reduced taxes and better international situation, with several years of prosperity ahead.

What about the Stock Market now? The tax bill and the labor bill are behind us and the market has had quite a recovery. The question is, will it continue to recover or will it slide back to test the old lows again? Having had the good fortune of going on record in previous issues of the "Chronicle" by predicting a substantial rise just when the market was at its lowest, I now find myself besieged by numerous inquiries as to the outlook from this point on. My answer is that the market should continue to improve. We are in a creeping bull market and the public has not realized it as yet.

Col. Herbert G. King

The future looks bright indeed. The main thing that has been holding this country back has been the labor problem. The passing of the Taft-Hartley Bill over the President's veto has been a severe shock to the few short-sighted labor leaders who would not see that the people were tired of the abuses of labor unions. The voice of the people is the voice of God. Victor Hugo once said that when God tired of dictators they disappeared. Some of our labor leaders should remember that, because it is evident that the public is no longer in sympathy with strikes and wage disputes. It was rather surprising that President Truman, who has been rated as a shrewed politician, should have shown himself to be so out of step with the times. His vetoes of the Tax and the Labor bills were very reminiscent of President Hoover and prohibition. If he now tries to make a party issue of the Taft-Hartley Bill, he will split the Democratic party. He cannot overlook the fact that the bill had strong democratic support in the House as well as the Senate. Astute politicians foresee the country being conservative in 1948 and the Senators and members of the House who will be coming up for reelection will not want to be out of step with the times.

There is no question that taxes will be reduced next year. The European crisis is straightening itself out, the Orient is opening up for trade, the labor problem will be greatly relieved, and the outlook for business is excellent. We should have several years of prosperity ahead of us and as the stock market always discounts the future, we should have a much better market for some time to come.

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The State of Trade and Industry

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

In view of the favorable showing of business and industry up to the present, and with forecasts by industrial leaders in steel and several other industries pointing to capacity demand extending several months into the future, one is prompted by these predictions to give pause to any doubts one may hold over business trends in the months ahead.

To those seeking further assurances as to the future outlook, the National City Bank in its July letter on general business conditions strikes an optimistic note with the following comments:

"The business recession which people have talked about so much and so long is still slow to develop. . . . Moreover, there are no convincing signs that the decline is snowballing or accelerating, even though mass plant vacations and loss of coal production through the ill-advised miners' walkout may combine to cause a Summer dip."

Continuing, it states, "In many important lines unfilled orders are still rising. Even in textiles and women's apparel, which have often been described as weak spots and in which the production trend has been downward, recent weeks have brought improvement."

"In the primary goods market," it notes, "there may be question as to how long the improvement will hold, and the situation in the heavier cotton goods is easy. Nevertheless, many branches of the textile industry have well-filled order books. All this has an obvious bearing on the rate and timing of business recession, and on the general outlook for the second half-year."

Touching upon industries still under pressure, the "Letter" has this to say, "Among steel people most opinion, taking account of present backlogs and orders, continuing shortages and export demands that cannot be filled, is that operations will hold close to an all-out basis during the remainder of the year."

Weighing the factors of current demand in the heavy industries and the high level of farm income, the "Letter" observes:

"It would be something new to have a business recession reach substantial proportions while steel, automobiles and many other heavy industries have markets for all they can produce."

Continuing, it points out that, "In their sustained activity, along with record-breaking farm income, is found the principal explanation for the good volume of retail trade. The employment they give and the income they generate maintains purchasing power, which flows around the circle."

In dealing with the prospect for the future, it concludes by saying, "On the whole, the present state of business, and the relatively good reports of recent weeks, suggest that recession is not coming as early as many had expected or moving as rapidly. The downward trend is staggered, and not concentrated; and early readjustments, which many interpret as recession, in fact tend to moderate the recession."

COAL STRIKE SITUATION

Developments in the national coal situation the present week augured well for the future prospects of industrial production and business in general.

On Monday evening of this week the United Mine Workers Policy Committee ratified an agreement to forestall a strike on the following day in the mines of "captive" steel interests and commercial operators in the northern Appalachian fields.

Formal signing by John L. Lewis of the new wage contract with Northern and Midwestern soft coal operators came on Tuesday, sending 195,000 of the 400,000 bituminous miners back to work following a brief stoppage.

The new contract has inserted an escape clause stating that the miners will furnish their services so long as they are "willing and able." The purpose of this clause, it is understood, is to save the union from some of the effects of the Taft-Hartley Labor Relations Law.

Action of Southern operators still remains in doubt but discussions are proceeding on the pact and the tie-up will continue in effect until an agreement is reached.

INDUSTRIAL PRODUCTION FALLS SLIGHTLY IN WEEK

The closing of the coal mines last week resulted in slight setbacks in total industrial production schedules for the period, since many industries found it necessary to conserve their stocks of coal.

Then too, with the beginning of the vacation period, the

(Continued on page 35)

Observations . . . .

By A. WILFRED MAY

ECONOMIC SIGNIFICANCE OF THE RENT FIASCO

One of the worst results of the world-wide trend to socialism, is the present economic status of so many countries in a shadowy no-man's land lying between the limits of collectivism and freedom. We see numerous instances of this abroad. Granted that in Eastern Europe, Czechoslovakia, Poland and the other Red satellites—despite their protests—are decisively socialized. But in Western Europe we see Belgium and Holland clamping a host of measures socializing private capital and nationalizing industry, on a "free enterprise system." Sweden vigorously protests that her intensive social experimenting still leaves the laborer and the businessman freedom of action. France's economic program today is part communist, part socialist, and part free. We see England caught in a thoroughly hybrid condition of complete nationalization of her central bank, of her public utilities, and of some of her private business with working parties exploring arrangements for further government taking-over of additional industries; and with her labor half government-directed and half free. The quantitative fruits of all this are continuing declines in the production indexes, ever-rising costs, and declines in the people's and the nations' savings.

A. Wilfred May

Unfortunately for us Americans, there is no monopoly abroad on this shoddy between-and-betwixt existence. In our current real estate-and-rental fiasco we have merely the capping-of-the-climax of the prewar, wartime, and postwar bastardization of our free economic and financial institutions. The fact of joint responsibility of government and private enterprise for the present mess is of secondary importance; the point seems to be that when a people cannot make up its mind, it will always become lost in hopeless compromise.

Anomalies in a Managed Economy

So now our country, at one and the same time, does and does not have rent control, just as with the OPA which simultaneously did and did not exercise real price control. The new law was castigated by its signer, President Truman, as "an instrument of wholesale eviction and exploitation" at almost the same moment in which his own Housing Expediter, Mr. Creedon, said that it would actually "prevent unwarranted increases in rents and unlawful evictions."

In New York City, with the passage of the local law by its City Council for rescuing hotel-dwellers, we find a most anomalous situation. In the worlds of Ira A. Schiller, chief attorney of the Manhattan Rent Office, with whom this columnist discussed the matter this week: "Hotel residents are about to be living simultaneously under a Federal law which is inadequate, a State law which is inoperative, and a City law whose legality is doubtful." The glaring loophole left by the combined Federal and State statutes (irrespective of lobby responsibility therefor) is absurd. The law just enacted by the Congress, and signed by Mr. Truman as the lesser of two evils, removes practically all hotel accommodations from control. But, although the OPA regulations obtaining since 1942 would logically call for the stand-by New York State law to step into the breach, and although the hotel interests have in the past stated that it would do just this, we now find that peculiar wording in the statute makes it still completely inoperative. As a result Mr. Schiller has been besieged by between two and three thousand bewildered tenants per day, seeking some clarification of their status.

If the status of the tenant is insecure and confused, so is that of the landlord. Justifiable rent rises cannot be imposed, some rentals still being frozen at or near their 1942 lows. On the other hand, some recent speculative purchasers of old properties have been able to make killings. For example, a national chain which in 1943 acquired a leading New York hostelry for only $600,000 cash over a $6,800,000 mortgage, is this year, with the aid of an OPA-granted "hardship" rent boost of 18%, earning over a million dollars. This is a full 166% on its original investment, and at least 66% on the total capital invested so far by the new ownership.

The Economic Implications

Given the existence of our wartime price controls, and the desire to hang on partially to them postwar, it is difficult to see how the present mess could have been avoided. Once the incentive and ability to produce profitably has been stopped by price control, there must necessarily be an acute period of stress when controls are finally lifted. Whereas this period can be termed a *hump* in quickly-produced articles like shoes and radios, in building (accentuated by labor abuses) the hump must necessarily be a mountain. Furthermore the landlord, composing one small sector of the economy, cannot be kept price-controlled when all his costs of doing business have risen as a result of de-control.

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What Can Be Expected of Employment Act of 1946

By JOHN H. WILLIAMS*
Nathaniel Ropes Professor of Political Economy, Harvard University
Economic Advisor, Federal Reserve Bank of New York

Dr. Williams analyzes objectives of Full Employment Act of 1946 and stresses the need of both short-term and long-term policies. Points out difficulties and errors in economic forecasting and asserts heart of economic planning lies in stable relations between prices, costs and profits. Says wartime controls were lifted too soon and favors a high-wage policy and trade union policy which insists on labor sharing benefits of increasing productivity. Advocates limited compensatory government spending as a floor under consumption.

I

The "Questionnaire Addressed to Economists" by the Joint Congressional Committee on the President's Economic Report is divided into two parts: I.—Basic Principles; II.—Short-Run Stabilization Policy. The most fundamental question with respect to The Employment Act of 1946 is where to put the emphasis as between the long-run principles applicable to an economy like ours and the policies designed to correct or to compensate for short-run fluctuations in the volume of output and employment. Since the introduction of the original Murray Bill in January, 1945, this has been the heart of the debate.

Perhaps the most significant question is Part II, 3: "Is there any way to make analyses of current economic data which deserve sufficient confidence to form the basis of government action designed either to prevent or to stimulate changes in the business situation, from three to 12 months ahead?"

The original bill put a heavy emphasis upon the requirement that the President should transmit to Congress a "National Production and Employment Budget," "which shall set forth in summary and detail for the ensuing fiscal year . . . the estimated size of the labor force . . . ; the estimated aggregate volume of investment and expenditure . . . required to produce such volume of the gross national product, at the expected level of prices, as will be necessary to provide employment opportunities for such labor force . . .; and the estimated aggregate volume of prospective investment and expenditure . . ." actually expected in the ensuing fiscal year.

If the anticipated gross national product fell short of that estimated as required for full employment, the difference was to be regarded "as a prospective deficiency in the national budget." To meet this deficiency, the President was to be required to set forth a general program for encouraging private investment and expenditure, and to the extent that this program was deemed insufficient to provide full employment, the President was to be required to "transmit a general program for such Federal investment and expenditure as will be sufficient to bring the aggregate volume of investment and expenditure . . . up to the level required to assure a full-employment volume of production."

I think there can be no doubt that if the bill had been approved in this form its principal effect, despite the professions of some of its advocates including Senator Murray to the contrary, would have been to commit us, as fully as the most enthusiastic supporters of compensatory fiscal policy could have wished, to a policy of offsetting fluctuations in private investment and consumption by Federal budgetary changes; and we would have been committed to basing this compensatory fiscal policy upon a forecast, 12 months ahead, of the "National Production and Employment Budget."

In the debate in Congress and throughout the country this was the controversial issue. I was opposed to the bill in its original form and in favor of the Act as finally approved, which changed the name of the "National Production and Employment Budget" to the President's "Economic Report," dropped the reference to "a prospective deficiency in the national budget," and deleted the section providing for Federal expenditures to cover this deficiency. As I interpret The Employment Act of 1946, as finally approved, it carries no hard and fast commitment to any specific type of policy and at the same time does not bar out any type of policy—including compensatory fiscal policy. Though the Act still provides, as I think it should, for annual estimates of the expected levels of production and employment and of the levels deemed necessary for "maximum" production and employment (the phrase "full employment" is wisely avoided), the dropping of the "gap provision," as its supporters called it, greatly decreases the dependence of government policy upon preci-

(Continued on page 36)

*A statement of Dr. Williams before the Joint Congressional Committee on the Economic Report, Washington, D. C., July 2, 1947.

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Economic Outlook

By PAUL W. McCRACKEN*
Director of Research, Federal Reserve Bank of Minneapolis

Reserve Bank economist analyzes current business boom and probability of recession and concludes immediate outlook depends on continued level of exports and construction. Sees large cash surplus of Federal, State and local governments offsetting severe export slump and says future business trend will depend on long-range agricultural policy and a willingness to increase our imports.

Wisconsin's 1946 income payments were $3.7 billion. If its current volume of business is a fair indication, the corresponding figure for this year will be approximately $4 billion. These figures compare very impressively with $1.6 billion in 1940 or even $1.8 billion in 1929.

Paul W. McCracken

While the record nationally has probably not been so striking, it has nevertheless been impressive. Our gross national product is currently running at an annual rate of $210 billion per year, above even the $208 billion annual rate achieved at the peak of the war production in the second quarter of 1945. While this $210 billion gross national product has been made possible in no small part by the 20% increase in retail prices since the removal of price controls last year, the expansion in the physical volume of production has been substantial. The actual real production of farm products is a good one-third above prewar years. The Federal Reserve's index of industrial production, currently at 190, is about 50% above the prewar level.

All of these statistics accent one fact. The United States is at the crest of an incredible boom. Within less than two years, the wartime income records of our economy, mobilized for total war, have been broken in the postwar boom.

I.

The reasons for the boom are presumably well known. Broadly speaking, there are three. First, individuals came out of the war with the cleanest balance sheets in recent decades. Debts were down. Total consumer debt of $10 billion just prior to the war declined by 50% during the ensuing years. In addition to debt repayment consumers tripled their holdings of liquid assets during the war ($51 billion in 1940; $152 billion in 1946). Businesses did as well. Net working capital of U. S. corporations rose from $25 billion at the end of 1940 to $53 billion by the end of 1945. While these assets were somewhat unequally distributed, there could on the whole be little doubt about the ability of both consumers and businesses to make good on their demands.

II.

Second, the demands seemed infinite. Retail inventories, depleted during the war, required a 60% expansion to restore prewar relationships to sales. The same general problem faced wholesalers and manufacturers. It is not surprising therefore that during 1946 $7 billion of production went into inventories. This was inflationary. Incomes to produce this $7 billion of production were paid out, but the merchandise on which the incomes could be spent was not available.

Furthermore, many firms were in need of new equipment or added capacity. Business outlays for plant and equipment were limited only by available supplies.

Consumers were not to be outdone. They, too, had deficient inventories of everything from nylon hosiery to automobiles and houses. And, apparently, the arrears of the war, the high level of incomes, and the considerable holdings of liquid assets all combined to remove any inhibitions of consumers about spending. And spend they did. Their total expenditures for goods and services are currently running at an annual rate of $140 billion, almost double the 1940 volume and 40% above the peak of the war.

Just to ensure a more than ample demand, businesses and consumers since June of last year have borrowed very substantial sums. Commercial and industrial loans of all banks during 1946 rose nationally 50%, an expansion which continued up to the end of the first quarter of this year. And, at the same time, consumer credit climbed back in short order to prewar levels and beyond.

III.

These are familiar facts. What has not, however, been adequately appreciated until perhaps recently is the extent to which our current heavy volume of exports has fostered the boom. In 1946, we exported $15 billion of goods and services, roughly triple the average of the Twenties and four times the best years of the Thirties. Since we were able to buy from the rest of the world only $7 billion, our so-called favorable balance of trade was $8 billion.

Now a favorable balance of trade is inflationary in the same sense as an inventory expansion. During 1946, $8 billion of income was paid out in the production of our net export surplus, but no corresponding volume of goods or services in return through imports was available for purchase. There was, in effect, an $8 billion chunk of income all dressed up and with no place to go.

And the prospects for 1947 are even more striking. If the early part of the year is a fair indication, United States exports of goods and services may be in the neighborhood of $19 billion when the books are closed on 1947. Such a volume of exports, matched with anticipated imports of not much over $8 billion, means that during the current year incomes will be paid out for the production of $11 billion of products and services which will not in turn be available for income receivers to purchase.

This is an inflationary force of considerable magnitude. And agriculture has felt its full force. In 1946, agricultural exports amounted to $3.7 billion, very considerably above the $1.7 billion annual average from 1926 to 1930, and over four times the $760 million annual average of the years 1936, 1937 and 1938, the best of that decade.

The Predicted Recession

The confidence with which the demise of this prosperity has been predicted during the last nine months has been almost touching. It almost reminds one of the favored nephew's eager resignation during what is apparently, at

(Continued on page 34)

*Address by Mr. McCracken before Wisconsin Bankers Association, Milwaukee, Wis., June 25, 1947.

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From Washington Ahead of the News

By CARLISLE BARGERON

For several years your correspondent has been trying to learn what these birds meant when they threw around the term Fascism. Americans who did not even know they were in controversy and who had no more ambition than to make money, provide for their families and be big shots in their communities, have in recent years been quite shocked to learn overnight that they were Fascists. A great term of intelligents i a opprobrium a few years ago was that they were Babbitts.

Carlisle Bargeron

Throughout our country are men who have worked hard, built themselves pretty homes, learned to play bridge and joined country clubs. They display a copy of "Time," "New Yorker" and "National Geographic" on their living room table and entertain visiting celebrities, the celebrities being the foreign correspondents and plain foreigners who come through town and lecture to them for a fee, particularly the women's clubs, and tell them how ignorant they are. These successful Americans who pay to be insulted, used to be called Babbitts. Now they are Fascists in the propaganda that is being put over on them.

Why are they now Fascists? Trying my best to find out what was meant when the term was applied, I came to the conclusion that a Fascist was an anti-Semitic. Then I saw the people to whom the term was being applied, people whose only ambition was to get along in life, according to the rules and regulations that were set up. They were not anti-Semitic. They were really not anti anything. They even accepted Roosevelt's contention that it was essential for him to be President forever because he knew Stalin and Churchill. They had boys in the service.

So I pointed this out to the propagandists who were labelling people Fascists and asked again "What do you mean?"

Oh, they are so dumb, these people, the propagandists would say. They are so engrossed in making money and joining country clubs and playing golf and having their daughters marry well, that they don't realize that we are now living in One World. They don't seem to be cognizant of world affairs.

But, I would point out to these gentlemen, some of the biggest business men in this country, some of what you would call the biggest Fascists, are sponsoring and paying big money to you punks to go on the radio and sell your wares. The explanation was that Fascists are necessarily dumb and that the big business man, so greedy for money, did not mind sponsoring a radio commentator to talk against him and his system, and that was the reason he was a Fascist because he was so wrapped up in his money-making as to permit this.

Nevertheless, none of this is clear as to what constitutes, in the eyes of the smear artists, a Fascist.

Several months ago, the aged and most thoroughly disrespected member of the House, Sabbath, Chairman of the all powerful Rules Committee when the New Deal was in power, attacked Joe Pew, Chairman of the Board of Sun Oil, as a Fascist. He was called to account on the floor of the House and he responded that he didn't mean that Joe Pew was a Hitler Fascist but an American Fascist.

Like the Gallup Poll, your correspondent continued his pursuit of what is meant by Fascist or American Fascist, from those who apply the term.

You can imagine my surprise when I found several worthy journalists attacking Congress for not letting a pamphlet prepared by the erudite Congressional Reference Service on Fascism be printed and distributed at the taxpayers' expense.

A pamphlet on Communism by the same agency and sponsored by Congressman Dirksen of Illinois, was printed and has been widely distributed. Ah, say the Leftist propagandists, you permit that, but now comes one on Fascism, which was sponsored by Congressman Wright Patman of Texas, and you suppress it.

Similarly, the House Committee on Un-American Activities is always being attacked. You investigate Communsts, say the Leftists, why don't you also investigate the Fascists.

Frankly, I think the House should let the pamphlet on Fascism go. Maybe not, but I believe it would show up the Leftists for what they are worth.

Fascism, it would seem from this pamphlet, is our trend towards monopoly. And when you get down to asking what is meant by monopoly, you usually find that it is "bigness." Our trend towards monopoly or bigness has been a source of political controversy in this country for at least 50 years. But it was always called just that. Not Fascism.

A very prominent and widely syndicated journalist came to me the other day with examples of our heading into Fascism. It's the way Hitler did it, he would say after each example.

First, there was this trend towards monopoly or big business; then a thing that worried him was the passage of the Taft-Hartley labor bill, and then the fact that Taft had called in only one labor leader in his economic study, and then the fact that the Republicans of the House Appropriations Committee had called in experts with a business background to make studies of the budget requests of the various government departments; they didn't call in any labor leaders or any people with a "socially conscious" background. This, he said, was the way Hitler did it.

What he thinks is an excessive growth of nationalism among us, is another example. Development of nationalism was the way Hitler did it, he said.

A difference here, of course, is that Hitler took hold when his country was being brow-beaten by other countries and aroused their national spirit against it, one of his two greatest rackets. Nationalism in this country means to let the other countries alone.

But anyhow, under this gentleman's conception of Fascism, we are going Fascist like nobody's business, and I love it.

Joins Riter Staff

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — William M. Galloway has become associated with Riter & Co., 134 South La Salle Street. Mr. Galloway was formerly with Chesley & Co.

Advisory Governors For Chicago Exchange

CHICAGO, ILL. — Homer P. Hargrave, Chairman of the Board of The Chicago Stock Exchange, has announced the election of four Advisory Governors to the Exchange; they are: Sewell L. Avery, Dr. Robert E. Wilson, Gilbert H. Scribner and Samuel J. Weisman.

Mr. Avery, in addition to being Chairman of the Board of Directors of both Montgomery Ward & Co. and U. S. Gypsum Co., is a director of Armour & Co., the Northern Trust Co., U. S. Steel Corp., Peoples Gas Light & Coke Co., Pullman, Incorporated and the Pure Oil Company.

Mr. Wilson, Chairman of the Board and chief executive officer of Standard Oil Company of Indiana, is also a director of the First National Bank of Chicago and Chase National Bank of New York. Wilson is Chairman of the board and President of many Standard Oil Company subsidiaries and a trustee of Wooster College, Wooster, Ohio.

Mr. Scribner, one of Chicago's well known civil leaders, is the senior partner of the real estate firm of Winston & Company and a director of the National Boulevard Bank of Chicago, the Midland Warehouse Company, Chicago National League Ball Club, Columbus Venetian Stevens Buildings, Inc. and Abercrombie & Fitch Company. He is also a trustee of Northwestern University and the Mutual Life Insurance Company of New York.

Mr. Weisman, an account executive at Merrill Lynch, Pierce, Fenner & Beane, has been employed by that firm for over 25 years. He is also President of the Stock Brokers' Associates. His election as Advisory Governor brings the Exchange closer to all member firms and their staffs.

Mr. Hargrave stated that the purpose of electing Advisory Governors for the Exchange is to provide the public with representation on the Exchange and to give the Exchange management the benefit of the wide experience and advice of well known business and civic leaders.

Herman Veneklasen With L. F. Rothschild

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Herman W. Veneklasen has become associated with L. F. Rothschild & Co., 231 South La Salle Street. He was previously with Boettcher & Co. Prior thereto he was an officer of Duryea & Co. and was with Fenner & Beane.

Bear, Stearns Adds

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Francis M. Hayes is now connected with Bear, Stearns & Co., 135 South LaSalle Street.

Hemphill, Noyes Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — George C. Gordon has been added to the staff of Hemphill, Noyes & Co., 231 South La Salle Street.

New Rent Control Law Stimulant To Real Estate Industry

Alexander Summer, Chairman of Realtors Washington Committee, says it will aid new rental housing throughout country. Favors bill which would permit home owners to deduct depreciation from income tax returns and allow for losses on sale of homes.

Speaking at the Convention of the New York Association of Real Estate Boards at Saranac Lake on June 26, Alexander Summer, Chairman of the Realtors Washington Committee of the National Association of Real Estate Boards, expressed the belief that the rent control extension bill, recently passed by Congress, would have far-reaching effect on the real estate market. Said Mr. Summer:

Alexander Summer

"This bill provides for de-control of rents on new construction and properties rented for the first time. It provides for the elimination of the six-months eviction notice now required. It provides for complete de-control of all rents on Feb. 28, 1948. It provides that where a landlord and tenant enter into a voluntary lease, not to expire before Dec. 31, 1948 and with no cancellation privilege on the part of the owner, that rents may be increased up to 15%.

"It provides for the lifting of all building controls on new construction with the exception of places of amusement and entertainment, and it sets up local boards under the control of the housing expeditor which will have the right of review in all cases where rents may be deemed unjust.

"In the opinion of our National Association of Real Estate Boards, there is no question that these changes will act as a tremendous stimulant for the erection of new rental housing. They will also have the effect of bringing back into the rental market many properties now withheld because of unrealistic and uneconomic rent ceilings. I strongly urge every realtor in the nation to use his influence to prevent any abuses by unscrupulous owners. In those cases where controls are removed, rents should be increased in moderation. It is true that owners have suffered because rents have lagged far behind the rest of the economy, but it would not be fair to the tenants to try to make up the entire differential. Our industry will be best served through the constant application of consideration and moderation."

Regarding other pending legislation of interest to realtors, Mr. Summer stated:

"A bill, H. R. 3176, has been introduced by Congressman Knutson, Chairman of the House Ways and Means Committee, which would amend the Internal Revenue Code by permitting home owners to deduct depreciation on their homes in connection with their income tax returns. At the present time this right is limited only to those who rent their premises and serves an injustice upon the great mass of home owners in this country. According to the latest census figures, 54% of the people in this country own their own home. Although it is too late to expect favorable action on this legislation during this session of Congress, the Realtors Washington Committee is hopeful that it will receive favorable action when Congress again convenes.

"Another proposed measure which would benefit home owners is one which would permit a man who sells his home at a loss to take advantage of a Capital Gains loss. Under the present law, if he makes a profit in the sale of his home, he must pay a Capital Gains Tax, but should he take a loss, he can take no off-setting deduction therefor.

"The Realtors Washington Committee is also making a study regarding the advisability of exempting the homestead from inheritance taxes up to an amount of possibly $25,000. There are too many cases on record where a surviving widow was forced to liquidate her only home in order to raise the money to pay her inheritance tax. It is felt that, out of the catastrophe of the death of her spouse, she is entitled at least to have a home in which to continue to live.

"Another amendment proposed to the Internal Revenue Code is one which would permit realtors to take advantage of Capital Gains Tax in connection with their profits when they are engaged in bona fide real estate investments. As the law now stands, any person who invests in real estate can take advantage of this except the real estate man. The Realtors Washington Committee feels that a clarification of this discrepancy would receive favorable action in the Congress.

"Another matter of vital interest to local municipalities is the proposed legislation which would require the Federal Government to make payments in lieu of taxes where local municipalities render services."

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The following new statistical reports are now available on request: 40 Wall, Hotel Lexington, 51 East 42nd Street, Grant Building.

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Public Utility Securities

Progress With Holding Company Integration

Progress with holding company integration has speeded up somewhat during 1947. Following is a brief summary for leading holding companies:

After two-and-a-half years, **American & Foreign Power** scrapped its old plan and filed a new one a few weeks ago. This reduces somewhat the participation of **Electric Bond and Share,** in line with demands made by public holders of the second preferred stock. However, holders of both the first and second preferreds are still dissatisfied, although the new plan was reported satisfactory to the SEC staff. Further hearings are in progress. **American Gas & Electric** has no further important problems, though it must complete the disposal of **Atlantic City Electric.**

American Light & Traction recently filed a new plan under which the electric subsidiaries would be disposed of while natural gas interests (including the big pipeline which is to be constructed) would be retained. The company would be divorced from the top holding company, **United Light & Railways,** by disposing of the latter's holdings.

American Power & Light: Little progress has been made with the two plans before the Commission, one filed by the company and the other by common stockholders. At present there is little or no equity for the common stock, it is estimated, if preferred stocks were paid off at par and arrears through sale of portfolio holdings.

American Water Works proposes to split its water and electric interests, selling the latter to its own stockholders and the public, but the offering has apparently been delayed by market conditions, or delay in settling tax problems. No plan has yet been devised to integrate the electric sub-holding companies.

The Cities Service plan is now almost completed; the remaining step is to sell the Ohio and New Mexico subsidiaries to the public and use proceeds to retire bonds. **The Columbia Gas** plan is practically completed. **Continental Gas & Electric** is already fairly well integrated and may eventually merge with its parent, **United Light & Railways.**

Consolidated Electric has filed a plan to exchange **Atlanta Gas Light** common stock for its own publicly-held preferred stock. **Commonwealth & Southern** is making slow progress at the moment; its voluntary exchange plan to retire preferred stock proved unsuccessful, and the SEC has been slow to approve segregation of the southern properties in a sub-holding company.

Electric Bond and Share will eventually dispose of more of its holdings in order to continue in business with American & Foreign Power and Ebasco as major interests. **Electric Power & Light's** plan has been before the SEC for some time, without indicated progress.

Engineers Public Service has almost completed its plan, with current distribution of its principal holdings. **General Public Utilities** has a major problem left—streamlining **Associated Electric** and eventually merging it with the top company. It is not clear, however, whether the SEC will permit retention of the entire system including Associated.

International Hydro Electric: Integration plans are now being filed, but it may take several years to complete the program. **Long Island Lighting's** progress remains very slow; the joint jurisdiction of the SEC and the New York Commission raises difficulties. **Middle West** recently made an important distribution (Central & South West) and further distributions to stockholders will follow from time to time.

Of the three New England holding companies, **NEPA** (now NEES) and **NEGEA** have practically completed their integration programs this year. **NEPSCO** is retiring its prior preferreds but must work out a plan for division of remaining assets between the junior preferreds and the common.

Niagara Hudson Power's merger plan is awaiting hearings before the New York Commission, expected in the fall. **Northern States Power's** progress has been slowed by the multiplicity of plans presented by various interests. The situation needs clarification.

North American Company is making rapid progress, having recently settled the issue with common stockholders of **North American Light & Power,** by accepting the SEC proposal to "sweeten" the offer slightly.

Public Service of N. J. recently filed an amended plan which apparently has not met with any opposition. **Standard Gas & Electric** will file a new plan soon, it is reported. **United Corp.** is working on a mandatory plan to dispose of its preferred stock. **United Light & Railways** may dispose of **American Light & Traction** and use proceeds to retire bank loans and preferred stocks, finally merging with **Continental G. & E.**

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COMING EVENTS
In Investment Field

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 at the Hotel Statler.

Sept. 20, 1947 (Chicago, Ill.)
Municipal Bond Club of Chicago Outing.

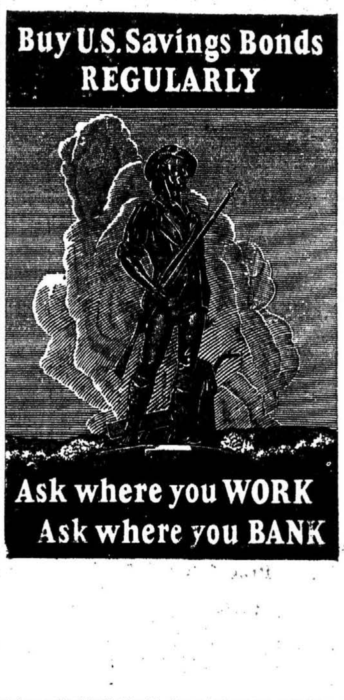
Nov. 30-Dec. 5, 1947 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Cleveland Electric Shs. Offered at 43¼ per Sh.

Dillon, Read & Co., Inc. and associates publicly offered, July 9, 133,383 shares of common stock, no par value, of The Cleveland Electric Illuminating Co. at $43.25 per share. The stock was awarded to the group at competitive bidding July 8 on a bid of $42.133 per share.

The stock being offered represents the remaining shares held by The North American Co., after the earlier disposition by it of 1,714,525 shares of Cleveland Electric under an offer to North American's common stockholders. Proceeds of the present offering will be applied by North American toward the prepayment, without premium, of its bank loan notes now outstanding in the amount of $8,157,122.

Cleveland Electric, operating in Cleveland and in adjacent territory extending nearly 100 miles along the south shore of Lake Erie, is engaged in the generation, distribution and sale of electric energy. The company also produces and sells steam in the downtown business section of Cleveland. Operating revenue for 1946 totaled $45,252,319 excluding revenues to be released to the company under proposed settlement of rate controversy. Since 1900 the company has been paying regular quarterly dividends on its common stock in varying amounts, the rate since the beginning of 1943 having been 50 cents per share.



Dealer-Broker Investment Recommendations and Literature

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

Airline Operations — Latest reports—Schwamm & Co., 50 Broadway, New York 4, N. Y.

Aviation Bulletin — Contains discussion of earnings, prices, general comment and market opinion —John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

Chain Stores — Analysis of the industry and data on specific companies — Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Chart Patterns — Outlook for market action—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Common Stock Program for Investors—List prepared to aid the investor in arranging his stock portfolio—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Also available is a detailed analysis of **Shell Union Oil Corporation.**

Earnings Comparison for second quarter of 1947 of **19 New York City Bank Stocks** — Circular — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Financial News Digest — Resume of recent developments in several situations — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is an alphabetical index for the second quarter of 1947 of research reports issued by the company.

It's a Cats-and-Dogs Living—Reprint of article from the "Nation's Business" on salvage value of obsolete and supposedly worthless securities—being distributed by R. M. Smythe & Co., Inc., 79 Wall Street, New York 5, N. Y.

Railroad Developments — Current action in the field during the week—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Steel Industry—Study of position and investment appraisal — Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

Tax Reduction and the Business Outlook—Study of situation—Delafield & Delafield, 14 Wall Street, New York 5, N. Y.

Aldens, Inc.—Summary of situation—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Arden Farms Co.—Memorandum—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Aruba Combined Goldfields, Ltd.—Progress report — Nesbitt, Thomson & Co., Limited, 355 St. James St., West, Montreal, Que., Canada.

Engineers Public Service Co.—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available are analyses of **Middle West Corporation** and **New England Public Service Co.,** and a reappraisal of **International Paper Company.**

Forty Wall Street—New statistical report—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Also available are new statistical reports on **Hotel Lexington, 51 East 42nd Street,** and the **Grant Building.**

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

Hotel Sherman, Inc.—Memorandum for registered dealers and banks—Straus & Blosser, 135 So. La Salle Street, Chicago 3, 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.**

New England Public Service Co. —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.

Osgood Company — Discussion of situation and outlook—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

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.**

Purolator Products, Inc.—Memorandum—Bond & Goodwin, Inc., 63 Wall Street, New York 5, N. Y.

Also available is a circular on **Southeastern Public Service Co.**

Sinclair Oil Corp.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

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

Also available are memoranda on **Warner Company** and **The Gruen Watch Co.**

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.**

Warren Foundry & Pipe Corp. —Detailed analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Also available is a study of **Joy Manufacturing Company.**

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Solve Balkan Problem or "Pack Up": Cadogan

British Delegate, in supporting report of UN Balkan Commission, scores Russia and Poland for attitude against interference in Balkan crisis. Says sovereign rights no longer retain their "pristine inviolability."

In a speech before the United Nations Security Council on July 1, Sir Alexander Cadogan, United Kingdom delegate, asserted that unless action is taken to maintain peace in the Bankans the delegates to the United Nations may as well tear up its charter and "pack up." According to Sir Alexander: "Our very object in sending a Commission to the spot was that that Commission should attempt to sift and evaluate the conflicting evidence. Our representatives on the Commission have seen and heard the witnesses. We here cannot do that, and on the basis of the contradictory statements presented to us in cold type, we—or at least I—find some difficulty in arriving at a judgment on the credibility of individual witnesses. As I have said, that is why we sent our representatives to the area in question. They have seen and heard the witnesses: they have been able to form some judgment of their reliability. They have reported their own conclusions. Speaking for my government, I may say that they have complete confidence in their representative on the Commission. His view, which corresponds with that of a large majority of his colleagues, is stated unequivocally in the report, and my government accept that view.

Sir Alex. Cadogan

"The Commission's conclusions were opposed by the Soviet and Polish members of the Commission who submitted a set of diametrically opposed conclusions of their own. The Commission's conclusions have also been attacked on various grounds by the representatives of the Albanian, Bulgarian and Yugoslav governments. But we must remember that no less than 8 of the 11 members of the Commission subscribed to them. It is true that the Belgian and Colombian members expressed doubts as to whether it was for the Commission to give any decision as to the possible responsibility of the Albanian, Bulgarian or Yugoslav governments, but they nevertheless were able to put their names to the conclusions. The French representative did not subscribe. He did not, however, oppose the conclusions: he merely urged the technical point that the Commission was only instructed to 'verify the facts' and to make a report. Instructed to 'make a report,' it may be that the Commission was not bound to draw conclusions, but plainly it was not debarred from doing so. In support of his argument, the French member of the Commission referred to the passage in the Security Council's resolution of Dec. 19, last, where it is stated that 'the disturbed conditions should be investigated before the Council attempts to reach any conclusions regarding the issues involved.' Of course it is the Council's conclusions that would be finally decisive, but no Commission or Committee on that account is debarred from submitting conclusions of its own. I myself, however, think that the Commission were actually asked to draw conclusions, since otherwise what would have been the purpose of the Security Council in authorizing them to go to certain places in Greece, Albania, Bulgaria and Yugoslavia 'in order to elucidate the causes and nature of the frontier violations and disturbances.' I could weary the Council with any number of instances of Commissions and Committees submitting conclusions for the consideration of the Council. The French member finally emphasized the difficulty of establishing a 'body of evidence in the juridical sense of the word.' The difficulty is undeniable, but it was overcome by eight of his colleagues.

"To take the actual objections to the conclusions:

"The Soviet and Polish members found: (1) that the accusations 'are without foundation' owing to the insufficient and contradictory evidence. The only comment on this is that eight members found differently.

"(2) That 'civil war' and 'the abnormal internal political situation' in Greece constitute the principal causes of disorders in northern Greece. But eight members found that there was no state of civil war. And although they agreed that 'in so far as it might constitute a factor contributing to the disturbed conditions in northern Greece along the Greek frontier, the Greek internal situation could not be ignored,' they found that that 'in no way relieves the three northern neighbors of their duty under international law to prevent and suppress subversive activity on their territory aimed against another government, nor does it relieve them of direct responsibility for their support of the Greek guerrillas."

"I wonder whether it has occurred to those who give such prominence to the argument about what they call the state of civil war in Greece that that inevitably gives the impression that they are seeking to justify intervention rather than to disprove it.

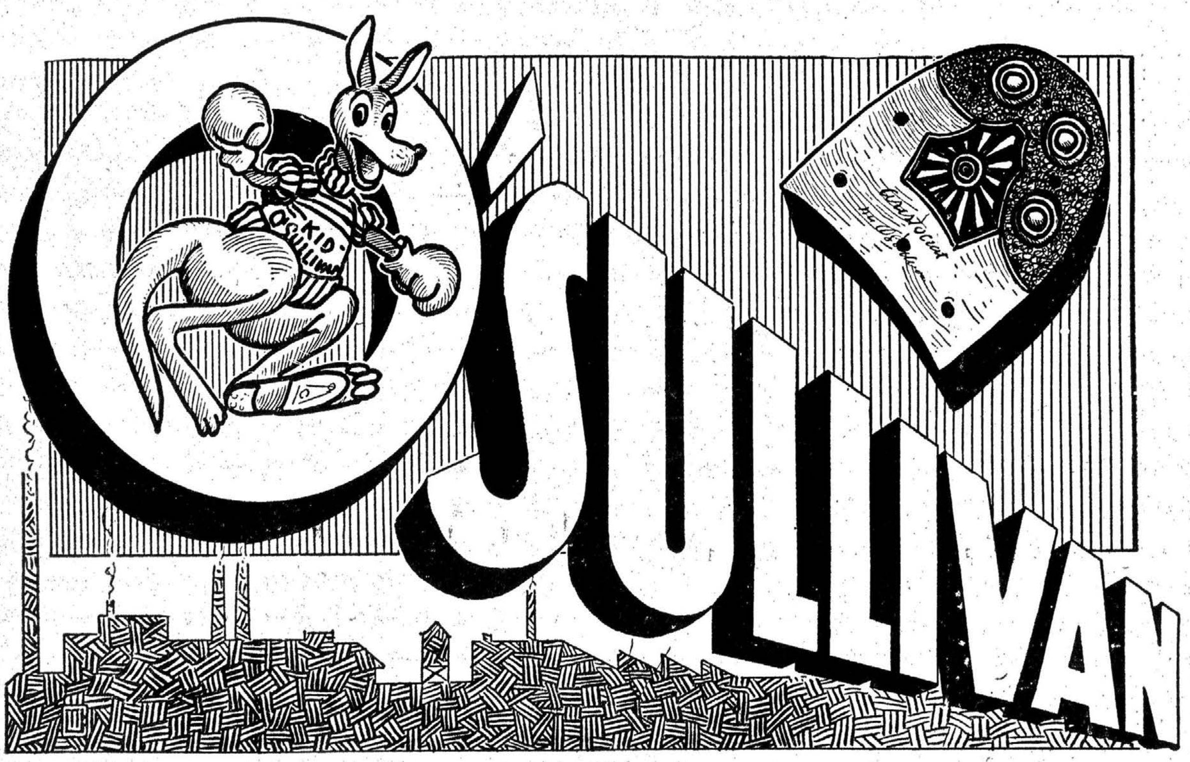
"(3) That the 'Jingoist' propaganda of Greece is linked with frontier incidents directed against the three neighboring countries. But it must be observed that Greek 'Jingoism' takes the form of presenting territorial claims in the proper form to the proper quarter.

"Therefore it seems that the conclusions of the eight members are soundly based, and my government subscribe to them.

"But that, it seems to me, is not the most important part of the report. It deals with the past, and although it is necessary to try to ascertain facts, it would be more useful if we could provide a remedy for the situation in the future and avert the possibility of a continuance or a renewal of a dangerous state of affairs.

"Whatever the rights or wrongs of the situation may be, and to whatever causes the existence of the present conditions may be attributed, there is not, as I read

(Continued on page 45)



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During World War II, O'Sullivan Rubber Corporation produced over 36 million pairs of heels, taps and soles for the United States Government; and its monthly average of 707 employees, from 1941 through 1946, purchased nearly one-half million dollars worth of bonds on the payroll savings plan. War production of GI heels enabled O'Sullivan to develop revolutionary methods for mass production of postwar heels. Techniques involve the use of multiple molds and exclusively designed, high speed automatic machinery now running three shifts on production.

In addition to heels and soles, O'Sullivan is now producing quality plastics sheeting for the shoe, upholstery and luggage trades, under the name of "O'Sullivan's Pedigreed Plastics." Through carefully laid plans and ground work in this new field, O'Sullivan is now ready to expand its Plastics Division by the addition of a half-million dollar plant.

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Anti-Depression Forces

By S. J. FLINK*
Economist, Apparel Arts
Chairman, Department of Economics,
Rutgers University School of Business Administration

Dr. Flink contends American economy is rapidly completing its readjustment to normal competitive market, and even under higher wages and lower prices profitable business is assured in next two years.

There has been too much talk about the inevitability of a recession and too little recognition of the corrective forces at work. The business set-back which was widely heralded for the second quarter of this year failed to materialize. But the modern Cassandras are still singing the same tune. Except that they have shifted their time schedule. It is now the third quarter which is supposed to mark the downswing.

S. J. Flink

It is high time that we recognize one basic economic fact: No recession is inescapable. The same businessmen and workers who through their actions create the possibility of a recession have it in their power to stem the approaching disaster. And that is precisely what is happening now, and has been going on for the past few months. The American economy is rapidly completing its readjustment to a normally competitive market. There will be a recession for many individual firms and workers who fail to adjust their thinking and actions to the dictates of a balanced economy. There need not be a recession for our economy as a whole.

In fact, there are more symptoms of adjustment than evidence of maladjustments. The statistics of yesterday do not, and cannot, reflect the forces at work today. And the economic forces of today show unmistakably that we are just about beginning to tap the vast peacetime potential of our resources in productive capacity, technical know-how and available manpower.

In every line of business, management is rapidly ridding itself and the establishment of wartime inefficiency, complacency, and reliance on the government for guidance.

Hidden wartime inflation—in the form of poor quality, substitute material, inferior workmanship, limited selectivity—is being squeezed out by better merchandise, greater variety and improved styling at the same price.

Organized labor appears ready to accept the last wage increase as final for at least another year.

Inefficient manufacturers who reaped large profits during the wartime sellers' market are the "fringe producers" of today and the probable bankruptcies of tomorrow.

Consumers have stopped being resentful of substandard merchandise because they can once more be selective among stores and goods of acceptable standards.

Retailers have been quick to recognize and accept the challenge. Manufacturers are indicating their willingness to follow suit. Primary producers who are still holding out are likely to give in sooner rather than later to the reappearance of a normally competitive market.

The most significant factor is the wartime upward shift in income distribution which promises to become a permanent part of our national income and market structure. Hardly any attention has been paid to this revolutionary change. It is the footloose current spending power of 1948 and the years to follow. Instead of less than nine million families with an income between $2,000 and $5,000 in 1941, we now have over 18 million families in this bracket. There are almost 3.5 million families with an income above $5,000 today compared with less than 1.6 million in 1941. To be sure, much of this rise has been absorbed by the increase in prices during the past few years. Wage rates are "sticky." They will not go down, when prices decline. And prices can decline with increased productivity and larger output. There is no reason to assume for one moment that American business has forgotten its know-how, that workers are incapable of increased efficiency, that technological advances are a matter of the past. But I challenge you to visualize your market in men's wear and the market of all other producers if current prices decline during the next two years to the mid-year level of 1946.

A fall in prices by 25% within the next two or three years, with wages remaining at their present level, will give the American worker the same increase in real wages which he received during the 25-year period 1914-1938.

It will telescope into a two-year span a rise in the American workers' standard of living unparalleled in the annals of this or any other country.

It will create an annual replacement demand at least as large as the total deferred demand of the workers accumulated during the war as a result of forced savings and rationing.

It will provide a market for soft and durable consumers' goods which challenge the ingenuity of the distributor who will try to channel the footloose spending power into his store and his merchandise.

At the present time, rent and food absorbs approximately 65% of the average wage earner's income. This figure is in sharp contrast with the 50% average allowance for these two major items in the prewar days. Although consumers' durable goods may still continue at their present prices for another year, there is a definite probability that soft goods will decline by 10 to 15%. More significant, however, is the probability that food prices in 1948 may be 20-25% below their current levels. Thus instead of spending 40% of his income for food, as now, the wage earner will spend an average of about 30% for the same items. Even if rent increases average 10% it would raise the rental percentage from the present 25% to about 27.5%. The net effect will be that rent and food will account for 57½% rather than the 65% at the present. Add to this the probability of moderate decrease in other items and the real purchasing power of the wage earner in the second half of 1948 should average at least 10% above the present.

And last, but not least, our total population is today over seven million in excess of the 1941 figure. There are more than 55 million people gainfully employed now in contrast with about 44 million in 1941. These statistics are not mere numbers. They are the driving forces within our economy. They are the compulsives that create demand, provide spending power, and furnish the manpower for the production of goods.

Such, in brief, are the factors which form the background against which you must chart your course for the fall season of 1947 and the months to follow. The possibilities are present. The probabilities depend on you and not on an economist's prediction, optimistic or pessimistic.

*Part of address of Dr. Flink before the Associated Men's Wear Retailers of New York, New York City, June 26, 1947.

Beverley Sinclair Dead

Beverly Kennon Sinclair died at the age of 57 after a brief illness. Mr. Sinclair was associated with Paine, Webber, Jackson & Curtis.

John P. Ryan Dies

John Paul Ryan, former newspaperman and retired assistant to the president of the New York Stock Exchange, died of a heart attack at his home at the age of 71.

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NSTA Notes

NSTA CONVENTION PROGRAM

The National Security Traders Association has announced the following program for the Annual Convention to be held in Boston August 10th to 14th at the Hotel Statler:

FOR MEN

MONDAY, AUGUST 11TH—
8:30 a.m.—Past officers' breakfast.
10:00 a.m.—National Committee meeting.
1:00 p.m.—Official luncheon—Governor Robert Bradford in welcoming speech to Massachusetts.
3:00 p.m.—Municipal forum—Speakers: Robert Cutler, President of the Old Colony Trust Co., and Reid W. Diggs, Hampden Roads Sanitary District Commission.
6:00 p.m. to 8:00 p.m.—Cocktail party.

TUESDAY, AUGUST 12TH—
10:00 a.m.—Open House in financial district.
10:30 a.m. to 3:00 p.m.—Inspection tour of Naumkeag Steam Cotton Mills in Salem, followed by luncheon at Salem Country Club.
1:00 p.m. to 6:00 p.m.—Golf at Woodland Golf Club.
1:30 p.m.—Sightseeing trip to Cambridge, Lexington and Concord; stops at Agassiz Museum (glass flowers), Harvard University; Lexington battle ground; Hancock-Clark House, home of Louisa May Alcott ("Little Women"); scene of battle ground, Old North Bridge, Concord.

WEDNESDAY, AUGUST 13TH—
Morning—Open for shopping, visiting, and sigthseeing in Boston.
—Special discussion on "Newspaper Quotations" for those who serve on either the NASD or NSTA Quotation Committees in their respective districts. NASD program to be presented by Herbert Boynton, H. F. Boynton & Co., President of the NASD; Wallace Fulton, Executive Secretary; George Geyer, Geyer & Co., Inc., Chairman of the NASD Quotation Committee; and B. Winthrop Pizzini, B. W. Pizzini & Co.
1:30 p.m.—Cruise around Boston Harbor followed by old-fashioned New England clam-bake with return around 9:00 p.m.

THURSDAY, AUGUST 14TH—
10:00 a.m.—National Committee meeting.
12:30 p.m.—Luncheon for officers and National Committee members.
3:30 p.m.—Corporate forum—Speakers: Robert K. McConnaughey, Securities & Exchange Commission; and Lawrence Whittemore, President of the Federal Reserve Bank of Boston.
6:30 p.m.—Cocktail party, annual NSTA dinner and dance.

FOR LADIES

MONDAY, AUGUST 11TH—
11:00 a.m. to 400 p.m.—Scenic tour of South Shore, including Blue Hills; home of the Presidents, Quincy; Hingham; Cohasset Shore Drive, with luncheon at Kimball's, Cohasset Harbor. Optional trip after luncheon to Plymouth Rock.
6:00 p.m. to 8:00 p.m.—Cocktail party.

TUESDAY, AUGUST 12TH—
Morning—Open.
1:30 p.m.—Historical tour of Cambridge, Lexington, and Concord covering the route made famous by Paul Revere.

WEDNESDAY, AUGUST 13TH—
Morning—Open for shopping and sightseeing on your own in Boston.
1:30 p. m. to 9:00 p.m.—Cruise of Boston Harbor, followed by old-fashioned New England clam bake.

THURSDAY, AUGUST 14TH—
12:00 noon—Cocktails and luncheon on Sheraton Roof, followed by motor launch sightseeing trip on the Charles River.
6:30 p.m.—Cocktail party.
7:00 p.m.—Annual NSTA dinner and dance.

NSTA MUNICIPAL FORUM

The Municipal Forum of the National Security Traders Association will be held on Monday, Aug. 11, at 3 p.m. during the National Convention in Boston.

Speakers will be Robert Cutler, President of the Old Colony Trust Co., and Reid W. Diggs, President of the Virginia Industrial Wastes & Sewerage Commission. Subjects of the speakers will be announced later.

Mr. Cutler was formerly Corporation Counsel to the City of Boston and served as Chairman of the advisory board of the Public Welfare Department of Massachusetts, in addition to acting as director of many business and charitable organizations.

Mr. Diggs was formerly special assistant and administrator of the Federal Works Agency in charge of program planning for all community facilities in the United States

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BOND CLUB OF SYRACUSE

The National Security Traders Association announces that the application of The Bond Club of Syracuse for membership in the national organization has been approved by the Executive Council and the names of the 46 members have been added to the NSTA roster.

Syracuse is the 28th affiliate of the NSTA.

Ernest R. Mulcock Edward L. Emmons Chas. Heaton Alvin G. Hageman

Officers of the new affiliate are:

President—Ernest R. Mulcock, E. R. Mulcock & Co.; Vice-President—Edward L. Emmons, Reynolds & Co.; Secretary—Charles Heaton, Wm. N. Pope, Inc.; Treasurer—Alvin Hageman, Syracuse Savings Bank.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

Herbert H. Blizzard, Hess, Blizzard & Co., has announced a tentative schedule of events and activities covering the stay in Philadelphia of members and guests of the National Security Traders Association en route to the annual convention in Boston, Aug. 11-14.

As released last Monday, and subject to minor changes, the chronological program is as follows:

Saturday, August 9

6:15 p.m. Special trains from Baltimore and the West will arrive at Broad Street Station and will remain on sidings overnight.

Chartered buses will take visitors for an hour's drive through Fairmount Park and the Main Line suburbs to the country estate of Howard Butcher III (Butcher & Sherrerd) at Villanova, Pa. There Mr. and Mrs. Butcher and the Investment Traders Association of Philadelphia will sponsor a Garden Party and buffet. There will be entertainment, swimming, dancing, music and "refreshing beverages."

10:15 p.m. Busses will return to Broad Street Station. Vaudeville cracks to the contrary notwithstanding, Philadelphia downtown night life will be made available to all who desire to investigate. Such participation, however, will be solely for the individual's account and risk.

Sunday, August 10

7:00 to 8:30 a.m. Breakfast served at the Savarin Restaurant, Broad Street Station.

8:45 a.m. Chartered busses will take visitors to Philadelphia Navy Yard.

9:45 a.m. Catholic and non-sectarian Church Services will be conducted abroad the airplane carrier U. S. S. Saipan and the cruiser U. S. S. Macon. Staff officers, ships' officers and crews will participate. Following services, an inspection will be made of one of our modern fighting ships of World War II.

11:00 a.m. Board busses for an officer-escorted tour of America's largest naval base, viewing the world's largest crane, dry docks, ships in "moth balls," Naval Aircraft Factory, Mustin Field, Marine Barracks, battle-wagons, cruisers, destroyers, submarines, flattops, etc.

11:30 a.m. Visit to Independence Hall, Liberty Bell, Carpenter Hall, Franklin's grave and other historic spots.

12:30 p.m. Entrain for Boston.

Investment Traders Association committeemen in charge of special arrangements are:

Hotel Accommodations—George Muller, Janney & Co., 1529 Walnut Street.

Transportation Details—John B. Swann, Lilley & Co., Packard Building.

Sunday Functions—Thomas J. Love, George E. Snyder & Co., 1411 Walnut Street.

Garden Fete—Thomas F. O'Rourke, Stroud & Co., 123 So. Broad Street and Harry Fahrig, Reynolds & Co., 1528 Walnut Street.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York announce that the 1947 bowling season will start on Thursday, Sept. 11, at 5:30 p.m. and will continue each Thursday except holidays for 33 weeks. The Association has arranged for 12 alleys at the Downtown Bowling Academy and will be able to accommodate 60 members. Those interested in participating should contact: Richard H. Goodman, Cohu & Torrey; H. Meyer, Stern & Co.; George V. Leone, Frank C. Masterson & Co.; C. M. Murphy, Mackubin, Legg & Co.; H. W. Bentley, Abbott, Proctor & Paine; John J. O'Kane, Jr., John J. O'Kane & Co.; Leroy

Illinois Brevities

Department stores and other retailers in Chicago have resumed buying at a rate that analysts say is something more than just the seasonal acquisition of merchandise for Fall selling. Part of the recent upturn in buying by the stores, specialists say, can be credited to critical replacement needs for comparatively fast-moving items. Inventories of such goods were brought near the "starvation point" by the virtual "strike" which the stores staged in an effort to bring merchandise costs down.

Worries that consumer purchasing power might decline in the third quarter now appear to have evaporated, and retailers now see their way through until late in the fourth.

The retailers got few price concessions but there has been a steady improvement in the quality of goods coming into the stores. One of the reasons for the stores' return to the market was the continuing high dollar volume of sales, although unit transactions are off from year-ago figures. Some retailers in Chicago now think the recession has been "prophesied away," others say it still is a question of "when and how deep," while a third group says only that "it's one of the most confusing periods in merchandising."

* * *

The big question in the farm and farm market area, of course, is "how's the corn?" The most serious losses from floods, standing water and soil washing have been in Iowa, where estimates of the loss have run from 15 to 25%. Corn for July delivery on the Chicago Board of Trade has been hovering above a record $2. Crop loss will be substantial if the Middle West does not get "very favorable" weather from now on, observers say.

* * *

The Tucker Corp., which plans to manufacture automobiles in the big former Dodge-Chicago plant, got permission from the Securities and Exchange Commission to make a public offering of its stock. Preston Tucker, President, said the company hopes to have cars in show rooms by late fall. The pilot model of the car, called the "Tucker 48," was unveiled recently.

* * *

Federal Judge Shaw dismissed a suit for treble damages of $10,624,867 filed against the Chicago Board of Trade and its officers by Cargill, Inc., and the court held that the exchange's action in freezing prices on futures was necessary and legal. Attorneys for the Minneapolis grain dealers had contended that the firm's "long" position made enforcement of the rules discriminatory.

* * *

Transfer of the "equity" of the 44-story Field Building from Marshall Field to the Field Foundation, Inc., involved the biggest mortgage ever placed on a single building in Chicago. Proceeds of the $18,500,000 mortgage, which the Chicago Title & Trust Co. as trustee executed to the Prudential Life Insurance Co. of America, will be paid to Mr. Field.

* * *

In response to the investment bankers' demands that the management and management policies of the unified Chicago Transit System be made known as soon as possible, the Chicago Transit Authority named Walter J. McCarter, former head of the Cleveland Transit System, as general manager. Two part-time consultants also were named. They were Guy A. Richardson, former President of the Chicago Surface Lines, and Bernard J. Fallon, trustee and chief executive officer of the Chicago Rapid Transit Co.

The authority has scheduled the offering of a $100,000,000 revenue bond issue for Aug. 5. If this is successful, the street car and elevated-subway lines will be transferred to public ownership as of midnight Aug. 31.

* * *

A giant combined passenger and freight terminal for air, rail, motor bus and truck transport has been proposed by a joint army and navy board for construction about 23 miles south of Chicago. Col. F. H. Miles, Jr., of the Army Ordnance Department, said the terminal would make Chicago the transportation hub of the continent.

* * *

The Federal Reserve Bank of Chicago raised the question of whether the growing consumer resistance in retail buying reflects primarily a buyers' strike or inadequacy of purchasing power. The bank, in a survey of the Chicago district, found that consumers are displaying sharper discrimination toward quality and prices.

Joins Bacon, Whipple Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Joseph E. Hart has been added to the staff of Bacon, Whipple & Co., 135 South LaSalle Street, members of the New York and Chicago Stock Exchanges.

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Mutual Funds

By HENRY HUNT

"The Prudent Man Rule"

The "Prudent Man Rule" is a term that resulted from a lawsuit in 1830, Harvard College vs. Amory. In this famous case, the plaintiff accused Amory of mismanaging a trust fund of which the income went to a legatee but the principal went to Harvard College at the legatee's death. The bone of contention was that the trustee, Amory, had invested part of the fund in common stocks (which did badly during the life of the trusteeship), but the ruling handed down by the judge was in favor of Amory. In effect, the judge said that common stocks carefully selected by a prudent man had as much to recommend them as government bonds.

For generations, the principle of the "Prudent Man Rule" has been adopted by prominent trustees in Massachusetts, the stronghold of New England conservatism and wealth, where laws have been sufficiently broadminded to permit the purchase of common stocks for an unrestricted trust fund.

In recent years, similar laws have been passed—better late than never—by more states. Most recently, Nevada and Oregon, decided to play ball with the idea that common stocks have some merit after all.

Yet 30 out of the 48 states still stick to the theory that trust funds should be invested only in "legal" fixed income securities. We wonder how the powers that be in these states would like to live on a trust fund income that has shrunk 30% through bond refundings with the cost of living up more than 50% during the past eight years.

Prudent Man Rule

State—	Year of Adoption
Massachusetts	1830
Maryland	1849
Vermont	1882
North Carolina	1928
Connecticut	1939
California	1943
Delaware	1943
Minnesota	1943
Illinois	1945
Kentucky	1945
Maine	1945
Michigan	1945
Missouri	1945
New Hampshire	1945
Rhode Island	1945
Texas	1945
Nevada	1947
Oregon	1947

1913 vs. 1947

Prior to World War I, a man with $100,000 could invest his money safely in prime bonds to yield 5% and, with no income tax to pay, could raise a family, put his children through college and live very comfortably on $5,000 a year.

Today, with prime bonds selling to yield little more than half their 1913 return, with the cost of living up more than 100%, and excessive income taxes to pay, **$500,000** invested in quality bonds affords fewer luxuries than **$100,000** did in 1913.

Income and Buying Power, 1913 vs. 1947

	1913	1947
Total investment	$100,000	$500.000
Rate of return	5%	2¾%
Gross income	$5,000	$13,750
Income tax, 3 dependants	None	$3,140
Net income	$5,000	$10,610
Buying power of dollar	100%	45%
*Buying power of income	$5,000	$4,775

*In terms of 1913 dollar.

The moral to be drawn from the above situation is that unless you have more than half a million dollars today, you had better forget about retiring and keep on working.

Recommended for Light Summer Looking!

Myra Keck, John Power's model, currently gracing the cover of "See" Magazine.

$1.00 for "Dollar Averaging"

A financial weekly some time ago ran a squib to the effect that the **National Securities & Research Corp.** had issued a leaflet on "Dollar Averaging," copies of which were available on request.

"National" recently received the following note from an individual in the Middle West enclosing said squib: "Dear Sirs: Please mail me one copy of your "Dollar Averaging" idea. My dollar is attached."

A Practical Use

A prominent mutual fund sponsor in Boston recently received the following letter from a female shareholder: "Dear Sirs: Would you be kind enough to send me 50 additional copies of your prospectus? I find them very useful. They just fit the bottom of my canary's cage."

Notes:

Hugh W. Long has issued an amusingly written tongue-in-cheek pamphlet called "The First Year of Recession."

The Keystone Company of Boston has published a booklet entitled "Formula Plan Investing."

"The Vassar Plan" is described in a new leaflet issued by **The George Putnam Fund.**

The Selected Investments Company of Chicago quotes the following from the "Wall Street Journal: "Average factory worker's pay has doubled since '39 but farm hand's cash pay in three times prewar and he gets his eats and place to live besides. The 100% increase in food costs for urban workers is just something the farm hand reads about . . ."

Gottron, Russell Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—E. L. Finnigan has been added to the staff of Gottron, Russell & Co., Union Commerce Building, members of the Cleveland Stock Exchange.

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The "Dollar Crisis" A Production Crisis

By LEWIS W. DOUGLAS*

U. S. Ambassador to Great Britain

Former President of Mutual Life Insurance Co., New York

Ambassador Douglas lays "dollar crisis" to greatly impaired production of European nations and sees no solution until this production crisis has been mastered. Extols Marshall plan as encouraging step toward assembling major factors for European reconstruction, and lauds prompt action toward cooperation by Britain and France. Sees handicap in present European political instability.

During the three and one-half months since I debarked from a magic carpet on the soil of England, the courtesy and consideration, personal observations of the stoutheartedness and stability so clearly evident on every hand, have not unnaturally increased the respect and regard that I have long held for the people of this island and of the various members of the Commonwealth of which they are the political parents.

Lewis W. Douglas

As the events in the international field have slowly unfolded, it has become increasingly apparent that, because of the unusual similarity of deep self interest and common respect for the decencies of mankind, as we have in the past, so we must in the future, move together, not to the exclusion of others but rather in company with all who are moved by the same high considerations.

During the 19th century, particularly during the latter half of that century, the optimism suggested by Tennyson in Locksley Hall prevailed widely among all groups of whatsoever estate in life. The increasingly expanding area of human freedom — the moral, political and economic progress, so evident on every side, we accepted as perpetual and eternal characteristics of human life.

The doctrine of the inevitability of uninterrupted improvement in the lot of man developed into one of the firm tenets of our creed. John Bright, distinguished English statesman, put it clearly in one of his addresses, delivered at Birmingham in 1863, when he said:

"I am willing to admit that the world, even in our time, is moving on. Within the last two years we have seen two events which posterity will regard as very important. In Russia, serfdom has been put in the way of extinction by the act of the Emperor of Russia and his Government; in the United States, by the most wonderful series of events, there is evidently coming to pass that which no man dared hope for three years ago as likely to be approached during the lifetime of any one of us. I see from the East unto the West, from the rising of the sun to the going down thereof, in spite of what misled, prejudiced, unjust, and wicked men may do, the cause of freedom still moving onward; and it is not in human power to arrest its progress."

Commencing 30 years ago, doubts began to arise, clouds began to gather, to cast shadows on the beliefs that had taken such firm hold on the minds of men. If the last war has left us "trailing clouds of glory"—a heritage of heroism and gallantry unsurpassed in the annals of military operations—it has also thrown the world into the most violent social, political, moral and economic convulsion of all times. While we look forward with assurance that we will surmount our difficulties and with confidence that the future will be no less bright than it has been in the past, we cannot escape the "tyranny of fact." The progress which we had thought permanent has been temporarily arrested. If, as Browning suggested, the struggle is the thing that counts—the springs of enjoyment—then we should all be hilariously happy and we should be justified in looking forward to a reasonable period of ecstatic enjoyment. The battle has been won—the test of man's reasonableness, the struggle for freedom continues on unabated.

The "Dollar Crisis"

If I speak today of economic matters, it is not because I am unaware of the social, political and moral facets of the crystal of civilization. One of the present perplexing difficulties which absorbs the interest and commands the attention of so many people is what has been so frequently referred to as the "dollar crisis." Often it is put forward as a manifestation of pure finance—and in a certain sense it is. Sometimes the remedy suggested takes the form of financial legerdemain, but no adequate understanding, no full comprehension of the problem can be had by smearing it over with a veneer of superficiality.

One of the greatest illusions of our time, the sire I venture to assert of as much human misery, of as wide a devastation of the material facilities of life itself, of as far-reaching a distortion of the designs of living as has ever been known, is the view—that some monetary trick, some financial phoney can perform any miracle, work any magic, cure any ailment of the body politic—that a difficult situation can be remedied by a painless solution.

Finance in all of its aspects has a proper, indeed an essential, place in any society—whether national or international. But finance must always be a servant and not a master.

I shall not speak of the dollar crisis in the specialized dialect of an economist even if I were able to do so. Lord Tweedsmuir once said to me that the jargon of the specialist was designed more to conceal his own ignorance than to inform those whom he was addressing. Let me, therefore, try to explain to myself the dollar crisis in terms which I can understand, confident that if I can achieve this miracle, the matter will be plain to everybody else. If, in attempting to instruct myself, I merely repeat what you already know, I hope I may be pardoned.

One part of the world possesses dollars, a large part of the world has none, and the part which has no dollars is therefore in straightened circumstances. If I can understand why this is the case, I can the better understand the problem and comprehend the answer.

It is generally true that a historic perspective—a view of the

(Continued on page 31)

*An address by Ambassador Douglas at a luncheon of the American Chamber of Commerce in London, England, June 26, 1947.

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Sterling Position Not Alarming!

By GORDON CUMMINGS

Formerly Industrial Editor "Investors Chronicle," London

British journalist holds return to free convertibility of Sterling on July 15, as required by Anglo-American Loan Agreement, will cause no shocks or sudden jerks. Bases view on: (1) limitation of convertibility to current transactions; (2) continued prohibition of capital transfers; and (3) use of special agreements in drawing down gradually outstanding Sterling balances. Decries fear "soft currency" nations will make excessive use of Sterling to obtain dollars.

As July 15, the appointed day for the free convertibility of sterling, draws near, speculation as to the effect of Articles 7 and 8 of the Anglo-American Loan Agreement on Britain's dollar and gold holdings increases. It should be of value, therefore, to consider the viewpoints of those primarily interested — Britain's Government and Britain's bankers and exporters.

Not many weeks ago British opinion was thinking almost entirely in terms of a dollar drain and forecasts of this ranged in extent from "heavy and catastrophic" to a more moderate "small and possibly negligible." When Britain's Government in February issued its historic "Economic Survey for 1947" it said, in discussing the prospective adverse balance of $1,400,000,000 on overseas trade and the using up of the American and Canadian credits: "After the middle of this year our convertibility obligations under the Anglo-American Financial Agreement may result in some loss of dollars." Since then, however, there has been time and opportunity to assess the possible effects more closely. Certain steps have also been taken to help the new arrangements to work smoothly.

No Shocks

Now, a few weeks before the actual event, although there are still some murmurings of a heavy drain, majority, and responsible opinion takes the view that the call for dollars will not be heavy. In fact, particularly in the early months, it is now thought that the drain will be very slight and perhaps hardly noticeable. That anyhow, is the opinion of most of Britain's banking, financial and economic experts. It is also the opinion of some foreign observers. The question has, of course, to be looked at also from the viewpoint of other countries and private individuals. To all, it is reasonable to say there will be no shocks or sudden jerks against Sterling, and to individuals, that they should hardly notice the change.

To estimate what may happen it is necessary to keep three cardinal factors in mind.

First: Convertibility applies only to current transactions entered into on and after July 15.

Second: Capital transfers will not be allowed.

Third: The $14,000,000,000 of so-designated sterling balances are, or will be, the subject of special agreements as to use and withdrawal.

In this there is nothing out of line with the United States point of view which resulted in the convertibility articles being inserted in the Loan Agreement. Britain is completely fulfilling her obligations not to "coerce" other countries into buying goods in the sterling area because they are denied other currencies.

Transferable Accounts

Obviously, however, it was never the intention of the United States that other countries should be able to cut heavily and without limit into Britain's gold and dollar reserves. To have given free access to all balances would have meant cleaning out British reserves almost overnight. Hence the perfectly fair restriction that convertibility should relate to current transactions only, which means that from July 15, sterling can be used in any normal current transaction entered into then or thereafter in any part of the world.

Nominally this will, of course, create two classes of sterling — new, from current transactions; old, from transactions, including the sterling balances, carried out before July 15. Such classification will not, however, set up two rates for sterling; all will have the same value, the only distinction being of a bookkeeping nature. Arrangements are being made, or have been made with the countries owning sterling balances for agreed rates of spending. Britain has the right to impose restrictions on the rate of spending of all sterling balances accumulated prior to July 15, but it does not necessarily follow that there will be a formal "ration" in every case.

Cooperation has already been arranged with a number of countries for operating a system of transferable accounts. Transfers between these accounts, and American accounts, can be made freely, subject only to reporting them to the Bank of England. The countries with such accounts have undertaken to supervise them and limit transfers to current transactions. This system makes it unnecessary to apply to the British authorities for permission to convert surplus sterling when making payments to another "transferable balance" country.

Bookkeeping Transactions

What happens on these transferable accounts is that, subject to the approval of their own countries, if, say, a Norwegian merchant wants to transfer money from his sterling account in London to pay a Belgian manufacturer he can make payment into the London account of the latter. In effect, it is simply a bookkeeping transaction and we in Britain raise no objection; all we want is to be told the amounts being moved about in these accounts.

In practice there will be many individual transfers between these accounts, which will presently bring the sterling to the account of a country such as France, which needs sterling to buy United Kingdom goods or repay United Kingdom debit. In such a case, of course, no ultimate dollar liability is involved. The sterling starts from the United Kingdom, passes from hand to hand, and returns home again. But, of course, much of this transferable sterling may be, and all of it could be, spent in U.S.A. In such a case the United States holder would normally want dollars, and the Exchange Equalization Account will, therefore, sooner or later, get a request to convert this sterling into dollars—to "buy back" the sterling, in fact. This is where the strain on British dollars comes in, because the necessary amounts come from the dollar and gold reserves, which are kept up to a certain level by drawings on the American loan.

Here, incidentally, it is well to emphasize the position of foreign individuals. While Britain, so far as the Agreement lays it down, will give them the right to do what they like with their current sterling plus an agreed proportion of their pre-existing balances, if any, their own countries, through their exchange and import controls, have to apply controls to keep their spending of sterling in, for example, the U.S.A., within these limits.

At this stage it is difficult to estimate what calls there will be for dollars and gold and what will be the volume, or balance, of transfers with individual countries. All that can be shown is the dispersal of Britain's overseas trade in 1946, which, divided into the different currency areas, came out as follows:

	Imports	Exports	Balance
	(in £ millions)		
Hard Currency Areas			
U. S. Dollar Area	£262.1	£ 47.6—	£214.5
Canada & Newfoundland	200.5	33.5—	167.0
Argentina	67.0	20.5—	46.5
Other Latin America	49.0	21.3—	27.7
Sweden	32.0	21.4—	10.6
Switzerland	3.2	9.5+	6.3
Portugal	8.7	12.5+	3.8
Total Hard Currencies	£622.5	£166.3—	£456.2
Other Areas			
Sterling Area	£451.7	£455.1+	£ 3.4
Other Europe	173.5	232.7+	59.2
Germany & Japan	6.3	17.9+	11.6
Rest of the World	43.7	39.7—	4.0
Total Other Areas	£675.2	£745.4+	£ 70.2

The likelihood of Britain losing a lot of her foreign customers has been grossly exaggerated. Overseas trade today is something more than placing orders; they have to be executed. Obviously, no country or individual trader can suddenly switch from one country to another.

The possibility, often feared, of the convertibility scheme breaking down because of other countries spending more than their net sterling earnings in the U.S.A. need not be regarded too pessimistically. In form a country given a transferable account could spend every pound of it in the U.S.A., but in fact there would be no point in a country drawing dollars against a temporary sterling surplus on current trade account only to have to replace them later to cover a sterling deficit. In practice, therefore, a country will limit itself to its net sterling earnings, not the gross.

All in all, therefore, the new convertibility arrangements should work smoothly and without any violent trade or exchange upheavals. Convertibility is already in operation over large areas. July 15 will be the day when the last coping stone is dropped into the structure, not the date when the whole building goes up overnight. That, of course, does not get us away from the fundamentals of the situation —the United States' balance of payments with the rest of the world. Until world trade can be put in full balance and free markets in all foreign exchanges restored, no measures taken by the United Kingdom alone can permanently solve the problem.

Britain is keeping to her obligations—indeed she is meeting them before the due date—but she expects the United States, which holds the real solution in her hands, to take the lead in making a complete cure available to the war - debt - burdened countries. That is possible by helping them to balance their overseas trade accounts by taking more from them, that is, by accepting more goods and services in payment for what she exports to the world instead of gold and dollars. As long as dollars are flowing always inward they must get scarer and scarcer until other countries are forced to limit their imports. Britain's dollar loans are rapidly running out. She wants to have her oveseas trade accounts balanced before the loans expire. A big increase in sales to the Dollar Area will get her nearer to that balance.

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

NEW ISSUE

100,000 Shares

Warren Petroleum Corporation

3¾% Cumulative Convertible Preferred Stock

$100 Par Value

Price $102 Per Share

Copies of the Prospectus may be obtained in any State only from such dealers participating in this issue as may legally offer this Stock under the securities laws of such State.

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July 9, 1947

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Report Business Leveling Off

The Business Survey Committee of the National Association of Purchasing Agents, headed by Robert C. Swanton, of the Winchester Repeating Arms Corporation, in its most recent report states:

Purchasing agents report high production and sales are continuing through June. By far the largest number of reports indicate a leveling off, thus substantially reducing the number ordinarily showing increases or decreases. A chart of current purchasing opinion might show a slight indication of lower business volume but a more pronounced trend to stabilized business at a generally high level.


Robert G. Swanton

Because of plant employee vacations now ranging from one to three weeks, July production is expected to be spotty and irregular. Purchasing agents must discount this seasonal condition, both in inventory control and forward buying coverage, in order to maintain the near balance of raw materials and in-process inventories obtained after months of adjusting efforts. The first half of 1947 closes on a much more firm and realistic basis than the year began.

Commodity Prices

Little overall change in prices is reported. The "downs" overbalance the "ups" by a small margin. Most important seems to be the increasing tendency to do a real selling job. More salesmen are out after business competitively. Producers cutting down their abnormal backlogs for replacement demand are offering inducements for future firm coverage. Volume buyers may find attractive offers for future delivery with price decline protection.

Inventories

Industrial inventories continued to decline in June, though not to the noticeable extent reported in May. Apparently, many plants have reached or are approaching a balanced operating minimum in raw materials. Finished goods are piling up in some directions.

Principal reasons given for continued inventory curtailment:

(1) Reduce high-cost investment.

(2) Expect lower prices.

(3) More materials currently in good supply.

(4) Expect to replace with better quality soon.

Buying Policy

Predominantly a policy of hand-to-mouth to 60 days' coverage is reported. However, there is a little, and only a little, indication of longer-term buying. This may stem from too much curtailment of inventories—price protection on future deliveries—fear of shortages after the Summer lull is over.

Specific Commodity Changes

Since the May report, copper has dropped to the present firm price of 21½ cents. Copper and brass mill products have followed to that base, plus a change in extras to compensate for increased labor costs. Deliveries have improved. Others reported lower: fatty acids, bottles, cartons, cotton goods, glycerine, linseed oil, mercury, platinum, rubber, silver, soap, spices, tallow, vegetable oils.

Lumber prices are off, particularly in lower grades; easier deliveries on all grades. Top grade hardwoods reported firm.

Increases are reported in: ammonia, bolts, calcium carbide, cement, coal-tar products, corn products—fear of shortage on account of floods; meat, menthol, paper pulp, sulphur.

Continuing in short supply: caustic soda, fractional horsepower motors, formaldehyde, fuel oil, pipe, sheet and strip steel.

Employment

Employment is off and the tendency to decline seems stronger than the slight drop in business activity reported for the month would warrant; yet, 70% report no change. The comments run: seasonal; slight layoffs; nonproductive workers.

Sharply off are: jewelry; woolen textiles. Slow industrial and home building are reported; increased efficiency, with a bumper crop of college and high school graduates becoming available.

Canada

General business in Canada is reported on an even keel at high levels. Prices are higher, following recent decontrol of nonferrous metals; otherwise they tend to level off or decrease.

Inventories unchanged but policy is to reduce.

Employment steady. Commitments are being based on availability of supplies, with indications purchasing policy is being limited to coverage of production schedules.

Textile Head Scores Recession Predictions

Charles F. H. Johnson, Jr., Vice-President and General Manager of Botany Mills, Inc., warns salesmen to ignore prophecies of self-styled economists and politically-minded groups and cites present high national income, peak employment and record sales as evidence business outlook never was better.

Prosperity in this country has never been more general, or so evenly distributed, and future prospects have never been brighter, Charles F. H. Johnson, Jr., Vice-President and General Manager of Botany Mills, Inc. declared in a general letter sent to Botany salesmen in all Products Divisions throughout the country on June 30.


C. F. H. Johnson, Jr.

Criticizing the "predictions of self-styled economists and politically-minded individuals and groups who have prophesied a national recession or depression," Mr. Johnson declared that "the only reliable guides to our future are now, and will continue to be, facts and figures on employment, wages, orders on hand, agricultural production and demand, and spending money in the hands of the public." These, he declares, are now at an all time high, with a national economy which exceeds war peak years, and the greatest total employment at the highest average wages in our history.

"It is true," Mr. Johnson said, "that if the nation's consumers went on the much discussed buyers' strikes, they could upset all normal guideposts. Despite all predictions, and I might almost say, requests by politically inclined authorities, consumers show no sign of any such action. They are merely buying selectively and comparatively, demanding the best values at the fairest prices. This is a normal American habit that went on temporary vacation during the war period of scarcities."

Mr. Johnson urged his selling force "not to join the ranks of chart makers and economists."

"You will be better off if you devote your major efforts to selling merchandise. We are informed that the predictions of self-styled economists, government functionaries and politically-minded individuals and groups are depressing national morale. We are told that many merchants discuss the latest poll on our economic future and the probability of price declines instead of placing orders for needed merchandise. The most confusing part of the whole situation is that our most imposing authorities contradict themselves week by week in succeeding predictions, and they contradict one another constantly.

"Imposed upon all this flood of conflicting comment is a political situation which from now until after the November, 1948 elections will color all comment by the administration on our business outlook. We think therefore that a few facts will give you a clearer viewpoint of what the future has in store for the country, our own business, and your earning power. All of them point to a continued high level of business and general prosperity. They are:

(a) More people—58,300,000—are presently employed than at any previous time, including the war peak employment of 1945.

(b) Average weekly wages on June 15, last were $48.83, the highest recorded, exceeding peak war wages not being paid now.

(c) More women are employed in industry now than at any time except at the peak of the war effort. Sixteen million women are working, an increase of 500,000 since last April. This means a healthy market for women's clothing, cosmetics and other products which women use and wear.

(d) Savings of individuals, which does not mean checking accounts or big time investments, are in excess of $154,000,000,000. This is $3,000,000,000 more than April last and only slightly under the wartime high.

(e) This country is expected to do a business of more than 200 billion dollars in 1947, which is greater than our best wartime year when much of the production went into military requirements. Never, prior to the war, did this country do a business greater than around 96 billion dollars, and that was in our most prosperous period.

(f) Dollar volume of retail sales for the first three months of 1947 was approximately 10% above the level of 1946, and for May was 17% above last year. Part of this volume is accounted for by higher prices, but unit sales are still above those of last year.

"In the wool textile business, dependable, brand name merchandise is in record demand," Mr. Johnson stated.

"There are no inventories, and there is a huge backlog of unplaced and unfilled orders. High among these brands are the Botany brand products. Their quality is unexcelled at prices that are as low as, or lower than, competitive merchandise.

"Therefore, I hope Botany salesmen will disregard the fantastic suggestions that this country can talk itself into a depression in the midst of unexampled prosperity. Price levels for all consumer goods are now establishing themselves on the sound basis of production costs. The price distortions which still exist are the lingering results of the readjustment of our vast industrial machine from wartime production and civilian goods shortages to a peacetime competitive civilian economy.

"It is true that the candles have gone out on the wartime Christmas tree which celebrated a sellers' market," he concluded. "Today our great industrial system is geared for a peacetime competitive era of huge volume and record sales."

With Daniel F. Rice

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Seymour Jensky is now connected with Daniel F. Rice & Co., Board of Trade Building, members of the New York and Chicago Stock Exchanges.

Cook With J. J. O'Brien

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Frank J. Cook, formerly with Sincere & Co., has become associated with John J. O'Brien & Co., Incorporated, 135 South La Salle Street.

With Sincere & Co.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — William L. Hosty has joined the staff of Sincere and Company, 231 South La Salle Street.

Shields & Co. Adds

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — James R. Buck, Jr., has been added to the staff of Shields & Co., 135 South La Salle Street.

$3,150,000

Chesapeake and Ohio Railway Fourth Equipment Trust of 1947

1¾% Serial Equipment Trust Certificates
(Philadelphia Plan)

To mature $315,000 on each July 15, 1948 to 1957, inclusive

To be unconditionally guaranteed as to payment of par value and dividends by endorsement by The Chesapeake and Ohio Railway Company

These Certificates are to be issued under an Agreement to be dated as of July 15, 1947 which will provide for the issuance of $3,150,000 par value of Certificates to be secured by new standard-gauge railroad equipment estimated to cost approximately $3,973,920.

MATURITIES AND YIELDS

1948	1.10%	1951	1.50%	1955	1.80%
1949	1.25	1952	1.55	1956	1.85
1950	1.40	1953	1.65	1957	1.875
		1954	1.75		

Issuance and sale of these Certificates are subject to authorization and approval by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned as are registered dealers and are offering these securities in compliance with the securities law in such State.

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To be dated July 15, 1947. Par value and semi-annual dividends (January 15 and July 15) payable in New York City. Definitive Certificates in the denomination of $1,000, registerable as to par value. Not redeemable prior to maturity. These Certificates are offered when, as and if received by us. It is expected that Certificates in temporary or definitive form will be ready for delivery at the office of Halsey, Stuart & Co. Inc., 35 Wall Street, New York 5, New York on or about July 30, 1947. The information contained herein has been carefully compiled from sources considered reliable and, while not guaranteed as to completeness or accuracy, we believe it to be correct as of this date.

July 9, 1947.

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Czechoslovakia's Trade Aims

By DR. HUBERT RIPKA

Minister of Foreign Trade of Czechoslovakia

Czechoslovakian official defines his country's two-year plan with the important objective of restoring international trade. Expresses confidence in ability to avoid dollar shortage through exports to U. S. of non-competitive articles like glassware, jewelry, leather goods, textiles, hops and beer. Explains Czechoslovakia's trade relations with Soviet based on need to secure latter's raw materials as hides, rubber, ores, chemicals and salt; but her primary aim still is world market.

PRAGUE, CZECHOSLOVAKIA.—Czechoslovakia's foreign trade with the United States has in general developed favorably up to the present. In spite of the fact that we have no formal commercial treaty or trade agreement, the U. S. A. have accepted our goods without any form of discrimination, and our mutual commercial relations have been fairly active. The general picture of our commercial relations is best given by the following figures: Czechoslovak exports to the U. S. A. have increased more or less regularly from 17.9 million Kcs. ($358,000) in January 1946 to 240.4 million Kcs. ($4.8 million) in December of the same year, while our imports from the U. S. A. have similarly grown from 892,000 Kcs. ($17,800) in January to 230.6 million Kcs. ($4.6 million) in December 1946. Our total exports to the U. S. A. for 1946 amounted to 1,083 million Kcs. ($21.6 million) and our imports from the U. S. A. to 852 million Kcs. ($17.0 million). As a customer for our goods, the U. S. A. takes fourth place in our foreign trade, after Switzerland, the Soviet Union and Sweden, while as a supplier she comes fifth on the list, after Switzerland, the Soviet Union, Sweden, and Great Britain.

Hubert Ripka

Independence From Moscow

This high place taken by the United States in the list of our commercial partners should come as a surprise, especially to those people who believe that Czechoslovakia is carrying out a trade policy directed exclusively towards the Soviet Union and certain of the states of Eastern and Southern Europe, or even that Czechoslovakia is a political and economic vassal of the Soviet Union, by whom she is forced to adopt a particular orientation for her commercial policy.

These opinions are, of course, not correct. The general composition of Czechoslovak foreign trade and its direction are highly typical of Czechoslovakia's general economic and political situation. In spite of the fact that we have adopted a system of controlled and planned economy, the characteristics of our foreign trade arise naturally from the composition of our industry and agriculture in much greater measure than from the deliberate control of our commercial policy.

Needs From U. S.

The needs of our commerce with the United States are plain for all to see, and arise directly from our general postwar economic situation. The Germans, following their defeat, left Czechoslovak industry, with which they had done what they pleased unchecked for six years, in a very bad state; in particular, our mechanical equipment was either destroyed, carried off to Germany, worn out, or else obsolete. Industry plays a very important role in the life of our nation. Approximately half our population depend for their living on industry, while it must produce for us large quantities of both consumer and capital investment goods, of which we stand in great need, and which we must have for our economic reconstruction. Finally, our industry must produce goods which we can sell abroad, in order to be able to purchase abroad goods and raw materials which we ourselves have not got. It is thus absolutely essential for us to organize, rationalize and modernize our industry so as to be able to accomplish these tasks as soon as possible, and this is one of the targets of our two-year plan. In carrying this out, we must also take into account our shortage of labor, and replace manpower by mechanical power where possible. The country best in a position to assist us in these efforts is the United States, whose productive capacity has increased during the war, and who, equipped with the most modern methods of production, can supply us not only with the machinery which we require, but with valuable technical experience. The situation is much the same in agriculture, where, again as the result of war damage and of lack of labor, we must undertake the widespread mechanization and rationalization of agricultural production, involving the import of special mechanical equipment. We have had occasion already to realize the high significance of American production through the UNRRA scheme, which has assisted us to get through the most difficult period of our economic reconstruction. In mentioning our requirements I have not yet specified such raw materials from America as non-ferrous metals, cotton, and hides, or important foodstuffs, such as wheat—all these articles are in short supply throughout the world, and are generally needed everywhere.

If we do not wish to rely upon credits—and no good businessman is eager to do this—we must acquire dollars to pay for our needs—dollars of which there is also a considerable shortage in Europe and in most of the rest of the world—by exporting our own products to the United States. We can only purchase U. S. goods if the U. S. purchases goods from us, and considering the make-up of our export trade to the U. S. A., I do not think that it should be too difficult to make this system work. We have always exported, and we are again starting to export to the U. S. A. special products which are not made in America itself, and which, thus, do not enter into unwanted competition with American production. These goods are chiefly cut glassware and jewelry, fine leather goods, fine textiles, especially linen, and such foodstuffs as hops and beer. They are not essential and necessary goods, but also they are not luxury goods in the extreme sense; they are just high-quality goods for consumers used to a decent standard of living, such as make a great part of the American market. The manufacture of these export goods which I have described gives employment to very many of our people, and forms one of the oldest and most traditional portions of our industrial system. The export of these goods is consequently of great importance for

(Continued on page 40)

Curb President Questions Federal Reserve Objective in Restriction on Margin Trading

Francis Adams Truslow writes President of Reserve Bank of N. Y. Regulation T limiting loan value of listed stocks to 25% of market value is not needed to prevent excessive use of credit in stock exchange transactions. Reserve Board Secretary, in reply, says margin requirements conform to general monetary and credit policy of Federal Reserve System.

In an exchange of correspondence, beginning June 9, between Francis Adams Truslow, President of the New York Curb Exchange, Allan Sproul, President of the Federal Reserve Bank of New York, and S. R. Carpenter, Secretary, Board of Governors of the Federal Reserve System, the question of the objective sought by the Federal Reserve Board in continuing the limit on 25% loan value on exchange securities, despite the extended decline in market values and the fact that exchange member borrowings are at lowest point in many years, is discussed.

Francis A. Truslow

It appears from the correspondence that Mr. Truslow contends that the present Regulation T is not in conformity with the intention of Congress, when it inserted into the Securities Exchange Act of 1934 a provision giving authority under certain restrictions and with certain objectives to the Federal Reserve Board of prescribe rules and regulations "for the purpose of preventing the excessive use of credit for purchasing or carrying of securities." According to Mr. Truslow, Section 7, paragraph (b) of the Securities Exchange Act, which allows severer margin requirements that set down as a standard in paragraph (a) of the law, can be only applied when the Federal Reserve Board "may deem necessary or appropriate to prevent the excessive use of credit to finance transactions in securities." No such situation, says Mr. Truslow in effect, now exists.

Replying to Mr. Truslow, S. R. Carpenter, Secretary of the Federal Reserve Board, to whom Mr. Sproul referred Mr. Truslow's letter of June 9, stated that the Board draws its authority to control margin trading not only from the Securities Exchange Act but also from the language of Section 12A of the Federal Reserve Act, as amended June 16, 1933, which has to do with the Federal Open Market Committee. This language is as follows: "The time, character, and volume of all purchases and sales of paper described in Section 14 of this Act as eligible for open-market operations shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country."

Congress, according to Mr. Carpenter, thus indicated an intention that margin requirements should be administered in the light of the considerations which govern the Federal Reserve System in determining its general monetary and credit policy. "Even more to the specific point you stress," Mr. Carpenter continues, "the language is definitely in conflict with your theory that the Board is limited in its authority to keeping stock market credit down when it would deprive commerce and industry of needed credit. Lower margin requirements would permit more stock market credit and, under your theory, could never be necessary to accommodate commerce and industry."

In his reply to Mr. Carpenter, Mr. Truslow stated:

"I can find no reference in this section to a Congressional intention that the Reserve Board be authorized to follow the same criteria in establishing margins as it follows in its "open market" operations or in determining its general monetary and credit policy. Nor can I find any reference in the Committee reports to such a Congressional intention."

And he added further:

"I assume, therefore, that the present objectives of the Board are to restrict severely the amount of credit which may be used in financing transactions in exchange securities not becouse such credit is 'excessive' in amount, 'excessive' in relation to the national credit, or 'excessive' in view of the needs of agriculture, industry or other commerce, but because the Board believes that the total national credit is today 'excessive' and does not want any more additions to the national credit 'no matter how small in absolute amount or in relation to all forms of credit outstanding.' I gather also that such credit is severely restricted today because the Board believes that lower margin requirements would encourage people to buy securities for 'speculation' contrary to general policies of the Board."

Concluding the correspondence, Mr. Truslow stated:

"I sincerely hope that the Board will soon recognize that present credit restrictions are unduly severe and are having an adverse effect on the soundness of our security markets out of all proportion to the admittedly small beneficial effect which such credit restrictions can have on the national credit as a whole."

Merrill Lynch Adds Orb

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—John A. Orb has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

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

$125,000,000

New York Telephone Company

Refunding Mortgage 2¾% Bonds, Series D

Dated July 15, 1947 Due July 15, 1982

Price 103% and accrued interest

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

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July 9, 1947.

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Railroad Securities

With the recent resurgence of speculative interest in railroad securities there has developed an increasing buying interest in income bonds of railroads recently emerged from reorganization. Most of these bonds have recovered fairly sharply from the year's low, although still selling well below the levels reached at the peak in 1946. One of the sharpest recoveries has been that staged by the Baltimore & Ohio convertible 4½s. These bonds closed last week almost 40% above the low of 35 reached earlier this year. Last week's close of 48¼, however, compared with the 1947 high of 59 and a 1946 peak of 88¼. There are many analysts who feel that there is still plenty of room for further price recovery over the intermediate term.

Baltimore & Ohio did not go through reorganization under Section 77. Instead it has consummated a voluntary readjustment plan. Under this plan near and intermediate term maturities (including that of the unsecured 4½s, 1960) have been extended. Also, a portion of interest has been placed on a contingent basis and fairly stringent sinking fund requirements were instituted with a view towards bringing debt down eventually to a level supportable even under depression conditions. The unsecured convertible 4½s represents the only issue put completely on a contingent basis—all other issues on which there was an interest adjustment were made part fixed and part contingent.

Fixed charges have been reduced to roundly $18 million whereas they used to run around $33 million. Part of the reduction was accomplished through debt retirement and part through the readjustment plan. There is also roundly $3.8 million of secured contingent interest representing the contingent portion of coupons on the four series of the Refunding & General mortgage bonds. Finally, there is just under $4 million of unsecured contingent interest represented by the requirement on the Convertible 4½s, 1% interest on the First 5s, and 1½% interest on the Southwestern Division 5s. This unsecured contingent interest ranks junior to the secured contingent interest. All contingent interest is fully cumulative. This may at some time prove an advantage over Income bonds created in Section 77 proceedings which are generally cumulative only up to a maximum of three years.

Baltimore & Ohio is the most completely dependent of the major roads on activity in the heavy goods industries, particularly steel. Even last year with the steel and coal strikes the company received 28.6% of total freight revenues from the movement of bituminous coal, iron ore, and coke, and an additional 7.9% from iron and steel products. In the pre-war year 1941 more than 40% of freight revenues came from these items alone. The road is fortunate, at least from a long-term earnings standpoint, in that it does not carry any substantial passenger business such as puts a heavy expense burden on the other two major eastern carriers, Pennsylvania and New York Central. In the pre-war year 1941 only 6% of gross came from passenger business and even at the peak in 1944 it had climbed only to about 13%.

As was to be expected in the light of the company's heavy stake in the coal and steel industry, last year's results presented a pretty sorry picture. On reported earnings the company fell just nominally short of covering unsecured contingent interest in full. However, this showing was made possible largely through the expedient of an income tax credit of close to $20 million. Without this credit fixed charges would have been only about 64% earned. It was this poor showing, coupled with uncertainty engendered by the Senate investigation of the company's dealings with the RFC, that was probably mainly responsible for the extremely low prices at which the bonds sold earlier this year.

There has been a very sharp turn for the better in the company's affairs so far this year. Gross revenues for the five months through May advanced 25.6% above a year ago and the company reported net operating income of $13,052,073. This was in sharp contrast with net operating deficit of $6,496,510 sustained in the first five months of 1946. Moreover, barring possible strike disruptions further gains are in prospect over the coming months. There seems to be little question but that the full unsecured contingent interest should be covered by a good margin this year. As a matter of fact, with the background of demand for all types of steel products the company is considered as having favorable earnings prospects for a number of years to come.

Kuhn, Loeb & Co. Offers Wheeling Steel Bonds

Kuhn, Loeb & Co. headed a group of 63 underwriters who offered to the public July 9 a new issue of $20,000,000 Wheeling Steel Corp. first mortgage sinking fund 3¼% series D, bonds, due July 1, 1967. The bonds were priced at 101¾% and accrued interest, to yield about 3.13%.

Proceeds from the sale will be used by the company as a portion of the funds needed to finance a program of construction and improvement of manufacturing facilities, mainly for the purpose of lowering costs. It is estimated that this program, including amounts already expended, will cost approximately $32,125,000, with possible additional expenses ranging to an estimated $5,000,000.

In addition to the new series D bonds, Wheeling Steel also has outstanding $23,500,000 principal amount of first mortgage sinking fund 3¼%, series C, bonds, due March 1, 1970; 363,166 shares of $5 cumulative prior preferred stock, without par value, and 569,559 shares of no par common stock.

The company is engaged primarily in the business of manufacturing pig iron, steel and various steel products and in selling its products directly or through its subsidiaries. It sells principally the lighter types of steel products, including fabricated items. The steel mills and finishing and fabricating plants of the corporation are located in the so-called Wheeling-Steubenville district in the Ohio River valley, for the most part directly upon the Ohio River.

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The Marshall Program

LEND-LEASE FOR PEACE AND PROSPERITY

By JAMES P. WARBURG*

Director and Former President, Bank of the Manhattan Company

Prominent banker lauds Marshall Program as supplanting Truman Doctrine, which, he says, had confused American minds and created ideological war. Asserts cooperation principle in Marshall Program, together with its soundness and common sense, deserves praise, and though portending U. S. expenditure of $6 to $7 billions annually for period of years, will prove advantageous "lend-lease" for peace.

We stand at the threshold of a far-reaching decision. We have come to a moment of history rather like that which preceded the great Lend-Lease debate of early 1941, when Britain stood alone against the rising tide of Nazi conquest.

James P. Warburg

Then we held in our hands the power which, if used, could save the world from conquest and oppression; and which, if withheld, could doom the world to slavery. Today we hold in our hands the power which, if used, can start the world on the road to economic recovery and peace; and which, if withheld, can doom the world to protracted misery and perhaps to extinction.

There is another point of similarity. Then as now Russia was the great unknown factor. We had to make—and did make—our Lend-Lease decision without knowing what Russia's final position in the war would be.

Since the war ended, we have been drifting. We have lost the inspiration of a high purpose. We have had no clearly defined plan or policy. Our action and our inaction at home and abroad have been dictated by fluctuating fears, contradictory desires, partisan politics and changing circumstance.

Other nations came out of the war impoverished, exhausted and with pressing problems that had to be faced at once. We came out of the war stronger than ever before. Our own problems seemed not to be immediate. Where others had to scratch and scrabble for the immediate necessities of life, our chief anxiety was merely how to control a postwar boom so that it might not one day blow up in our faces.

But now, suddenly, we have become aware that the ground of our imagined security is slipping away from under our feet—that Europe faces economic disaster and political chaos—and that, if Europe disintegrates, not only our prosperity but our national safety will again be threatened.

That is why we are now embarked upon a frantic effort to develop a new foreign policy. Most of us are but dimly aware that this means the development of a new domestic policy as well.

On March 12 President Truman, in his now famous message to Congress, proposed one foreign policy. More recently the Secretary of State has put forward another and quite different proposal.

Truman vs. Marshall Doctrine

Viewed superficially, the so-called Truman Doctrine was accepted by Congress with certain important amendments. That is to say, Congress overwhelmingly approved the grant of $400,000,000 to aid Greece and Turkey, after first providing that such aid should be subject to the approval of the United Nations and to certain other limitations and safeguards. But, while approving the particular request for funds, Congress and the people nevertheless made it plain that they rejected the basic concept of the so-called Truman Doctrine. They refused to embark upon a world-wide ideological crusade against communism, or to undertake single-handed a geopolitical struggle against the Soviet Union. They refused to accept the President's implication that, in disregard of the United Nations, this country should appoint itself the world's judge and the world's policeman.

The rejection was accomplished with remarkable restraint and skill on the part of the men who recognized the pitfalls inherent in the President's proposal, but who also saw the danger which might result from an open repudiation of the Chief Executive at this time. The verdict was wisely and gracefully accepted by the Administration.

The Marshall program has been the sequel to the polite burial of the Truman Doctrine. Shifting from the emotional ground of ideology and geopolitics to a realistic appraisal of the world's economic necessities, the Administration has now apparently recognized two basic misconceptions in its original proposal. It seems to have learned:

First, that the real threat to peace is not the communist idea but the existence of conditions which make men in distress turn to any remedy which offers apparent relief from intolerable fear, want and oppression; and,

Second, that an idea cannot be stopped by physical force nor at any physical frontier, no matter how strongly fortified.

Stated in positive terms, the Administration is now developing a policy of planned and budgeted assistance to those peoples of the

(Continued on page 39)

*A broadcast by Mr. Warburg over the Columbia Broadcasting System Network, July 2, 1947.

Clarification of International Settlements Bank

By HERBERT M. BRATTER

Correspondent reports that Bank's officials on recent visit here dispelled long-term pro-German accusations against the Institution. Also came to dispose of current problems regarding de-blocking of BIS funds here, ascertain its stake in pending German settlement and coordinate its activities with World Bank and Fund.

During his visit to Washington and New York in April, Mr. Maurice Frere of Brussels, who among other things is Chairman of the Bank for International Settlements (the BIS), was accompanied by Mr. Roger Auboin, general manager of the Basle institution. The purpose of the BIS officials was to dispel the cloud which in the opinion of many has clung to the reparations bank since wartime, if not longer. Even before Germany's invasion of Poland in September 1939 signalized the commencement of World War II there was the matter of the surrender by the BIS to Germany of assets of the Czechoslovak National Bank. During the days when the Bretton Woods program was being shaped the then Assistant Secretary of the Treasury, Harry D. White, in public press conferences and elsewhere stigmatized the BIS and its American wartime President for "doing business with Hitler." At the Bretton Woods Conference in 1944 the head of Norway's delegation, Mr. William Keilhau of the Bank of Norway took an active part in the formulation and adoption of the resolution recommending the liquidation of the BIS at the earliest possible moment.

Herbert M. Bratter

Accusations Answered

Naturally the BIS has an answer to the accusations against it. The headquarters in Basle has prepared elaborate documents designed to show that the BIS throughout the war was strictly "correct" in its dealings with member governments and central banks in accordance with the bank's voluntary undertakings announced at the war's outbreak. These documents have been distributed to the governments and central banks interested, including the American Government and central banking departments and agencies interested. In the Federal Reserve Bank of New York a careful analysis of these documents of the BIS has been made. The BIS's defense of its wartime activities appears to be accepted in full, as also the arguments for ignoring the abovementioned Bretton Woods resolution.

It should be noted that the U. S. Treasury's wartime criticism of the BIS has never been publicly or—so far as is known — otherwise formally supported by a bill of particulars. It may be assumed that the criticism relates to gold transactions, primarily. Notably, there was the case of the acceptance from Germany of gold bars purporting to have been cast in Germany before the war but actually containing gold plundered by the Nazis in the Low Countries. After the capture of German gold records disclosed the deception, the BIS made proper restitution.

Wartime Embarrassment

The BIS was in a ticklish spot during the war. An outgrowth of World War I, it was essentially the creature of the Allies of that earlier conflict. Yet in World War II the alignment of Allies was not quite the same. Italy was on the other side, and in fact already in August 1939 commenced withdrawal of gold from the BIS, which did not achieve full recovery until sometime in

(Continued on page 40)

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Trend of Bank Deposits and Earnings

By E. WILLIAM NELSON*
State Banking Commissioner, Michigan

Commissioner Nelson forecasts only moderate reduction in bank deposits during years immediately ahead, and looks for an increase in bank earnings during next few years. Warns against too rapid increase in bank loans, particularly over-extension of consumer credits.

I usually do not indulge in prognostication—in that I attempt to adjudge correctly or incorrectly things to come, based upon facts and trends of the past. Bankers today should be very interested in future trends. One of these is Deposit Trends—the other should be Earnings Trends. Both are of prime importance and are worthy of study and analysis.

E. W. Nelson

Deposits of all banks in the United States at least doubled during the war years. Bank deposits in Michigan, from and after the close of the year 1940 to and inclusive of the year 1946, showed a remarkable growth. We experienced an increase of deposits from $2,017,000,000 in 1940 to $4,817,000,000 in 1946. This volume of deposits is attributed to the war financing program of the Federal Government in that vast sums of money were borrowed from the banks and the general public. Through the medium of the War Loan Deposit Account, the United States Treasury maintained a virtual checking account with most of the banking institutions of the nation. By the end of the year 1945 this activity reached its peak and, likewise, at the close of the year 1946, War Loan deposits ceased to be a deposit problem in our banks. These balances were reduced by U. S. Treasury drawings to a nominal amount in relationship to deposit aggregates.

Savings of the rank and file play an important role as a part of this deposit volume. This growth in savings has increased at a rapid pace, as is evidenced by the following figures. Total savings and/or time deposits in both State and National banks in Michigan were $725,844,000 in 1940 and in 1946 were $2,043,972,000.

Total bank deposits are not likely to be reduced substantially during the early after-the-war period. They could be reduced only if people withdrew currency, if the government sold gold, if the public purchased or the government redeemed the U. S. securities now owned by the banks, or if the public paid off loans or bought consumers' goods with their accumulated savings. It seems more likely that deposits may be increased, however, in a lesser tempo than previously. I say this for the reason that persons now holding large amounts of currency may re-deposit the currency in the banks. Then, too, the saving trend should continue. Sales of large amounts of gold are out of the question. Most nations will want to send gold to the United States to buy goods produced in this country.

Bankers should study their local situations and form an opinion as to whether their community is apt to retain its wartime proportion of total deposits in the United States, or a larger or smaller proportion. In making this appraisal, each banker should start with a study of the deposits in his own bank. He should remember that a bank's deposits are its liabilities, which it must be prepared to meet. Average deposit increases on a national basis have little significance to the individual banker; his policies must be adjusted to the gain or loss of deposits of his particular institution.

*An address by Commissioner Nelson before the Michigan Bankers Association, Detroit, Mich., June 21, 1947.

Bank Earnings

Banks have experienced several years of rising current operating earnings. This has been due mainly because of an unusual volume in bank resources occasioned by the tremendous costs of World War II. Banks still do hold large investments in U. S. securities. Banks will hold less of Governments over the next three years, but this decline will be more than offset by holdings of other securities and increases in the local loans portfolio. From an earnings standpoint, this increase in loans yielding a higher rate of return will compensate for a loss in volume in the U. S. Bond portfolio where lower rates prevailed, especially in the short-term issues. Current operating expenses can be expected to rise, due in part to a still growing volume of bank operations. As savings deposits increase, so will interest costs on these deposits increase. Salaries and wages will tend to increase to higher levels. I believe, however, that expenses will rise somewhat less than earnings. Consequently, net current operating earnings, before income taxes, are expected to increase over a period of the next few years These assumptions are on the basis that in spite of possible fluctuations, business activity will average at a relatively high level through the balance of the year 1947 and the entire year 1948. I am also assuming that interest rates will remain comparatively stable, at about present levels.

Increasing Bank Loans

I think it timely, too, to say a few words about loans. Bank loans to individuals, business, farmers and veterans are increasing rapidly, but credit must be watched closely because of the threat of inflation. Expansion of loans, including real estate mortgages, in our Michigan banks now approaches the billion dollar mark. To be exact, the entire loans and discounts portfolio as of Dec. 31, 1946, aggregated $932,500,000. I am assuming that with current increases since the first of the year 1947 this total has been considerably enlarged. Bank loans to business are topping all records. It is reported that more than 10,000,000 veterans in the nation as a whole are eligible for G.I. loans if they have sound proposals. It is our duty to give them due consideration.

Farm loans are returning. Real estate loans are retarded only by prices. I had occasion recently to go on record with the American Bankers Association and also with the National Association of Supervisors of State Banks, with regard to farm loans—as to whether there was any inflationary trend in farm mortgage lending in Michigan. I replied that I did not believe the trend was inflationary except that the trend in farm prices was possibly inflationary. This would appear to depend largely on further increases in the level of farm commodity prices. Farm mortgages in our State banks in Michigan increased 94% as to dollar amount from and after the year 1938, inclusive of the year 1946. Our banks had total farm mortgages on Dec. 31, 1938, of $12,400,000 and at the close of the year 1946 a little better than $24.000,000. I am assuming that a like trend has been the experience of national banks in Michigan. Mortgage loans on residential properties during this same period have reflected a dollar increase of 146%. These loans, on Dec. 31, 1938, were $73,600,000 and on Dec. 31, 1946, $181,670,000. This is possibly not out of line when one takes into consideration that total bank resources have increased 240% during this nine-year period.

With all of these facts before us, we must remember always that although the business of this country is run on credit, over-extensions of credit would be damaging to borrowers as well as to economic and social progress. Unsound loans add fuel to the fires of inflation. Over-borrowing is a quick and easy way to economic collapse. It is not healthy for the customer, the nation, or the bank.

I had occasion to read an address given by Dr. Ernst A. Dauer, an economist with the Federal Deposit Insurance Corporation, delivered on June 10, 1947, before the Industrial Bankers Association at Denver, Colo. I think some of his remarks are very timely. I quote in part from his talk:

"In December 1946 the scope of Regulation W was materially decreased. Some people have been pressing for its further relaxation or abandonment. If that occurs, you may expect to experience considerable pressure for a reduction in down payments and a lengthening of repayment periods, as a result of two influences, competition among sellers and competition among credit agencies.

"We all recognize that with present automobile prices, a one-third down payment and 15-month term, results in monthly payments beyond the reach of a large proportion of prospective purchasers. The longer life which cars have demonstrated during the war may well justify longer terms, just as the higher prices may require them. From the viewpoint of soundness of lending policy, a relaxation which takes the form of a reduction in down payments is much more dangerous than a lengthening of the repayment period. A reduction in the down payment decreases the purchaser's equity, and this increases the likelihood of default and the rate of loss when default occurs. By way of contrast, the chief effect of a moderate lengthening of the repayment period is to increase the expense of handling a given loan."

As you all know, in the 1947 legislative session the Industrial Loan Section of the Michigan Financial Institutions Act was liberalized somewhat as to term of maturity of that type of loan, from 18 months to 24 months. This is contained in Act No. 19, Public Acts of 1947, an immediate effect Act, signed by our Governor, the Hon. Kim Sigler, under date of March 31, 1947. The above quoted excerpt from Dr. Dauer's speech is right in line with my thinking in the matter. I did not voice objection to the lengthening of the term of this type of lending for the reason that I felt banks should be permitted to make 24-month loans, at least during this particular period. For the most part, however, this type of lending is still subject to the terms of Regulation W promulgated, as you know, by the Federal Reserve Board. This still limits the maturity of most of these loans to 15 months.

Consumer Loans

I want to give to you for your consideration a few fundamentals to be strictly adhered to in the consumer lending field:

(1) That you keep your credit files in good order;

(2) That you place the necessary emphasis on determining the borrower's willingness and ability to pay; and

(3) That the required service-interest and amortization—on the borrower's obligations of all kinds—be not too large a portion of his regular income.

Right here I want to remind you that a man of average income who borrows a thousand dollars today for an automobile certainly is out of the market for all other purchases while the loan is outstanding. If these credits are not up to standard on all counts, I hope you have a very strong, energetic collection department in your bank which consistently follows up on all delinquent collections.

Bonds of Norway Drawn for Redemption

The Kingdom of Norway, through its fiscal agent, The National City Bank of New York, is notifying holders of its 26-year 4% sinking fund external loan coupon bonds due Feb. 1, 1963, that $490,000 principal amount of these bonds have been selected by lot for redemption, through operation of the sinking fund, on Aug. 1, 1947 at 100%. The drawn bonds will be paid on the redemption date at the Head Office of The National City Bank of New York, 55 Wall Street, New York City.

Reynolds & Co. Have Direct Wire to Walston, Hoffman & Goodwin

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce the installation of a direct private wire to the firm's Pacific Coast correspondent, Walston, Hoffman & Goodwin, which maintains offices in San Francisco, Los Angeles and 12 other California cities.

R. H. Gignilliat President Of Southern Securities

SAVANNAH, GA.—Ravenel H. Gignilliat is now President of Southern Securities Corporation. Mr. Gignilliat was formerly Vice-President of the Liberty Bank & Trust Co. of Savannah.

With Central Republic Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Louis R. Boettcher has joined the staff of Central Republic Company, Medical Arts Building.

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

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Canadian Securities

By WILLIAM J. McKAY

Canada—the newest of the countries of the New World—the oldest in Old World outlook. This latter characteristic served the Dominion admirably in the difficult war years. Thereby Canada gained an unrivalled reputation for capable administration of wartime controls which were faithfully observed by a disciplined people. Today the danger lies in remaining passively in a bureaucratic rut.

Although the Dominion is traditionally tied to a large degree to Britain, the great Canadian problems do not belong to the Old World. Although it cannot be denied that the European U. S. dollar shortage is also a matter of Canadian preoccupation, Canada should look beyond the technical and academic approaches to the solution of this problem.

Now on the threshold of national adulthood, Canada should evolve her own national policies based on her own possibilities of development. Historically, Canada has advanced by fits and starts. In 1854, Lord Elgin, one of Canada's ablest Governors, persoanlly negotiated a treaty of trade reciprocity with this country, which during its existence gave the Dominion 12 years of extraordinary prosperity. In 1896 Clifford Sifton, the Minister of Interior in Laurier's briliant Liberal government, initiated a dynamic immigration policy whereby aggressive methods were employed "to sell" Canada to this country and the world at large. As a result, there was an unprecedented leap in the population figures, and with it the initiation of the great railroad building era of the beginning of the century.

Although the spirit of free enterprise runs as high in Canada as anywhere in the world, it requires governmental sparking to set it in motion. At the beginning of the century, Canada's tremendous potentialities were but vaguely realized. In recent years Canada has accepted complacently foreign estimates of the possibilities for Canadian development but has taken little constructive action. Thus, the recent commentary by Cyrus Eaton, the Cleveland financier and American pioneer in the exploitation of the iron deposits at Steep Rock, Ontario, is peculiarly apt. After mentioning that the Canadian production this year from the great iron ranges which extend on both sides of the border would be only 1,200,000 tons as against the U. S. production of 80,000,000 tons, he offered the pertinent suggestion "that Canada must learn to develop the industrial spirit that made the United States the greatest industrial giant in the history of the world."

Before Canada can expand, however, a greater population is an absolute necessity. It is true that the Dominion has recently relaxed slightly its immigration laws, but so far the greatest initiative has been displayed by a French-Canadian mill owner in Quebec, who has personally arranged for the introduction into Canada of a number of Polish mill-hands. The Dominion government now has a unique opportunity to implement a forceful immigration policy. The wealth of industrial talent among the "displaced persons" in Europe alone could well serve Canadian needs, in addition to the countless thousands from the British Isles who are only awaiting the lowering of the Canadian immigration barriers. Further profit could also be gained from the lessons of history if the Canadian government would also make a resolute endeavor to conclude a far-reaching commercial pact with this country. These two measures alone would result in an era of unprecedented prosperity for Canada and a constructive step forward for the whole world.

During the week the securities markets were dull and inactive, both in the external and internal sections. Free funds weakened slightly following the disposal of the proceeds of the Montreal Light Heat and Power bonds called for July 1, but the offerings were well absorbed by the growing tourist demand, which is expected to reach this year the impressive total of $300,000,000. Among the stocks there was continued activity in golds and western oils, which should persist in view of the attractive level of the arbitrage stock rate and the resumption of speculative interest in new oil and gold discoveries during the busy summer prospecting season.

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LOUISVILLE, KY.—William T. Watkins, Jr., is now associated with Merrill Lynch, Pierce, Fenner & Beane, 231 South Fifth Street.

With B. C. Christopher Co.

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO.—Joseph H. Sutton has become associated with B. C. Christopher & Company, Board of Trade Building. Mr. Sutton was formerly with Harris, Upham & Co.

Wm. Beeken Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—Lester M. Valentine has been added to the staff of William S. Beeken Co., Guaranty Building.

Holds World Bank Debentures Sound

Dean Madden, Director of Institute of International Finance, issues bulletin discussing the Bank's set-up and operation. Points out protective features attached to loan to France.

Based on the quality of the management, the terms of the loan made by the Bank to France and the rigid tests to be applied to future loans, and considering the financial obligations of the principal stockholders to the Bank, the debentures of the International Bank for Reconstruction and Development would seem to merit the classification of sound investments, according to a bulletin entitled "The International Bank for Reconstruction and Development" issued on July 7 by Dean John T. Madden, Director of the Institute of International Finance of New York University.

Dean J. T. Madden

If the Bank is successful in its operations it will speed up materially the reconstruction of the economies of the various countries, the bulletin declares. An increase in the supply of commodities available for domestic consumption in those countries accompanied by an increase in the standard of living will in itself have a favorable effect on economic and political conditions throughout the world.

The argument often presented, that in granting loans to foreign countries to increase their productive capacity the United States is merely creating new international competition, is fallacious, the bulletin continues. Industrialization does not lead to a decline in international trade. On the contrary it broadens it. This can best be proven by examining the growth of the foreign trade between the United States and Canada. The industrialization of the Dominion led to an increased interchange of commodities between the two countries. The industrialization of Germany during the latter part of the 19th century and that of Japan during the first quarter of the 20th century also caused a sharp increase in the volume of foreign trade, both exports and imports, of these countries.

It should also be borne in mind that the United States cannot prosper in a poverty-stricken world, that the economies of nations are intertwined and that a restoration of healthy economic conditions throughout the world is bound to have a favorable effect on the economy of this country. Since the loans made and to be made by the International Bank must be for productive purposes only and thus aid in the reconstruction of the borrowing countries, they are to the interests of the United States.

In analyzing the "dollar shortage" problem the bulletin states: Inasmuch as the proceeds of the loans made by the Bank must be used solely for productive purposes, they will increase the ability of the borrowing nations to export, to receive tourists from the Western Hemisphere, to reduce their dependence on American products, and that these factors by themselves will in time tend to remedy the current dollar shortage. Finally, the United States can contribute to the ultimate elimination of the dollar shortage by adopting a foreign trade policy which will permit the importation of foreign products for current consumption and stockpiling.

In discussing the loan to France the bulletin states: The first and only loan granted by the Bank to date is a 30-year loan of $250 million to the Credit National pour Faciliter la Reparation des Dommages Causes par la Guerre unconditionally guaranteed by the Republic of France. Analysis of the loan agreement indicates that in addition to observing the statutory requirements, the Bank included in that agreement a number of added precautionary measures among which are the following:

(1) In the event an extraordinary situation should develop making it appear improbable that the borrower would be able to perform its obligations under the agreement or that the guarantor would be able to perform its obligations, the Bank is relieved of its obligation to make any further payments to the borrower under the loan agreement.

(2) While any portion of the loan remains outstanding and unpaid, the borrower may not without prior consent of the Bank create any mortgage, pledge or other charge or priority on any of its assets or revenues as security for external debt unless the loan made by the Bank shall be secured equally and ratably with such other external debt.

(3) The borrower is under obligation to furnish to the Bank all information which it shall reasonably request with regard to the use of the goods purchased with the proceeds of the loan, the financial condition and obligations of the borrower and the economic and financial conditions of France, internal as well as external.

(4) Accredited representatives of the Bank are authorized to inspect any goods paid for out of the proceeds of the loan as well as all contracts, orders, invoices, other documents and books of account relating to such goods and the use thereof.

The bulletin concludes with the following remarks: The International Bank for Reconstruction and Development is a new departure in international finance. It is a cooperative venture of 45 nations in order to assist in the rehabilitation of the world. In the immediate future most of the assistance will have to come from the United States. Once, however, the economies of the other nations have been rehabilitated they, too, will be able to participate in increasing the standard of living of nations all over the world. Industrialization, while it leads to a change in the type of commodities traded internationally invariably causes an increase in the interchange of commodities among nations. The management of the Bank has been entrusted to men of outstanding ability and great experience. They are thoroughly familiar with the mechanism of international finance and with the credit records of individual borrowing nations. The Bank has adopted sound principles in granting loans to foreign nations and made every effort possible to assure that the proceeds of the loans will be used for productive purposes. This in itself will lead to an increase in production in the borrowing countries and thereby aid in alleviating the dollar shortage.

French Government Requisitions U.S. Securities

Orders resident French nationals to deposit holdings of certain U. S. securities in designated depositaries. Asserts no immediate intention to dispose of securities.

The Financial Attache to the French Embassy, Christian Valensi, on July 7 released a statement announcing that by an executive order of the preceding day the French Government would assume ownership of certain U. S. securities owned by French nationals whose residence is in France or in the French colonies.

The prices in francs at which the French Government acquires the respective securities will be announced shortly.

Owners, whose securities are domiciled in the United States, will be instructed to deliver them to one of four depositaries designated by the French Government for this purpose, viz.:

(1) J. P. Morgan & Co. Incorporated, 23 Wall Street, New York City.

(2) French American Banking Corporation, 31 Nassau Street, New York City.

(3) Societe Generale, 60 Wall Street, New York City.

(4) Lazard Freres & Co., 44 Wall Street, New York City.

Owners whose securities are domiciled outside the United States will be instructed by the Banque de France how to deliver them.

According to the statement the French Government has expressed no intention of disposing of these securities at present. If and when any of these securities are to be disposed of, careful consideration will be given to the current conditions of the markets in order not to influence their normal trend.

The official announcement does not list the securities to be requisitioned, but it is understood a list will be made public in a few days and will comprise both stocks and bonds.

Wilbur Irion V.-P. Of International Trust

DENVER, COLO.—Wilbur Irion has been appointed Vice-President of the International Trust Company of Denver, and will be in the commercial banking end of the business. Mr. Irion was formerly Manager of the Trading Department, with which he had been associated for 20 years.

Australian Bonds Called For Redemption

The Commonwealth of Australia is notifying holders of its External Loan of 1927 Thirty-Year 5% Gold Bonds due Sept. 1, 1957, that all of these bonds outstanding have been called for redemption on Sept. 1, 1947 at 102%. The bonds will be paid at the office of J. P. Morgan & Co. Inc. or at the Head Office of The National City Bank of New York. Holders of these bonds, the notice also states, may present them for immediate payment and receive the full redemption price, together with interest to the redemption date.

Inv. Fund Distributors Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William H. Nelson has been added to the staff of Investment Fund Distributors, 650 South Spring St.

With Garrett Bromfield

DENVER, COLO.—Alfred L. Flagg has joined the staff of Garrett-Bromfield & Co., 650 Seventeenth Street.

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Let Us Keep Our Feet on the Ground

By DONALD E. BROWN*

President, South Carolina Bankers Association
President, Carolina National Bank, Anderson, S. C.

Southern banker, in noting marked similarity in our postwar periods, lays disturbances to emotional instability of public, which aggravates trends. Cautions against losing proper perspective or sense of values and contends "if we keep our feet on ground in period of readjustment, we can avoid extremes of the past."

At a time like this, I think it is wise to ask ourselves this question: "What can we learn from former postwar periods that can help us to keep from making the same mistakes again?" I think that most of us remember quite vividly the period following World War I, but if we go back further to the period after the Civil War, or even back to the period following the Napoleonic Wars in Europe, we find that there is a marked similarity in the pattern of each postwar period.

Donald E. Brown

One thing that impresses me during these periods of economic adjustment following former wars, is the emotional unstability of our people. It is amazing that their optimism could rise so high, and their pessimism sink so deep in such a relatively short time. There seems to be some sort of mass psychology that sweeps us before it in such times.

When an inflationary trend is prevailing, and prices rising, we seem to lose all sense of values, and think that the only direction is "up." I am sure that we all remember the stock market orgy of 1928 and '29 when your favorite barber, or clerk, would whisper in your ear that his brother's daughter, whose boy friend worked in a Brokers' Office, had inside information that Thermometer Common, would go to 92 before the 1st day of July, and you would rush out and buy a few shares without ever having seen a statement of the company, and probably not even knowing what the company manufactured. Some sort of mass emotionalism grips us. Not long ago, one of the boys in the bank came in smiling, with a package under his arm. He leaned over and whispered: "You can get a box of 'Flix,' (we will call it 'Flix' for lack of a better name), if you will rush up to the drug store right now." A few minutes later, one of the young lady employees came by my desk with a package: "If you hurry, you can get a box of 'Flix' at the drug store on the corner," she confided. I still did not budge, but when my Secretary rushed breathlessly in and said: "You'll have to hurry if you want a box of 'Flix'; there are just a few boxes left," I could stand it no longer. I put on my hat and rushed madly towards the drug store. About half way to the store, I suddenly stopped and said to myself, "What the heck is 'Flix' anyhow"? I hadn't the slightest idea.

Conversely, when wages, prices and commodities are on a downward trend, and gloom and depression have enveloped us, we almost completely lose our sense of values and think that everything is lost, and only chaos confronts us. Without regard to common sense, we begin to dump real values over-board at token prices.

*An address by Mr. Brown before the 47th Convention of the South Carolina Bankers Association, Myrtle Beach, S. C.

We Lose Proper Prospective

What I am trying to say is, that we lose our proper perspective, or sense of values, and that in so doing, we aggravate and make worse a condition which we wish to remedy.

As we look back over former periods of inflation and depression, we come to the conclusion that cold, economic facts rarely justify the extremes to which prices are carried in either direction. When the trend is upward, we aggravate that trend by recklessly bidding up prices, and when business is bad and prices begin to slip, we become panicky, and through disregard of values, we force prices far below their normal value.

If we can keep our feet on the ground during these periods of readjustment and not be swayed by mass emotionalism, keeping always a proper perspective and a true sense of values, we can avoid the extremes to which we have gone in the past.

I started to say that we could return to a normal, economic condition. We speak of normal times, but I often wonder just what is a normal condition. In talking to a friend recently, I said something about getting back to normal times, and he asked me: "What do you call normal times?" I have worked in a bank since about 1913. At that time, Europe was just plunging into World War I. In 1917, America entered the war. Conditions were certainly not normal then. There was a let-down in industrial activity after the Armistice in 1918. The recession was moderate and brief, and the tempo quickened in the spring of 1919. This was followed by a rise in industrial activity that was extremely sharp, and continued upward until the middle of 1920 before turning downward again into a recession or depression that became very pronounced by the end of 1920 and continued through 1921. This was when cotton dropped from about 43c per pound to 12c per pound within a period of a few months. These years could certainly not be termed "normal years" in the prevailing use of that word. The rising markets of 1927, '28 and '29 are well remembered, as are the depression years of 1932 and '33. After emerging from the depression of '33, it was not many years until the rumble of World War II began in Europe, and from then on, I think we will agree that there has been no semblance of normalcy in our national life. And so it appears to me that for over 30 years, we have spent the majority of our time in what we would ordinarily call abnormal years.

Public Easily Led

We Americans, or at least many of us, it seems, are somewhat like cattle. We move in herds, and are easily led and influenced. In inflationary periods, we often become over-optimistic, and we begin to feel that we are in a new era—that times will always continue to get better and better, speculation begins to run wild. We willingly listen to those who are either ignorant of economic forces, or perhaps have selfish motives. We buy, not for intrinsic values, but because we think we can re-sell within a few months, or weeks, at higher prices, and when the danger signals begin to appear, we recklessly disregard all such signs. Mr. Arch W. Shaw, in a little booklet entitled, "The Individual and the Post-War Period," has very aptly said concerning the inflation of 1929 and the depression which followed: "Some of our generation lost their common sense in 1929, and their courage in 1932. And through losing first their common sense and then their courage, in the picturesque slang of the day, they lost their shirts."

I would like to leave this thought with you. We are, in a way, very fortunate in that we, in our lives, have already experienced one full period of post-war readjustment, that which followed World War I. And now, as we enter another such period, we should be better prepared because of this experience, to meet, cope with, and avoid the pitfalls that caused our headaches after World War I. We have always heard that "Experience is the best teacher." Now we have a wonderful opportunity to prove it.

I heard a tall story on the radio recently, which I think illustrates what I mean:

Uncle Ezra was a hardy mountaineer, who lived 'way up in the Blue Ridge Mountains. He passed away at the age of 83. He was duly pronounced dead by the mountain doctor. A coffin was made of wooden slabs, and a grave was dug on the edge of a cliff, overlooking a deep gorge at the spot where Uncle Ezra had always said he wanted to be buried. The final rites were held, and six of his sturdy grandsons, acting as pallbearers, picked up the wooden coffin and started to carry Uncle Ezra to his final resting place. To reach the burial place, they had to carry their burden around a sharp bend at the edge of the gorge. In negotiating the bend, one of the pallbearers stumbled over a jagged rock and fell. This threw the other pallbearers off balance, the coffin slipped from their hands and went crashing down into the gorge. Hurriedly, the six grandsons climbed down after the coffin and finally reached it at the bottom of the gorge. To their astonishment and amazement, they found Uncle Ezra a little dazed, but sitting upright in the coffin, profanely chiding them for their carelessness. They gently lifted the old man and carried him back home, where he recovered and continued to live for several years.

However, in about three years, he was again stricken and became critically ill. The doctor told him that the had but a few hours longer to live. The family, including the six grandsons, who had been his pallbearers before, were called to his bedside. Uncle Ezra was asked if he had any farewell words to say. The old fellow thought for a moment and then looking up at his grandsons said solemnly: "Boys, when you round that bend near the gorge this time, please be just a little bit more careful."

And so, if we can all be a little bit more careful as we approach the problems of this post-war period, I am sure that we will all be much happier.

Things Never Run Smoothly

In conclusion, let me say that conditions are rarely what we would have them. If we but look around, there is much of which to disapprove. Sometimes it appears that internal strife and dissension will wreck our country. Labor and management cannot see eye to eye. Politics and politicians are often selfish and partisan and the good of the country is often ignored for the price of a few votes. There has never been a time when grave problems did not confront us.

From the day that our pioneer forefathers first set foot upon the soil of this great country, things have never run as smoothly as we would have wished. We have had many headaches and endured many hardships; we have had to protect ourselves from enemies from within and without; we have fought wars and gone through economic crises. We have often been disgusted, disillusioned and downcast, but God has endowed us as a Nation, with a spirit and courage that has always enabled us to meet any situation and overcome any obsacle. Whenever I become gloomy and despondent over the pattern of things that prevail and begin to wonder just what the country is headed for, I always stop and ask myself this question: "Where in the world would you rather live than here in the United States of America?" When one looks at the famines of China, the poverty of India, the turmoil and hatreds of Europe, I humbly thank God for this land in which we live, and realize that although it is far from perfect, it is the home of a great and courageous people, whose forefathers left the shores of Europe to build a better land, and I firmly believe that following in their footsteps, we, their descendants, will carry on with patience, courage and common sense.

We will not be frightened by the cries of the alarmist, nor will we be lulled into a sense of false security by those who tell us that it can't happen here. We will be alert. We will be awake. We will be prepared. We will have courage. We will not be stampeded by mass emotionalism, but as new problems present themselves, and as new crises in our National and economic life arise, we will, with fortitude and courage, meet and conquer them. The future may present its problems, but I firmly believe that we will have the answers.

With So'eastern Securities

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, FLA.—William H. Bryant has become associated with Southeastern Securities Corp., 304 West Adams Street. Mr. Bryan was formerly with Frank D. Newman & Co. and Strauss Bros., Inc. in Miami.

With Royal Securities

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Securities Salesman's Corner

By JOHN DUTTON

In these days of shifting economic and political tides, sometimes you cannot escape falling into a state of mind wherein your own outlook becomes confused and uncertain. To claim otherwise is to dodge reality. But no one can guide his own business unless his hand is on the rudder and he has his course charted ahead with certainty. When securities which you sold to your customers have declined in price, and some of your best calculated plans have gone awry, the most important thing to do is to regain perspective.

It seems that the majority of us poor mortals go through life constantly seeking for something substantial in which we can place our trust and confidence—an anchor so to speak. Some find it in their faith in the things of the spirit—of a religion, or a philosophy of life. All are seeking for a plan and a purpose. The feeling of insecurity that is known by most of us at one time or another is part of living. That is why a great need is filled everytime a man can go out into the world and perform a service in such a manner that he begets and inspires the confidence of others. The doctor and his patient who comes to him with fear and foreboding and leaves his office with head erect and hope in his eye; the lawyer who uplifts those who have unthinkingly erred and who have lost their way; the dentist who puts the drill in your mouth; everyone who sells anything that people need in such a manner as to INSPIRE CONFIDENCE in the mind of the buyer, is building on solid rock.

There is one peculiarity about creating confidence in your ability to render service, pull a tooth, cure a disease, or help another human being preserve his nest egg of savings and obtain an income from those investments. No one can transmit confidence to another synthetically—you've got to believe in what you are selling AND YOURSELF.

So what to do when things become confusing and those around us are also adrift? We are creatures of our environment, it is true, but the man who has been through the mill sees things in their proper relationship. In other words he doesn't go to extremes. He has seen bull markets, bear markets, boiling markets, dull markets, pessimism, optimism and the entire gamut of emotionalism that lies at the root of public fear and confidence. For these are the changing attitudes which constantly ebb and flow throughout our economic life as well as our own personal lives. The economic pattern of today's stock, bond, and commodity markets is only a composite picture of the general emotional pattern of all the people.

To be specific: Many of us have followed the trends of the times and during the past few years have devoted our energies to the promotion of speculative securities. The tax situation, the war, the inherent desire of many people to try and make a profit (without working for it) enabled security salesmen to enjoy a seller's market for a period of about four years. This seller's market ended some time last fall about the time the bull market was officially at an end. If your thinking is along the lines of these years just passed to which we refer, then it is understandable that confusion and uncertainty may be in the saddle at this time. The way to get the reins in your own hands once again is to start to do what we should always be doing and that is SELL A SERVICE. Don't you honestly think that you can go out once again, with a feeling of absolute confidence in your ability, to help others do three things (1) invest their money in a well balanced list of securities where the overall degree of safety of the monies they have invested is unquestionably secured; (2) help them to obtain a much better income than they would be able to secure themselves and still give them a high ratio of security; (3) establish a relationship with those clients who do business with you that is of such a nature that when these people think of their investments they think of you?

Some have said that we do not build a solid structure in the security business, and others have gone so far to say that it is impossible for us to do this. After many years of trial and error, out in the field selling to others, in hard times and good times, the writer has come to one conclusion in respect to this widely held contention and that is that the only time we lose customers is when we have allowed ourselves to stray away from the above fundamentals. What can you give someone who wants something for nothing in a boiling bull market, and who won't take profits because he doesn't want to pay the taxes on his profits? What can you give the trader who is willing to always take a profit, switch and buy something else? What can you give any one when your own greed for commission matches the cupidity of your customers? The end of such a road is a bear market—that's what makes bear markets. There is one big story we have to tell to the investors of this country and it is as old as the hills—safety of principal, a better than average return, and enough marketability to fit the needs of the investor. Once we begin to sell this most important idea to all those people who have been trying to get something for nothing, THEN WE ARE BEGINNING TO SELL OUR MARKET ONCE AGAIN INSTEAD OF LETTING OUR CUSTOMERS SELL US AN IDEA THAT NEVER WAS SOUND AND CAN NEVER HELP US OR ANYONE ELSE TO BUILD UP A BUSINESS THAT IS BASED UPON SOMETHING MORE SUBSTANTIAL THAN THE SHIFTING TIDES OF PUBLIC EMOTIONALISM.

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Federal Reserve Terminates Fixed Rate On Treasury Bills

On July 3, the Federal Open Market Committee released the following statement:—

The Federal Open Market Committee of the Federal Reserve System has directed the Federal Reserve Banks to terminate the policy of buying all Treasury bills offered to them at a fixed rate of ⅜% per annum and to terminate the repurchase option privilege on Treasury bills. The new policy will apply to bills issued on or after July 10, 1947. Existing policy will continue to apply to bills issued prior to that date.

The above action was taken by the Committee after consultation with the Secretary of the Treasury.

The so-called posted rate on Treasury bills was a wartime measure adopted in 1942 to facilitate war financing and to stabilize the market for Government securities. It was designed primarily to encourage banks to make fuller use of their excess reserves and thus bring about a wider distribution of Treasury bills. Under current peacetime conditions these arrangements no longer serve their original purpose and tend to distort conditions in the money market and the securities market. Certificates of indebtedness, which bear a higher rate than Treasury bills, have largely replaced bills in the market, not only as a medium for the investment of short-term funds but also as a means by which banks adjust their reserve positions. Increased amounts of Treasury bills have been sold to the Federal Reserve Banks by the market, and bills have gradually ceased to be a market instrument. Currently, only about 1.5 billion dollars of the nearly 16 billion total of Treasury bills outstanding are held outside the Federal Reserve Banks. The Treasury bill rate has thus been eliminated as a factor in the money market. The need for large-scale borrowing of new money by the Treasury ceased with the completion of the Victory Loan Drive and since that time the public debt has been reduced substantially. Consequently there is no reason for continuing this wartime mechanism. On the contrary, its elimination will serve a useful purpose in restoring the bill as a market instrument and giving added flexibility to the Treasury's debt management program.

Under the new policy the Treasury bill rate will be expected to find its level in the market in proper relation to the yields on certificates of indebtedness. The Federal Reserve System will continue to purchase and hold Treasury bills as well as other Government securities in amounts deemed necessary in the maintenance of an orderly Government security market and the discharge of the System's responsibility with regard to the general credit situation of the country.

As a result of the action taken by the Board of Governors of the Federal Reserve System in April to transfer to the Treasury the excess earnings of the Federal Reserve Banks, the Reserve Banks are now paying into the Treasury approximately 90% of their net earnings after dividends. Since most of the Treasury bills now outstanding are held by the Federal Reserve Banks, whatever increase in interest cost to the Treasury results from the termination of the posted buying rate and repurchase option will be largely offset by increased Reserve Bank payments to the Treasury.

Explains Termination of Repurchase Privilege On Treasury Bills

In connection with the July 3 announcement by the Federal Open Market Committee of the termination of the pegged ⅜% buying rate and repurchase privilege on Treasury Bills, The First Boston Corporation, under the signature of its Vice-President, Aubrey G. Lanston, has circulated the following statement regarding technical changes that will result in handling the purchase and sale of Treasury Bills through the market:

A. G. Lanston

"On Treasury Bill bids a non-competitive bid may be entered for amounts up to $200,000 par value. Buyers wishing to obtain Bills in that amount on a non-competitive bid can use the portion of the bidding form provided under the heading Non-Competitive Bid. The amount applied for (within the $200,000 limit) will be awarded at the average price of the competitive bids (figured to three decimal points). E.G. if the average price of accepted competitive bids was 99.842 then those who use the non-competitive bid privilege would be awarded bills at a price of 99.842.

"Under the pegged ⅜% Bill rate procedure, holders of Treasury Bills wishing to sell them, with or without a repurchase option, would do so by selling them direct to the Federal Reserve Banks in most instances. In the case of Certificates, holders wishing to sell, or others wishing to buy, do so in the open market either through their bank, broker, or dealer. Markets in Certificates are maintained by practically all those dealers who regularly deal in Treasury securities. It is expected that the unpegged Bills (issues dated July 10, 1947 and thereafter) will be handled as Certificates have been handled—i.e. through the open market, and not by direct dealings with the Federal Reserve Banks. The Federal Reserve states that the elimination of the ⅜% fixed rate will serve a useful purpose in restoring the bill as a market instrument.

"Under the ⅜% fixed buying and repurchase option agreement between the Federal Reserve Banks and Treasury Bill holders, it was possible for sales to be made on a cash basis (as contrasted to a regular delivery date and interest basis). In the case of unpegged bills we, as a dealer, will deal in Treasury Bills on a regular delivery basis as a usual practice. Transactions on a cash basis may be expected, in general, to be at a differential from the regular delivery prices.

"Since unpegged Treasury Bills will be dealt in a manner similar to Certificates, there would appear to be no real reason for Treasury Bills to sell, eventually, at a level materially away from that of a 90-day Certificate; except in instances where the Federal Reserve's open market policies exhibit a more aggressive buying policy for Treasury Bills than for Certificates. It is true, however, that since Treasury Bills are available with weekly maturities, and whereas Certificates are available only in monthly series some short-term investors may be willing to accept a slightly lower yield in order to have a more regular run-off of funds through Bills than would be true otherwise. Certificates due Oct. 1, 1947 are some less than a 91-day maturity. The market quotation for them at this time is at 0.78% bid and 0.75% offered.

"Over the next few weeks unpegged bills may sell at lower yields than indicated by the Certificate market. Holders of Bills still covered by the ⅜% buying rate may feel willing to sell these to acquire the higher yielding unpegged bills. Holders of Certificates maturing Aug. 1 and Sept. 1, in some cases may wish to sell these against the new bills. In general, however, the large volume of Federal Reserve holdings will leave the situation such that their exchange bids (which must carry a competitive bid price) will dominate the rate. This will continue true until such a time as bills become more widely held.

"It is generally recognized that the relations between the Treasury and the Federal Reserve are cordial and on a far better basis than may have been true in earlier years under Secretary Morgenthau. Cordiality, however, does not mean that differences of view fail to exist. The Federal Reserve's Treasury Bill buying rate and open market activity is something which should rest solely with the Federal. While this may have been recognized by the Treasury it is obvious, from the repeated statements of the Chairman of the Federal Reserve Board and other Federal Reserve officials, that the latter have long believed that the ⅜% peg on Treasury Bills and the ⅞% peg on Treasury Certificates should be removed. Consequently the weight of the evidence is that the Federal has believed that the large public debt placed upon them a responsibility for persuading the Treasury to its views rather than that the Federal was free to move in accordance with its own wishes. If this were not true, then we should have witnessed an unpegging of Treasury Bills and of Treasury Certificates long before this.

"The Open Market Committee's statement says that the unpegging of Bills was made after consultation with the Secretary of the Treasury. While it might have appeared strange, under any circumstances, for the announcement to have read with the approval of the Secretary of the Treasury, our guess is that the Treasury's approval in this instance was passive rather than enthusiastic. For this reason, and certain other considerations mentioned below, we believe that the unpegging of Treasury Bills, while constructive in principle, carries no implication that the Treasury will approve an unpegging of Certificates any time soon.

"The cycle of unpegging all of the outstanding Treasury Bills will not be completed until the refunding of the Oct. 2, 1947 maturity. $2.3 billion Certificates mature Sept 1, 1947. Announcements in connection with the handling of this maturity would have to be made about Aug. 25, or somewhat prior thereto. By Aug. 25 only seven of the outstanding Bill maturities will have been refunded with unpegged Bills. Within the ensuing week or 10 days, the Treasury will have to announce its plans for handling the $2.7 billion 1½s and $1.7 billion 1¼s which mature on Sept. 15. Lacking any evidence of a more whole-hearted enthusiasm for the Bill unpegging action on the part of the Treasury, we question that the Treasury will wish to rush any agreement or approval of similar action on Treasury Certificates—should the Federal advocate this additional step in advance of the September maturities."

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Snyder Reports 1947 Surplus at $754,000,000

Expenditures in 1947 fiscal year amounted to $42½ billion and receipts were $759 million more than budget estimate. Actual revenues, however, did not exceed 1946 fiscal year. National debt reduced in year by slightly more than $11½ billion.

Secretary of the Treasury John W. Snyder announced on July 2 that the Treasury closed the fiscal year 1947 with a budget surplus of $754,000,000.

John W Snyder

The Secretary said that this achievement of a budget surplus in a fiscal year commencing only ten months after the completion of our military victory was made possible by the untiring economy efforts of President Truman. It is noted that this occurred during a period in which a large proportion of the total Government expenditures was still occasioned by the cost of liquidating obligations resulting from the war.

The President, Secretary Snyder said, has constantly taken the initiative in cutting expenditures consistent with the national safety and welfare. Whenever possible, the President has regarded the appropriations granted by Congress as ceilings, rather than as targets. In numerous cases he has cut expenditures drastically below those authorized by Congress. Since taking office, President Truman has recommended to the Congress the cancellation of appropriations totaling over $65,000,000,000.

Total Government expenditures in the fiscal year just ended amounted to $42,505,000,000. This is a decline of a third from the expenditures of $63,714,000,000 during the preceding fiscal year and a decline of nearly 60% from the wartime peak of $100,397,000,000 reached in 1945.

The expense of the transition from war to peace continues to comprise a substantial proportion of Federal expenditures. Expenditures for veterans (including terminal leave), for example, amounted to $9,250,000,000 in the year just ended; while expenditures for UNRRA, the credit to Great Britain, Export-Import Bank loans, and subscriptions to the International Bank and Monetary Fund amounted to another $5,915,000,000.

No Increase in Revenues

In contrast to the sharp reduction in expenditures, net receipts were practically the same as in the preceding year. The primary reasons for this maintenance of receipts have, of course, been the success of the nations reconversion from a wartime to a peacetime economy, the continued high level of production and employment, and substantial receipts from the sale of surplus property.

Of great importance has been the Treasury Department's vigorous enforcement of internal revenue legislation. Secretary Snyder estimated that the extra enforcement activities of the Treasury yielded an additional $2,000,000,000 in revenue during the fiscal year. The funds granted to the Treasury Department by Congress for this extra effort have been repaid many times over.

The Secretary declared that, as long as business, employment, and national income continue high, we should maintain tax revenues at levels that will permit a continued reduction in the public debt. The desirability of such a policy, he added, is emphasized by the fact that the financial soundness and continued stability of the American economy is the cornerstone of our national life.

Comparisons With April Budget Estimates

Receipts were $759,000,000 more than the estimates released by the President on April 19, practically all of which was due to an unexpected increase in miscellaneous receipts. This resulted principally from a settlement of accounts earlier than had been anticipated between the Reconstruction Finance Corporation and the Treasury amounting to $580,000,000, relating to sales of surplus property and repayment of capital of the Smaller War Plants Corporation.

Expenditures exceeded the April estimates by $1,255,000,000, due largely to the payment by the Reconstruction Finance Corporation to the Treasury in the settlement of accounts mentioned above and to the fact that refunds of taxes were considerably heavier than had been expected. The Treasury, of course, has no control over the amount of refunds which are required by law to be made, but has endeavored to speed up the program as much as possible in the interest of economy and as a service to the taxpayers. The acceleration of the payment of tax refunds during the year resulted in substantial interest savings to the Treasury, the amount of interest paid on refunds being $3,300,000 less than last year.

Reduction in Debt

During the fiscal year just ended the public debt—including guaranteed obligations held outside the Treasury—was reduced by $11,522,000,000, of which $754,000,000 was the result of the budget surplus. The total amount outstanding on June 30 was $258,376,000,000. This compares with $279,764,000,000 at the postwar peak which was reached on Feb. 28, 1946. The major part of this reduction in the debt has been accomplished by reducing the Treasury cash balance from its postwar peak to its present level. Future reductions in the debt can occur only from budget surpluses.

Practically the entire decline in the debt since the peak has been in the holdings of the commercial banking system. Holdings of debt by nonbank investors as a whole have remained practically constant. This concentration of debt reduction in bank holdings has been in accordance with the Treasury policy of spreading the ownership of the debt as broadly as possible, and has helped to alleviate inflationary pressures during the reconversion period. This debt reduction program was made possible by the Treasury's policy of maintaining a substantial portion of the debt in short-term securities.

This policy maintained the liquidity of the banking system and put a large portion of the debt in a form in which it could be easily retired. As a consequence of the liquidity of the banks' Government security portfolios, the large turnover of funds incident to the debt reduction program occurred without disturbance to the money market. The reduction in the debt has naturally resulted in a substantial decline in the proportion of short-term securities, as well as in the proportion held by banks. The two-fold character of this decline has consequently resulted in keeping the maturity distribution and the form of the debt well adjusted to the character of its ownership.

A comparative table showing the trend of expenditures during the last three fiscal years is shown below (in billions of dollars):

Budget Expenditures—	1945	1946	1947	Increase (+) or Decrease (—) 1947 from 1946
War and Navy Departments†	$80.4	$43.0	$14.4	—$28.6
Veterans Administration	2.1	4.3	*7.3	+3.0
Interest on the public debt	3.6	4.7	5.0	+ .3
Tax refunds	1.7	3.0	3.0	--
International finance	--	.7	4.4	+3.7
United Nations Relief and Rehabilitation Administration	.1	.7	1.5	+ .8
All other	12.5	7.3	6.9	— .4
Total	$100.4	$63.7	$42.5	—$21.2

*In addition, about $2,000,000,000 of armed forces leave payments (bonds and cash) were made during the year, classified herein under War and Navy Departments and "All other" (Coast Guard). †Excludes river and harbor work and flood control.

Smith Resigns From ABA To Enter Connecticut Bank

Resignation of Howard B. Smith, Director of Research in mortgage and real estate finance of the American Bankers Association, to become Treasurer about Sept. 1 of the Middletown Savings Bank in Middletown Conn., was announced in New York on July 9 by Harold Stonier, Executive Manager of the Association. Mr. Smith joined the A.B.A. staff in 1945 as Assistant Director of research in mortgage and real estate finance and succeeded Dr. Ernest M. Fisher, now of Columbia University, to the Directorship on Dec. 1, 1946. Mr. Smith had previously been Mortgage Analyst of the Worcester (Mass.) County Institution for Savings, with which he was associated for 20 years. He has been active in the affairs of the American Institute of Banking and is a graduate of The Graduate School of Banking of the Class of 1943. For the past two years he has been a member of the faculty of the Graduate School in its savings management major course.

With Lawrence Brinker Co.

Special to The Financial Chronicle

OMAHA, NEB.—Andrew E. Caldwell is with Lawrence Brinker & Co., First National Bank Building.

Federal Reserve Asks More Power

Sees threat to U. S. securities market if interest rates are permitted to rise. Urges curbs on bank shifting of government securities holdings. Is opposed to additional offerings of long-term bonds.

In its 33rd Annual Report to Congress, released on July 7, th Federal Reserve Board, through its Chairman, Marriner S. Eccle reiterated the requests made in its two previous reports that controls over bank credits be strengthened and amplified. In its report, the Board referred to the recent action of the Open Market Committee in unpegging the Treasury Bill rate and expressed the belief that by permitting higher short-term interest rates, it would reduce the tendency toward further monetization of the national debt.

Marriner S. Eccles

The Board expressed concern, however, over the effect of fluctuating short-term interest rates and the resulting shifting of bank securities holdings.

"A readjustment of short-term rates and the introduction of some flexibility into rate policy would provide some check to further bank shifting and credit expansion, but it would not wholly solve the problem.

"As banks become accustomed to the higher level of short-term rates, and restricted longer-term issues become eligible for bank purchase in the market, a tendency to shift may reappear.

"More important, an increase in short-term rates would not prevent the shifting by banks from holdings of Government securities to private loans or corporate securities, if attractive loans or investments were available. On the basis of such shifts the banking system would be in a position to create reserves and to engage in uncontrolled credit expansion.

"Under existing Federal Reserve powers there is no assurance that such a development could be prevented except by permitting interest rates to rise to a point that would unstabilize and perhaps demoralize the entire Government securities market."

The means of controlling credit through sale by the Federal Reserve system of securities in the open market or by restricting purchases might cause substantial de clines in prices of Government se curities that could not be tolerate and that might fail to accomplis the desired purposes, the repo stated. It was therefore urged tha the Board be given a more dire means of preventing the bank from shifting holdings of Govern ment bonds by sales to the Re serve banks, and thus prevent th banks by these means to foste excessive credit expansion.

In discussing Treasury refund ing, the report pointed out tha securities offered to absorb th savings of the public should no be generally marketable issue "Long-term marketable issues, be ing subject to Federal Reserv support in case they should ten to decline in price, are in effe demand obligations bearing higher rate of return than is cus tomary for short-term securities.

But it added, however:

"Additional offerings of long term marketable securities, eve though initially ineligible for pur chase by banks, would encourag some holders to sell existing is sues of eligible securities to bank in order to purchase new issues The resulting increase in avail able longer-term issues would again offer banks an opportunity to sell short-term securities to th Reserve Banks and to purchase longer issues, thus leading to cre ation of reserves and further mul tiple credit expansion. The re funding of short-term securitie held by banks with marketable securities at existing long-term rates, therefore, would raise th interest cost to the Treasury with out accomplishing the purpose o curtailing bank holdings or check ing their expansion."

With Herrick, Waddell

OMAHA, NEB.—Emil A. Buchholz is with Herrick, Waddell & Co., Inc., whose main office is a 55 Liberty Street, New York City

With Conrad, Bruce Co.

Special to The Financial Chronicle

SAN DIEGO, CALIF.—E. Robert Little has been added to the staff of Conrad, Bruce & Co., Sar Diego Trust and Savings Building

THE PORT OF NEW YORK AUTHORITY ESTABLISHED APRIL THIRTIETH 1921 BY COMPACT BETWEEN NEW YORK AND NEW JERSEY

THE PORT OF NEW YORK AUTHORITY

Proposals for all or none of $16,350,000 of Port of New York Authority TERMINAL BONDS, SERIES M, due serially in annual amounts of $1,090,000 each on June 15, 1948 and each June 15th thereafter to and including June 15, 1962, will be received by the Authority at 11 A.M. on Wednesday, July 16, 1947, at its office. Each offer must be accompanied by a certified check or cashier's check in the amount of $327,000. The Authority will announce the acceptance or rejection of bids at or before 6:00 P.M. on that day.

Copies of the prescribed bidding form, of the Official Statement of the Authority, and of the resolutions pursuant to which these bonds are to be issued, may be obtained at the office of the Executive Director of the Authority, No. 111 Eighth Avenue, New York 11, N. Y.

JULY 9, 1947

HOWARD S. CULLMAN,
CHAIRMAN

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Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Bank Stocks

Lack of uniformity in reporting quarterly and semi-annual operating results still plagues the bank stock analyst. In the tabulation presented below, some earnings figures are as indicated by comparison of book values and dividends between statement dates, while others are as reported by the banks. In some instances security profits and non-recurring items are included, while in other instances these figures are not known. A few banks are now publishing semi-annual operating reports which show operating income, operating expenses, net security profits, etc.; but most of the banks still rest content with simply making public their balance sheet figures.

In the accompanying table first quarter, second quarter and half year earnings for 1947 in comparison with 1946 are shown for 17 leading New York City banks; also their book values at mid-year vs. 1946 year-end. Earnings shown are on an "indicated" basis except where marked with a ‡, in which case reported figures are used.

	First Quarter Earnings		Second Quarter Earnings		First Six Mos. Earnings		Book Value	
	1946	1947	1946	1947	1946	1947	Dec. 31, 1946	June 30, 1947
Bank of Manhattan	$0.68	$0.47	$0.62	$0.46	$1.30	$0.93	$31.55	$31.88
Bank of New York	6.50	5.40	5.95	5.50	12.45	10.90	448.17	452.07
Bankers Trust	0.90	0.64	0.61	0.61	1.51	1.25	49.05	49.40
Central Hanover	1.50	1.50	1.50	1.50	3.00	3.00	118.20	119.20
‡Chase National	0.87	0.47	0.77	0.77	1.64	1.24	42.37	42.88
‡Chemical Bank & Tr.	0.90	0.88	1.47	0.85	2.37	1.73	41.40	42.92
Commercial National	0.97	0.80	0.99	0.94	1.96	1.74	57.16	57.90
Continental	0.47	0.32	0.62	0.40	1.09	0.72	23.76	24.08
Corn Exchange	1.33	1.24	1.31	1.25	2.64	2.49	56.05	57.14
First National	25.94	18.38	29.51	22.21	55.45	40.59	1,359.80	1,360.39
*‡Guaranty Trust	5.43	5.60	5.90	4.14	11.33	9.74	321.66	358.12
Irving Trust	0.32	0.28	0.31	0.29	0.63	0.57	22.53	22.80
‡Manufacturers Trust	1.21	1.16	1.43	1.14	2.64	2.30	57.71	58.81
†‡National City	1.27	1.17	0.88	0.84	2.15	2.01	46.38	47.47
‡New York Trust	2.47	1.60	2.43	1.87	4.90	3.47	104.78	105.91
Public National	1.11	1.06	1.12	1.03	2.23	2.09	52.00	53.09
U. S. Trust	9.22	9.10	9.16	9.02	18.38	18.12	770.26	770.88

*All 1946 figures on 900,000 shares and 1947 figures on 1,000,000 shares.
†Includes City Bank Farmers' Trust.
‡Earnings as reported by banks; all other earnings figures are "indicated."

Bank of Manhattan's relatively large drop in earnings is partly accounted for, according to reports, by some special costs incurred in connection with improvements in some of its branches which presumably have been charged to operating expenses. Reported operating earnings plus security profits totaled $1.10 for the first six months of 1947 vs. $1.97 in 1946. Security profits were $0.16 and $0.57, respectively. These figures differ substantially from indicated earnings.

In the case of Chase, indicated earnings for the first half of this year are $1.31, as against reported earnings of $1.24. This difference of $0.07 per share is occasioned by a real estate tax refund of $538,000 which was transferred directly to undivided profits. Net security profits, which are included in the $1.64 and $1.24 reported, were $0.34 in 1946 and $0.13 this year.

First National's indicated earnings are identical with the bank's reported net operating profits for the half year period.

Guaranty Trust's $11.33 in 1946 was on 900,000 shares, as against 1,000,000 shares for the $9.74 this year. On the increased capital shares outstanding the 1946 figures would be equivaent to $10.20 per share.

National City's earnings include those of City Bank Farmer's Trust for all periods shown. It is pleasant to be able to point to this bank's increase in net operating profits from $1.55 for the first six months of 1946 to $1.58 for the first half of this year. Net security profits, however, were down from $0.60 to $0.43.

Banker's Trust indicated earnings for the six months are the same as net operating profits; in addition, net security profits for the half year were $0.07 per share in 1947 and $0.23 in 1946.

New York Trust's reported earnings for each half year include net security profits of $1.17 in 1946 and $0.30 in 1947.

Chemical's net operating earnings for the second quarter this year were $0.71 per share vs. $0.68 for the first quarter. Six month earnings of $2.37 and $1.73, include net security profits of $0.81 and $0.34, respectively.

Generally speaking, second quarter earnings this year are down from the like period in 1946 to a lesser degree than were 1947 first quarter earnings down from last year's first quarter results. It is of interest, also, to note that the downtrend in deposits was reversed during the second quarter of 1947. The bank statements of Dec. 31, 1945, registered the wartime deposit peak. Since that date, until June 30, 1947, there has been a quarter by quarter shrinkage as a result of the Treasury's withdrawal of war loan deposits and the use of these funds for some retirement of the Federal debt. War loan deposits are now down to only a few hundred thousand dollars, and practically all fluctuations of deposits today reflect normal business operations. The moderate uptrend which is now becoming apparent is not without significance.

EARNINGS COMPARISON
2ndQuarter 1947
19 NEW YORK CITY BANK STOCKS
Circular on Request
Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)

NEW JERSEY SECURITIES
•
J. S. Rippel & Co.
Established 1891
18 Clinton St., Newark 2, N. J.
MArket 3-3430
N. Y. Phone—REctor 2-4383

WHOLESALE MARKETS IN BANK and INSURANCE STOCKS
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INCORPORATED
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WHitehall 3-0782 NY 1-2875
BOSTON 9 — 10 Post Office Square — HUBbard 0650 — BS-297
CHICAGO 4 — 231 S. LaSalle Street — FRAnklin 7535 — CG-105
LOS ANGELES 14 — 412 West Sixth Street — MIchigan 2837 — LA-1086
SAN FRANCISCO 4 — Russ Building — SUtter 6567 — SF-573
PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, CLEVELAND, PHILADELPHIA, LOS ANGELES, SAN FRANCISCO
TELEPHONES TO: Hartford, Enterprise 6011 — Portland, Enterprise 7008 — Providence, Enterprise 7008 — Detroit, Enterprise 6066

Curb Marks 26th "Indoor" Anniversary

The members of the New York Curb Exchange on June 27th marked the 26th anniversary of their exchange as an indoor securities market. More than 100 of the present day members of the Curb are able to look back upon the brief ceremony which took place on the floor of the new exchange on the morning of June 27, 1921. With that ceremony they and their associates, long accustomed to open air trading in Broad Street, a short distance from Wall Street, opened their first day of business indoors.

The New York Curb Exchange traces its origin to a period prior to the Civil War and prabably after the 1849 gold discovery in California. The first recorded step toward formal organization of the outdoor curb brokers was taken in 1908 with the formation of the New York Curb Agency, which evolved in 1911 into the New York Curb Market Association with offices at 25 Broad Street.

On June 6, 1919, that association decided in open meeting at the Hotel Commodore to move indoors. On March 30, 1921, it adopted a new constitution changing its name to the New York Curb Market effective upon its move indoors. In 1929, the official title became the New York Curb Exchange. The original six-story exchange quarters occupied in June, 1921, were greatly enlarged in 1931 with the addition of an adjacent 14-story structure at 86 Trinity Place, the present home of the Exchange.

One of only two securities markets in the United States recognized as being national in scope, the New York Curb Exchange provided a market on its trading floor at the close of 1946 for more than 1,000 domestic and foreign stock and bond issues with a total market value at that time of $14,499,407,851.

Joins Merrill Lynch Staff

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, FLA.—William H. Walton, Jr., is with Merrill Lynch, Pierce, Fenner & Beane, 116 West Forsyth Street.

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C.
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Paid-Up Capital £2,000,000
Reserve Fund £2,300,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

Corporate Cost of Living

By AUGUSTUS SLATER
With Gross, Rogers & Co.
Members Los Angeles Stock Exchange

Analyst sees nothing abnormal in corporate profits paralleling climb in general price level since prewar. Sees reinvestment of profits in business on basis of higher prices for new plant, inventories, etc., with dividend returns to stockholders inclined to be commensurate with rise in living costs. Holds Postwar I experience due to be repeated.

Corporations are people. Legally they are constituted as having the rights and responsibilities of individuals. Economically they are subject to the same influences affecting income, outgo, and savings against the future as is John Q. Citizen. The purchase of food, clothing, shelter, and other charges against the family budget find their counterpart in the raw materials, labor, supervision, and plant facilities required in the conduct of business. John Q. C. is generally ambitious to improve upon his standard of living. Wisely, he saves enough for that "rainy day," or to accumulate a fund toward the purchase of a new home, furniture, or car. His spending, planning, and saving are geared to his current income in relation to prices he expects to pay. Not what things cost before the war, but now, and in the future. Thus, the "cost-of-living wage" became a stalwart phrase in the jargon of the labor propagandist. During the period of "let's have a look at the books" and since, the delusion has been created that wage rates could remain flexible, on the upside—but that prices and profits should be nailed down to prewar figures.

Augustus Slater

Misinterpretation of Profit Role

To a degree, this is an understandable feature of the give-and-take under our imperfectly developed labor relations machinery. But the bargaining which operates freely and efficiently in other sections of our economy, has been conducted in an atmosphere of politically inspired and calculated misinformation as between employer and employee. Specifically, the conduct of business and the functions of profit—the "profit motive"—have been misinterpreted to create the impression that wage earner and consumer alike are constantly pitted against the unscrupulous profiteer. Few realize that of all U. S. corporations filing income tax returns in such years as 1936, 1937 or 1941, about half reported deficits; or that the "unconscionable" profits of some 1,100 leading manufacturing companies in 1946 represented a margin of six cents per dollar of sales, compared with 6½-7½ cents in those prior years. The leavening effect of competition and the profit motive have produced the world's highest standard of living, but our industrial progress is strewn with companies which failed to make the grade.

The Ubiquitous Dollar

In previous articles the writer has examined in detail the controlling effect of wage rates, and industrial and labor productivity upon the general price structure. For the second time within this century, prices and the cost-of-living have undergone a wholesale upward shift due basically to arbitrary wartime wage gains. It also developed that during the post-War I period, industrial profits, dividends, and in fact stock prices, reflected the same degree of inflation as was manifest in the cost of living. In other words, the then "50-cent dollar" permeated the entire economy and did not simply stop at the wage level. Thus, over a long period of years extending to the early 1900's, the division of the income dollar between labor and "capital" has remained remarkably stable, with 82-83% (in manufacturing) going to the former. Barring temporary dislocations, these related facts suggest the inexorability of forces which make our economic system tick.

Latest figures indicate that the cost-of-living has increased 56% since prewar. The cost of doing business, however, has shown a much greater gain, with raw materials up roughly 100% and wage rates some 90%. So far in this inflationary period, it has only been due to a combination of high volume production and consumer pressure that manufactured goods prices have shown the relatively smaller gain of about 75%. Many additional maladjustments exist but it is believed that with increasing productivity, fewer work stoppages, and a better world balance between supply and demand for foods and industrial raw materials, the general price average will settle down to a level 50-60% above prewar.

Higher New Plant Costs

In view of the relatively thin cushion afforded by profit's share of the income dollar, wholesale wage gains must largely be compensated for by higher selling prices or increased hourly production. The need for labor-saving methods and machinery, in addition to greater personal efficiency of the wage earner, is greater than at any time since the early 1920's. The long prewar depression, high rate of wear and tear on industrial equipment during the war, shifting markets, recent technological developments, and the potential backlog of consumer durables, are additional factors contributing to the tremendous new plant and equipment needs of industry today. An indication of the magnitude is the fact that despite shortages and high prices, new plant outlays by all U. S. business in 1946 amounted to over $12 billion (Department of Commerce) and an additional $7 billion is scheduled for the first half of 1947. This is on a scale dwarfing any previous annual totals. But most significant is the fact that there has been a recent pronounced tendency to postpone all but necessitous plant improvement and expansion programs, pending at least some decline in prices. Industrial construction costs are up 80%, and equipment costs by varying amounts to over 100% above prewar. A number of prominent industrial corporations have issued statements to the effect that new plant costs are up 50-300% above prewar, in the latter case due to an exceptional combination of technological requirements as well as higher prices. Whereas, the average investment per worker engaged in industry previously amounted to about $6,000, the amount today is nearer $10,000. Even assuming a more rational new plant cost figure to be achieved, as surely it must, how will it be financed?

Methods of Financing

Two major sources exist—namely, resources within business itself represented by accumulated

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and current profits or depreciation reserves not previously reinvested in plant, and two, new capital. Business resources available for investment in plant are reflected in net working capital —cash, receivables, inventories, less current loans, accounts payable, etc. At the end of 1946, all U. S. corporations (excluding banks and insurance companies) possessed an aggregate net working capital of $57.3 billion compared with $24.6 billion in 1939. The totals are misleading. Of this seeming growth in affluence of some $33 billion, over $25 billion represents an increase in the inventories and receivables required to carry on at today's price and volume levels. In fact, with "receivables" so far only about one-third above the prewar level of $22 billion, it may be expected that practically the entire wartime working capital increase will be tied up in current assets at permanently inflated values.

Current depreciation reserves—deductions from profit to cover wornout and obsolete plant—are totally inadequate to provide for replacements as needed today. Under income tax law, depreciation is calculated on the basis of original cost. One steel executive has stated, for instance, that new coke ovens are not treble the cost at which they were originally built. Several large corporations have earmarked substantial sums from current earnings as representing the disparity between accumulated depreciation reserves and current replacement costs. In the case of U. S. Steel, it was stated that plant expenditures of $31 million during the first quarter this year were "$11 million in excess of the amount recovered through depreciation on facilities installed in earlier years at lower costs."

Purchasing Power of Profits

Now we come to profits—that slim six cents or so left over after all direct and indirect expense of operation, and after the Federal Government has taken its cut. Profits are divided into two parts, one, for reinvestment in the business; two, for distribution to stockholders. In connection with amounts reinvested, we have seen that all dollar values have changed, inventories, equipment and nearly all forms of operating expense reflect the altered price level. One of the few directions in which a dollar is still that for purposes of money plowed back into business is in the retirement of long-term debt. But clearly, if prudent management requires the retention of a portion of profits in the business, particularly for plant betterments, this amount will have to be measured in terms of current dollar purchasing power. Unless overall profits expand correspondingly, this can be accomplished only at the expense of dividends.

Dividend "Real" Earnings

To what extent can new plant, for instance, be financed over the longer term at the expense of dividends? In the first place, stockholders also are people. In many corporations, they outnumber the employees, to wit:

	Employees	Stkhldrs.
	—(Thousands)—	
American T. & T.	617	696
General Electric	160	249
General Motors	374	408

Stockholders have experienced the same 56% increase in living costs suffered by the wage earner whose weekly earnings have meanwhile been raised 100%. Moody's annual dividend payment record on 600 common stocks shows current rates today to be only 13% above the average for 1937. These stockholders obviously have already suffered a cut in the "real" earnings on their investment. Whereas, as risktakers who furnish the tools of industry they should logically fare as well as the wage earner in relation to prices and living costs.

So, while manufacturing company earnings as a whole have looked pretty good during the past two quarters at a level 38% above the first half of 1937, they still fall short of providing an adequate return for all purposes, on present day investment values. The incentive to saving, the invitation to new capital, and over the longer term stock prices, will ultimately be measured in terms of our post-War II dollar.

It happened after the first World War, and there is no reason to believe as yet that the fundamentals have changed.

Hawley, Shepard to Continue as Corp.

CLEVELAND, OHIO—The investment business conducted by the partnership of Hawley, Shepard & Co. will be continued in the same offices by a corporation of the same name. The organization will be the corporate affiliate of the New York Stock Exchange firm of Prescott & Co., 101 Guardian Building.

This development follows the unexpected death two weeks ago of Dudley A. Hawley, senior partner of Hawley, Shepard & Co. Edward P. Prescott, senior partner of Prescott & Co., will be Chairman of the Board and Robert O. Shepard President of the corporation. J. C. Anderson and Tom D. Morrow, Hawley, Shepard partners, will be Vice-Presidents. Morton J. Stone, L. O. Birchard and H. A. Gotschall, partners of Prescott & Co., are also officers of the corporation.

The present personnel, including H. K. Hutchinson, D. J. Barhyte, F. J. King, D. C. Artman, and J. C. Brooks, Jr., will continue with the business in their customary capacities. The affiliation with Prescott & Co. will combine the facilities of both businesses for underwriting purposes.

Mr. Shepard has been in the investment field in Cleveland since 1922 and a partner of Hawley, Shepard & Co. since its formation in 1940. He is a member of the Board of Governors and former Chairman of the Northern Ohio group of the Investment Bankers Association, Vice-President of Investment Dealers of Ohio, Inc., Chairman of the Ohio Municipal Advisory Council, member of the National Municipal Committee of the Investment Bankers Association, and a past President of the Cleveland Bond Club.

Mr. Anderson's financial career began 44 years ago with the Euclid Avenue National Bank. He became a Vice-President of the Union Trust Co. when it was formed in 1921, remaining in that position until 1933. Since 1936 he has been a partner of Hawley, Shepard & Co. and predecessor firms.

Mr. Morrow has been in the investment field since 1922, being associated with Mr. Hawley for the past 15 years. He was also one of the original partners of Hawley, Shepard & Co.

Formal announcement is expected in a few days.

Irving Young With G. Brashears & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Irving B. Young has become associated with G. Brashears & Company, 510 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly Manager of the Bond Department for the Los Angeles office of Carter H. Corbrey & Co.

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 William M. Elkins to George W. Elkins, Jr. will be considered by the Exchange on July 10th. Mr. Elkins will continue as a partner in Elkins, Morris & Co.

Simeon B. Chapin, Jr. signs Simeon B. Chapin effective July 1st.

Frederick W. Ludwig, general partner in Bacon, Stevenson & Co., became a limited partner effective July 1st.

Gerard H. Coster retired from partnership in Billings, Olcott & Co. on June 30th.

George S. McEwin withdrew from partnership in Paul H. Davis & Co. on June 30th.

Marmaduke Tilden, of Baltimore, will retire from partnership in Lockwood, Peck & Co. on June 30th.

The New York Stock Exchange has announced the following firm changes: Cary Stewart Sheild withdrew from partnership in Branch, Cabell & Co. on June 30.

Interest of the late Kenneth W. Hume in Farwell, Chapman & Co. ceased June 30th.

Albert J. Seligsburg, limited partner in Hirsch & Co., died on July 1st.

Interest of the late Randolph C. Grew in Paine, Webber, Jackson & Curtis ceased on July 1.

With Daniel Reeves & Co.

Special to THE FINANCIAL CHRONICLE

BEVERLY HILLS, CALIF.—Raymond E. Stephens has joined the staff of Daniel Reeves & Co., 271 South Beverly Drive, members of the New York Stock Exchange. He was with E. F. Hutton & Co. in the past.

With Maxwell, Marshall Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Willis C. Bremner has become connected with Maxwell, Marshall & Co., 647 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Walstron Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William P. Bower has become associated with Walston, Hoffman & Goodwin, 550 South Spring Street. He was formerly with Edward J. Bourbeau & Co. and the First California Company.

Blyth Adds to Staff

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF.—John K. Kramer has become connected with Blyth & Co., Inc., Russ Building. He was formerly with First California Company.

MANUFACTURERS TRUST COMPANY

Condensed Statement of Condition as at close of business June 30, 1947

RESOURCES

Cash and Due from Banks		$ 536,619,548.88
U. S. Government Securities		1,175,263,724.35
U. S. Government Insured F. H. A. Mortgages		3,370,433.23
State and Municipal Bonds		32,537,853.19
Stock of Federal Reserve Bank		2,475,000.00
Other Securities		22,776,782.02
Loans, Bills Purchased and Bankers' Acceptances		450,415,149.03
Mortgages		13,662,496.80
Banking Houses		10,159,053.04
Other Real Estate Equities		262,100.73
Customers' Liability for Acceptances		5,048,547.08
Accrued Interest and Other Resources		7,320,901.86
		$2,259,911,590.21

LIABILITIES

Capital	$41,250,000.00	
Surplus	41,250,000.00	
Undivided Profits	38,798,074.65	$ 121,298,074.65
Reserve for Contingencies		9,837,867.75
Reserves for Taxes, Unearned Discount, Interest, etc.		8,124,818.56
Dividend Payable July 1, 1947		1,237,500.00
Outstanding Acceptances		6,243,971.68
Liability as Endorser on Acceptances and Foreign Bills		166,664.00
Deposits		2,113,002,693.57
		$2,259,911,590.21

United States Government and other securities carried at $38,690,694.95 are pledged to secure U. S. Government War Loan Deposits of $10,635,413.73 and other public funds and trust deposits, and for other purposes as required or permitted by law.

DIRECTORS

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New York City
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EDGAR S. BLOOM
Chairman, Atlantic, Gulf and West Indies Steamship Lines
ALVIN G. BRUSH
Chairman, American Home Products Corporation
LOU R. CRANDALL
President, George A. Fuller Company
CHARLES A. DANA
President, Dana Corporation
HORACE C. FLANIGAN
Vice-Chairman of the Board
JOHN M. FRANKLIN
President, United States Lines Company
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President, Gerli & Co., Inc.
HARVEY D. GIBSON
President
FREDERICK GRETSCH
President, Lincoln Savings Bank
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President, Lambert Company
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Simpson Thacher & Bartlett
KENNETH F. MacLELLAN
President, United Biscuit Company of America
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Chairman, McRoberts & Tegtmeyer, Inc.
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HAROLD C. RICHARD
New York City
HAROLD V. SMITH
President, Home Insurance Co.
ERNEST STAUFFEN
Chairman, Trust Committee
GUY W. VAUGHAN
President, Curtiss-Wright Corporation
HENRY C. VON ELM
Chairman of the Board
ALBERT N. WILLIAMS
President, Westinghouse Air Brake Company

Head Office: 55 Broad Street, New York City

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European Representative Office: 1, Cornhill, London, E. C. 3

Member Federal Reserve System • Member New York Clearing House Association • Member Federal Deposit Insurance Corporation

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Yes—We Have No Depression Today!

By HAMABIT

Proving that even with the statisticians, as with Phaedrus: *"Things are not always what they seem."*

Just 12 months have lapsed since the peak of the stock market and the beginning of the recession in business. We no longer need debate, as we did a year ago, just what the course of business will be—the evidence of the recession is now clearly manifest in the figures.

While some businesses have improved, some have declined; some earnings are up, some down. The automobile business, the steel business, are good; the textile industry, the canning industry, have deteriorated. If we take only certain industries and base our judgment on these isolated cases, we can prove anything—or become hopelessly confused. But the test is whether these or any other individual industries are typical of the whole. It is futile to draw conclusions from individual cases—the important consideration is what is happening to business generally. What is happening to the 140 million people in the country?

The true picture can be obtained only from examining the condition of the country *as a whole.* If we consider the entire situation, rather than any part, if we scrutinize what has happened to production, to employment, to overall wages, to consumer spending, to savings, etc., the magnitude of the recession in which we now find ourselves is clearly brought out. Let us examine them.

Probably the two most important elements are the physical (not dollar) volume of production and the number of people employed. Obviously, in fact by definition, both production and employment decline in a recession.

"Decline" in F. R. Index—From 165 to 187

The best measure of production is probably the Federal Reserve Index—a quantity, not a dollar, index. Whereas last year the Federal Reserve Index was 165, it is now "only" 187. This deterioration has been spotty—because of the deferred demand for automobiles, stoves, etc., durable goods are up from 190 to 222, but non-durable goods, as predicted, declined from 164 last year to a present level of 173.

This "decline" is confirmed by examining those factors which reflect *total* activity, such as, for example, the consumption of electric power. Last year we were producing 4 billion kwh.; now we are producing only 4.6 billion. The total volume of goods being exchanged, as reflected by carloadings, another good overall test, has likewise declined from a weekly average of 676,000 last year to 886,000 this year.

Employment Falls—Workers Rise

As is to be expected, in a period of declining production the number of people employed also declines. Employment figures for last Spring showed 54,100,000 people working; now there are only 56,700,000 engaged. This is further confirmed by examining the number of unemployed, the best check of which can be obtained from the various government welfare agencies, such as the Social Security Board, etc., which lists those drawing unemployment compensation. Last June 3,300,000 were being paid as unemployed; now there are 2,000,000. Naturally, under conditions of recession, it is more difficult for veterans to find employment—last June the Government had to support 1,760,000; this June the burden has increased to 730,000.

In a recession, not only are there fewer people working, but, naturally, they earn less. We know, of course, that certain wages have increased, particularly those in industries which are strongly unionized. But unions comprise only 25% of the working population—there are some 40 million people who do not get the benefit of union representation. The test of the earning power of individuals lies not in a small segment, but rather in what is happening to *all* who work. Last year total wages and salaries were then running at $8.3 billion a month; now they are down to $9.3 billion.

Income Down And Up

If we consider not only wages and salaries, but also include "entrepreneur" income (farmers, doctors, tailors, etc. and all who work for themselves), the recession is equally apparent. The annual rate of total national income last Spring was $153 billion; this Spring it has declined to $180 billion.

The figures on wages and national income are, of course, in dollars. We all know that the cost of living has increased substantially since last year (20%), so that even if people get more dollar wages each week, they have a more difficult time. This is reflected by the well-known "buyers' resistance," for people cannot, or will not, spend as much money this year as last year. Thus, total sales of *all* retail stores, which last year aggregated $7.7 billion a month are now down to $8.8 billion, the reason being, as foreshadowed in the preceding paragraphs, that people just haven't got the money to spend.

Not only has the volume of spending declined, but the shift in buying habits which has been forced by the high cost of living is revealed by the figures. The phrase "all retail stores" includes groceries, butchers, restaurants, etc. and we all know what has happened to the price of food. Since people must eat, more of their income is going to sustain life and less is available for the durable goods. Thus, while monthly sales of food and other "soft" goods has increased from $6.3 billion to $6.8 billion, the sale of durable goods has declined from $1.4 billion last year to a new low of $2.0 billion this year.

Saving and Spending

Under conditions such as now prevail—that is, when people get less money and are confronted by a higher cost of living—the effect on individuals' savings is automatic. Obviously, even to maintain the current level of necessitous consumer spending, people must draw upon their savings, and this, too, is revealed by the figures. At the beginning of last year, when people still possessed their wartime savings, the net savings of all individuals were $169 billion, a fantastically large amount. With the onset of the recession and a simultaneous rise in the cost of living, part of these savings had to be used, so that now they stand at only $189 billion.

Thus, by every universal test (i.e., by ignoring special cases, such as refrigerators, electric irons, etc. on the one hand, or jewelry, furs, etc. on the other), it is clear what the overall effect which the first year of recession has had on the individual comprising this country. It is difficult to predict how long the present recession will last; most people regard the current decline as a temporary readjustment necessitated by a reconversion from war to peace. The danger lies in the possibility that this trend will be accelerated, but it is hoped that these readjustments will soon be completed, that the present trend will be reversed, and that business will once more begin to improve.

June 6, 1947.

NOTE—All figures are latest official figures (i.e., Department of Commerce, Bureau of Labor Statistics, etc.).

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY

OF CHICAGO

Statement of Condition, June 30, 1947

RESOURCES

Cash and Due from Banks	$ 571,561,779.50
United States Government Obligations	1,316,616,021.75
Other Bonds and Securities	47,591,813.68
Loans and Discounts	417,745,166.60
Stock in Federal Reserve Bank	3,600,000.00
Customers' Liability on Acceptances	651,663.59
Income Accrued but Not Collected	6,154,480.58
Banking House	10,350,000.00
	$2,374,270,925.70

LIABILITIES

Deposits	$2,185,408,381.53
Acceptances	651,663.59
Reserve for Taxes, Interest, and Expenses	10,747,382.79
Reserve for Contingencies	18,110,503.23
Income Collected but Not Earned	298,930.42
Capital Stock	60,000,000.00
Surplus	60,000,000.00
Undivided Profits	39,054,064.14
	$2,374,270,925.70

United States Government obligations and other securities carried at $339,701,900.08 are pledged to secure public and trust deposits and for other purposes as required or permitted by law

Member Federal Deposit Insurance Corporation

Hits High Cost of Government

Representative Katharine St. George tells Federation of Professional Women's Clubs average wage earner must work about one day out of three to pay taxes. Lays high living costs to high taxes.

Speaking before the National Federation of Business and Professional Women's Clubs at French Lick, Ind., on July 4, Representative Katharine St. George (R.-N.Y.) laid the blame for high prices largely on extravagances in government.

Katharine St. George

"The high cost of government is one of the major factors in the high cost of living," said Representative St. George. "Taking into consideration all taxes paid—Federal, State, and local—the average wage earner is working about one day out of every three for the government. That is an intolerable burden on any economy." Continuing Representative St. George stated:

"This year's Federal Budget, as submitted to the Congress by the President, is over three times what the last peacetime budget was. Who pays to support the Federal Government? Where does it get its wealth? The Federal Government does not produce one dollar and we should know that. The Federal Government, all governments for that matter, is paid for by the average citizen, not by the multimillionaire. If every large fortune in the United States were confiscated tomorrow, it would keep the Federal Government going for only a few weeks.

"No, it is the average man and woman who has his or her tax taken before he or she gets the pay envelope, who is supporting the $37½ billion monster.

"How does this affect prices? It is so simple that even a child can understand it. It is an inevitable spiral, a chain reaction. In order to pay more to the government we must earn more, in order to earn more, wages must be raised.

"The extent of wage increases is shown by the fact that average weekly earnings take-home pay increased from $24.83 in August 1939 to $47.47 today. The latter figure is for a 40-hour week and is actually the same as the wartime peak for a 45-hour week. No one, of course, wishes to deny any merited wage increases, but to argue that substantially higher wages can be paid without affecting prices is just plain nonsense. The important thing about a dollar received in wages is, how much will it buy?

"The job of passing legislation to curtail extravagance and waste is fraught with political pitfalls. One has to have courage to do the job. Your present Congress has shown that courage already. Many Members have had their homes picketed, they have been abused and insulted by pressure groups. One new Member made the best reply to one such group who promised to see that he would be defeated if he ran again; he said: 'Don't threaten me with votes.' That is the spirit we need if we are ever to reform abuses in government. If we are to truly represent the people who sent us to Congress, we must have courage to do what we believe to be right.

"The legislation that has been passed, the tax bill, Greek-Turkish relief and Greek-Turkish loan, all are highly controversial. The present cuts being attempted in the various appropriations bring forth loud cries of agony from those living off the government.

"We come up against the interesting fact of the Civil Service Commission requiring $24,900,000 additional money for the purpose of investigating and dismissing disloyal persons on the Federal pay rolls. What a farce to give an agency that has been so lax or so inept, more money to get rid of people that should never have been put on the Federal pay roll in the first instance."

N. Y. Curb Still Leads In Softball Contest

With the final week of play coming up, the New York Curb Exchange tossers have cemented their hold on first place in the Wall Street Softball Loop and assured themselves of a berth in the playoffs which follow the regular competition.

Last week the Curb took the measure of the Merrill Lynch, Pierce, Fenner & Beane tossers to the tune of 14-0, 9-0. Hirsch & Co., by taking a double win from Carl M. Loeb, Rhoades & Co., knocked the latter from third to fourth place in the league standings. The scores were 3-1, 4-3. F. V. Foster & Co. and Josephthal & Co. battled to a Mexican standoff, with Foster taking the nightcap by a 5-3 count after losing the opener 5-1. Another contest between Carlisle & Jacquelin and De Coppett & Doremus was postponed.

There is a lively battle in progress for the remaining three positions in the playoffs. Next week Josephthal & Co. will engage Hirsch & Co., while F. V. Foster & Co. and Carl M. Loeb, Rhoades & Co. meet in another fray. One of these teams will be eliminated from the playoffs.

The Curb Exchange club will meet the third place team in a best two out of three affair while the teams in second and fourth position in the final standings engage in a similar encounter. The two winning teams will vie for the championship in another two out of three series which will award the Jules Bache trophy to the winner.

LEAGUE STANDINGS
Friday, July 4, 1947

Team—	Won	Lost	Pct.
New York Curb Exchange	11	1	.917
Josephthal & Co.	8	4	.666
F. V. Foster	7	5	.583
Carl M. Loeb, Rhoades & Co.	6	6	.500
Hirsch & Co.	5	5	.500
DeCoppett & Doremus	5	7	.417
Merrill Lynch, Pierce, Fenner & Beane	2	8	.200
Carlisle & Jacquelin	2	10	.167

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Marcy T. Weeks has joined the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges.

With E. H. Rollins & Sons

Special to THE FINANCIAL CHRONICLE

DETROIT, MICH. — Louis N. Tinetti has become affiliated with E. H. Rollins & Sons, Inc., Penobscot Building.

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government securities markets thus far have taken the unpegging of the bill rate pretty much in stride. . . . Aside from some selling of the longer certificates to go into the shorter maturities of similar paper, the only other minor declines were in the 1949 and 1950 maturities. . . . The intermediate- and longer-term issues have had a better tone, since the defrosting of the bills. . . . The authorities continue to sell the restricted issues in order to keep them within limits. . . . It is a bit early to get the full impact of what has taken place, because investors seem to be confused as to what to do. . . . Funds seeking investment, however, are very large and the unhooking of the bill rate will not decrease them. . . . There is also considerable question as to whether a complete defrosting of short-term rates will have the desired effect, since many are of the opinion that the market has rather fully discounted such a development. . . .

The general feeling is, however, that the certificate rate will not be changed for some time yet. . . . This probably will keep a number of investors on the sidelines, especially bank-eligible buyers. . . .

It is believed in some quarters that the trend of consumers' loans, mortgage loans, and the fear that commodity prices may turn up again, was largely responsible for the change in the bill rate. . . .

A MILESTONE

The most widely talked about and much threatened change in the wartime interest rate pattern has at last become a reality. . . . Last Wednesday the Federal Reserve Open Market Committee directed the Federal Reserve Banks to terminate their buying and selling of Treasury bills at the fixed rate of ⅜% with the issues to be offered after July 10, 1947. . . .

The first step seemingly has been taken to restore full control of the money markets to the Central Banks. The rigidity of the wartime pattern of rates is evidently giving way to greater flexibility so that the powers that be will be in a much better position to regulate the creation of reserves and the flow of bank funds into loans and government securities. . . .

The unpegging of the Treasury bills in itself will probably not have too much of an effect upon the general level of yields, at least until more of these securities find their way into the hands of the commercial banks. . . . This trend will be determined by the action of the Central Banks in their future purchases of Treasury bills. . . .

In the amount that these bills are taken by the member banks, at somewhat higher rates, there will be a minor increase in debt service, new deposits will be created while the short-term debt will be monetized. . . .

HIGHER YIELD

Whether the monetization of the debt through direct purchase of bills by the member banks will be greater than that created through the sale of bills to the Central Banks and the eventual purchase of longer-term obligations is something that the future will reveal. . . .

The higher yield for the bills (0.594%) will mean that this rate should move more in line with the general level of interest rates, provided the Federal Reserve Banks allow the return for these securities to reach such levels. . . .

On the other hand, if the powers that be are going to keep the yield on bills at a basis that is not truly representative of a free market, then very little, aside from a somewhat higher debt cost, will be accomplished . . .

Then again, how far can the yield on bills go up without affecting the position of certificates of indebtedness?. . . Why should investors be inclined to buy certificates at rates that are out of line with the bill rate?. . . Would purchases be made of certificates purely because they would still be pegged, when the peg might be pulled on a moment's notice?. . .

CERTIFICATE RATE NEXT?

Does not the defrosting of the bill rate forecast an early unhooking of the certificate rate? . . . Are the powers that be going to unhitch the certificate rate, which was at ⅞%, and then for all practical purposes repeg it at some slightly higher rate? . . . What would be gained by such action? . . .

If the bill rate is more attractive to the member banks, won't they sell certificates and buy the shorter obligations? . . . Is the Treasury bill going to replace the certificate entirely in time?. . . With the bill rate up, and the certificate rate still being held at previous levels, will there be any noticeable effect upon the intermediate—and longer-term obligations? . . .

Since there is a maturity of certificates on the First of August, the money markets may know in the very near future what is going to be done about the rate on these securities. . . .

NEW IMPONDERABLES

While the uncertainty over when short-term rates would be defrosted has been eliminated, many more unknowns have been injected into the picture. . . . These will continue to be with the money markets until either action is taken on the certificate rate, or there is more history as to how the authorities are going to handle the situation without making further changes in rates. . . .

There is no doubt that the start in the defrosting in short-term rates was taken at this itme in order to give the government securities market ample opportunity to adjust its position to the new conditions, well before the September financing. . . .

While some sections of the financial community are predicting higher rates for the late summer refunding operation because of the unpegging of the bill rate, others believe that there will be no increase in debt service because of the combinations that will be used by the Treasury in this operation. . . .

It is the opinion nonetheless of certain well informed followers of the money markets that the unpegging of the bill rate and other action to follow, together with the feeling that business will continue favorable, means a new issue of restricted bonds in the September financing.

Roger Babson Discusses Inventions

Asserting fundamentals of prosperity are natural resources, enthusiastic inventors and sane religion, Mr. Babson urges college professors and Washington bureaucrats give more attention to all who come to them with an idea. Says great need of Europe is to rebuild her universities, churches and scientific schools.

A redheaded young man has just been telling me of his experiences with the bureaucrats in Washington. He is a natural inventor and is now working on an engine which uses air for fuel instead of gasoline or diesel oil.

Roger W. Babson

As this young man is not a college graduate and knows little about the techniques of modern physics, he is looked down upon as a crank by the "higher-ups" in leading educational institutions. I am not up on atomic physics, but I do believe that someday the principle, for which this redhead is sacrificing his life, will be recognized.

However, my immediate appeal is that college professors and Washington bureaucrats give more courteous attention to all who come to them with an idea. Many of the revolutionary inventions have come from men like Edison, Ford and Marconi, who never saw the inside of a college, and perhaps not a high school. The poor treatment that ordinary inventors get today at Washington or at our big universities is not only cruel, but short-sighted and almost treasonable.

Hope of Europe

At the present time Communism is gradually working westward, and unless stopped, will take over the whole of Europe. Yet, Washington thinks that only money is needed to stop Communism. This idea is wrong. Brains and faith, rather than money, are most needed by Europe and England today. Our policy of sending money, brass hats and politicians to feed the starving is well-meaning, but it will not save Europe from Communism.

The great need of Europe is to rebuild her universities, churches and scientific schools and to give scholarships to boys and girls who have brains, initiative and a desire to help their people. The short-sighted policy of just saving the lives of the starving without doing anything for those who are not starving *but who have education and ability* is a great mistake.

Cost-of-Living

The cost-of-living has increased in the United States about 56% since 1940. Congress and the bureaucrats here in Washington have tried many legislative laws to keep down the cost-of-living. They experimented with fixing prices, which was a failure; then with subsidizing production, which was a blunder. Now, they are experimenting with raising and lowering tariffs, which is pure politics. The chief interest amongst the Washington people seems to be to get more appropriations and more jobs, whether or not these quack remedies will do any good.

Following World War I, we had the same cost-of-living difficulties that we have today. The conclusion then was that (aside from everyone working a little harder and a little longer) the solution to high living costs rested with humble inventors of new machines, new processes and new discoveries. The same is true today. Too many research laboratories are working on new products to tempt our housewives, rather than on reducing the cost of existing products. The reduction of the cost-of-living is primarily a matter of more inventive geniuses and and more industry. Thinking more and working more is the answer.

What About Wages?

No wise economist should decry increased wages *per se*. Good wages are necessary to create purchasing power which is an important factor in employment. On the other hand, labor unions have done very little to bring about high wages. Not only have many labor unions increased the cost-of-living, but they have retarded inventions and new processes which are essential in reducing living costs. The inventors of the country are mostly responsible for the good wages being paid today.

Often I am asked: "What are the fundamentals of prosperity?" and I reply: "Three, namely, Natural Resources, Enthusiastic Inventors, and Sane Religion." This is not contrary to the established economic theory that prosperity is based on "Land, Labor and Capital." My answer simply specifies that Land itself is of no use unless it has good soil, forests, or minerals; that Labor is of no use unless it has brains, initiative and inventive powers; and that Capital is directly the result of honesty, thrift and credit—the products of religion.

Now Walter & Co.

DENVER, COLO. — Effective July 1st, with the retirement of Charles Webb, the firm of Walter-Webb & Co. was dissolved and the new firm of Walter & Co. was formed with offices in the First National Bank Building.

With Gruntal & Co.

Roger McMahon has become associated with Gruntal & Co., 30 Broad Street, New York City, members of the New York Stock Exchange. Mr. McMahon was formerly with Dreyfus, Jacquin & Co.

With American Trust

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF.— Henry Hefter has become affiliated with the American Trust Company, 464 California Street.

STATEMENT OF CONDITION

MERCANTILE-COMMERCE
BANK AND TRUST COMPANY

Locust - Eighth - St. Charles
ST. LOUIS 1, MISSOURI

JUNE 30, 1947

★

THE RESOURCES

Cash and Due from Banks	$ 83,516,709.15
United States Government Obligations, direct and guaranteed (incl. $14,531,541.18 pledged*)	149,715,961.85
Other Bonds and Securities	17,390,601.74
Demand and Time Loans	92,419,148.16
Stock in Federal Reserve Bank in St. Louis	600,000.00
Real Estate (Company's Building)	2,790,536.40
Other Real Estate (Bank of Commerce Building)	700,000.00
Overdrafts	78,245.82
Customers' Liability on Acceptances and Letters of Credit	2,657,523.96
Other Resources	224,576.47
	$350,093,303.55

THE LIABILITIES

Capital Stock			$ 12,500,000.00
Surplus			7,500,000.00
Undivided Profits			4,743,340.20
Reserve for Dividend Declared			250,000.00
Reserve for Interest, Taxes, etc.			1,904,679.23
Unpaid Dividends			3,369.55
Bank's Liability on Acceptances and Letters of Credit			2,657,523.96
Other Liabilities			258,635.11
Deposits, Secured:			
U. S. War Loans	$ 1,943,305.95		
Other Public Funds	5,566,358.82	$ 7,509,664.77	
Other Deposits:			
Demand	$255,008,196.15		
Savings	56,736,645.72		
Time	1,021,248.86	$312,766,090.73	$320,275,755.50
			$350,093,303.55

*All Securities pledged are to the U. S. Government or its Agents, State of Missouri and the City of St. Louis, to secure deposit and fiduciary obligations

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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Argentina—The World's No. 2 Garden Spot

(Continued from page 2)

over the next five years than in any comparable period in the nation's history. At the end of 1942 there were 61,766 industrial establishments in the country, making use of raw materials valued at $1,160 million and turning out manufactured goods valued at about $1,920 million. (3) The total amount paid for salaries and wages by these concerns was $365 million, divided among 902,000 operatives.

The Five-Year Plan

During 1946, the President of Argentina submitted to his Congress a Five-Year Plan consisting of 28 projects of law under three general headings — Government, National Economy and National Defense. The plan covers several hundred pages. On March 28, 1947, both Houses of Congress approved the method of financing the projects contained in the plan. The following amounts, to be spent during the five-year period, were voted:

Public Works, roads and transport	$927,500,000
Power plants, incl. water, electricity, petroleum, gas and solid mineral and vegetable combustibles	558,750,000
Public health	156,250,000
Immigration & colonization	50,000,000
Fisheries, hunting and aid to national industry	5,000,000
	$1,697,500,000

The above figures include the cost of labor.

A large portion of this $1,697,500,000 will have to be spent in the United States, simply because the goods and services that Argentina needs cannot be procured elsewhere. Under normal conditions, the United States is not in a favorable position to trade with Argentina, because that country exports grains, meats, hides, wool and other items which the United States also exports. It is much more natural for Argentina to buy British products—using the Pounds Sterling which it receives from England for the agricultural products sold to that country—than to buy the same items from the United States. For that reason, 33.1% of all Argentine exports went to the United Kingdom during 1935-1939, and 11.7% to the United States—while 22% of Argentine imports came from the United Kingdom and 15.7% from the U. S. The war changed this relationship as follows:

IMPORTS BY ARGENTINA

Year—	United States	United Kingdom
	(millions of dolars)	
1939	55.	74.25
1940	112.50	81.25
1941	112.50	67.25
1942	99.25	57.75
1943	44.75	48.75
1944	38.	20.
1945	39.75	31.25
1946	166.	77.

Imports from the U. S. will receive further impetus from the Five-Year Plan.

False Prophets in the United States

On April 11, while I was in Buenos Aires, the newspapers there quoted the following passage from a United States newsletter entitled "Foreign Report":

"Present restrictions, labor troubles, threat of economic collapse—and the dismal prospects for the United States if the Five-Year Plan succeeds—all lead to the same conclusion: not to bank too heavily on doing business with Peron."

The Argentine newspaper quoting this report repeated twice, for accept purposes, the closing sentence of the item: "The most important point to remember is that, whatever happens, U. S. A. business interests stand to lose."

The writer of the newsletter referred to may dislike President Peron, but personal likes and dislikes are not as important as economic history. Before the last world war, most people in the United States disliked Japan and liked China. Japan was considered our enemy and China our friend—although Japan had been a much better customer of ours for many years. In fact, Japan, with less than 100 million population, bought as much from the United States as all the rest of Asia, with more than a billion population.

How did this happen? It happened because Japan had become industrialized, and this industrialization greatly increased our trade with Japan. The same thing has been demonstrated again and again, all over the world. The highly-industrialized nations became our best customers, whether we liked their rulers or not. This was even true of Germany.

Instead of saying, "Whatever happens, U. S. A. business interests stand to lose," the United States, so far as business is concerned, should endeavor to help the Argentine Five-Year Plan as much as possible, because this industrialization will provide additional markets for the United States.

I recently enjoyed a vacation in Jamaica, the inhabitants of which are all very friendly to the United States, but they are not good customers, because their standard of living is very low, and also because they export their agricultural products to England.

There are two ways to increase United States exports to any country, namely: (1) import from that country, and (2) increase the standard of living of the people of that country. It is my purpose here to discuss the second method.

The standard of living in civilized countries, before the advent of machinery, was improved by the acquisition of slaves. Roman nobles and American plantation owners could live luxury if they owned enough slaves. Today, horsepower takes the place of slaves. This has been demonstrated most interestingly in the United States, as is shown by the following table:

Year	"Horsepower" Per Worker	Year's Output Per Worker	Annual Wages Per Worker
1849	Very little	$485	$248
1879	1.3	723	346
1909	2.9	1,300	510
1939	6.4	3,100	1,150

Argentina now has a fairly high standard of living, largely because the world price of basic agricultural commodities is the highest on record. When these prices drop, the national income of Argentina will suffer. This will not affect the farmers and cattle breeders as adversely as might be expected, however, because they have not been paid the full price received by the government, which does all the selling on the world markets. Realizing that a price drop will surely come, the Argentine government is extremely anxious to offset this future decrease in income by increasing industrialization as rapidly as possible. This desire is shared by practically every resident of Buenos Aires. This explains why one financial institution, probably the most conservative of its type in Argentina, recently said:

"It may be confidently stated that few countries nowadays offer so many opportunities for active and enterprising capital as does Argentina. The country is underpopulated, with many fields of action and vast resources still undeveloped. The Argentine has always looked with sympathy on any enterprise that may contribute, whether it be in a large or small way, to the aggrandizement and prosperity of the nation."

For many years foreign industries enjoyed a field day in Argentina. They established wholly owned corporate subsidiaries for industry and commerce, and they secured large construction contracts which permitted them to do the entire job. Those days are gone forever. Argentina is willing to contract for the products which it cannot make, and is willing to employ the know-how which it does not have, but it is not willing to pay for anything which it can produce, economically, itself. Also, it wants its native capital to share with any foreign capital which the country may acquire.

For example, Buenos Aires is the only city in the Americas, outside of the United States, which has subways. These subways are much cleaner and more attractive than those in New York, but the fact that interested me most when I rode on the Retiro subway was the enthusiasm and pride with which the people told me that it was built exclusively by Argentine contractors and that practically everything, except the cars, was made in Argentina.

The gas pipelines provide another example. The Five-Year Plan contemplates 3,600 miles of gas pipelines to bring gas from the oil fields to the large cities. Aritificial gas made from imported coal is sold in Buenos Aires today at $3.50 per thousand cubic feet: they expect to sell natural gas at $1.00 per thousand. Argentina produces 70% of its oil and gasoline, and they claim to have an unlimited supply of gas at the oil fields. The first section of the pipeline plan calls for 1,100 miles, and will carry 35 million cubic feet a day.

When this plan was first conceived, it was thought that a foreign contractor would be procured to lay the pipe, build the pumping stations, etc., but a very capable engineer told me "the 3,600 miles will probably be built in four different units, and we believe it is better for this to be done by our own people. Even though we make some mistakes in building the first unit, we will profit from this experience and should be able to build the other units satisfactorily."

We are cognizant of the fact that over a long period of years Argentina will be a better customer of England than of the United States, because her principal commodities are purchased by England, and not by our own country. My purpose, however, is to discuss **present** trade relations between Argentina and the U. S., and there is no question but that at present there is an excellent market for U. S. manufacturers—and that this market is being augmented by the Five-Year Industrialization Plan.

Some Favorable Aspects for United States Trade at Present

(1) Argentina is almost the only country which pays cash for our products without first borrowing the money from us to do so.

(2) The majority of ships which stop at Buenos Aires are U. S. ships.

(3) Although we have been a poor customer of Argentina, she is buying more from us than from any other country today.

(4) One hundred or more foreign engineers and technicians have been employed to develop plans for docks, river facilities, hydro-electric power, housing, etc., and it is very fortunate for us that all of these experts have been brought from the United States instead of some other country today.

(5) One enthusiastic citizen said: "The reason our country has a sounder business and financial basis than any other American country except the U. S. and Canada is that a far larger percent of our population consists of European stock. Our Indian population is only one-tenth of 1% of the total, and we have practically none with African blood. As you know, Indians are not ambitious or industrious—which explains why we have been more successful than other South American countries, and why we shall be even more so."

(6) Probably the most important item affecting future trade with the United States is the fact that industrialization has progressed further in Argentina than in any other South or Central American country. Under the leadership of Mr. Peron it is being stimulated to a greater extent than anyone ever thought possible before.

Why Sales Are Not Made

Selling large orders to Argentina requires a technique which few, if any, American firms have, except those which have had years of experience in this field. I was told that almost every guest in the Plaza Hotel and the Alvear Palace Hotel is there for the purpose of selling something to Argentina. Most of them, I was also told, return without orders. Here are some of the reasons why they fail:

(1) **Lack of patience.** Being two hours or more late for an appointment is not unusual throughout all of South America. Neither is repeated postponement of appointments previously made. For example, a New Yorker went to Argentina in March to see a top government official on a matter involving many million dollars. When he called he learned that the entire week was Holy Week, and that the official he had come to see was away. The next week the official was not available, as was attending a grape festival in the West. An appointment was made for the American to see an assistant on Monday of the third week—which was subsequently declared a legal holiday. Finally, an appointment was made with the official himself for 8:30 on Tuesday of the fourth week, but on the night before the President called a cabinet meeting for that hour.

The visitor was then given an appointment for the next day at the same time. He arrived promptly at 8:30, expecting to have the first appointment for the day—only to find nine men ahead of him! One had been there since seven o'clock. The official himself had arrived between six and seven. At 8:45, a secretary announced that the official had been called to the Pink House—the President's office!

United States manufacturers who were unfamiliar with Washington underwent similar experiences during the war.

(2) **Sudden changes in policy.** IAPI, a government agency which, among other things, does government purchasing, let it be known that they wanted thousands of household refrigerators. While some were making an effort to supply the boxes, the entire program was stopped. I do not know the reason. Possibly, Argentine factories had secured materials to make them with—materials which were lacking at the time the program was announced. Regardless of the reason, people who came to Buenos Aires to sell refrigerators made useless trips. Other similar illustrations could be given to indicate how helpless the manufacturer in Ohio or Iowa is unless he has local, efficient representation in Argentina.

(3) **Failure to recognize governmental changes.** A Chicago millionaire who had some successful transactions in Washington during the Coolidge Administration tried to repeat in 1939—and discovered that the men who had exerted the most influence earlier were not greatly admired by the New Dealers. The representatives of entrenched wealth who had opened so many doors in the '20s were supplanted by a new group, the most influential of whom was a young man named Tommy who entertained informally at the White House by playing an accordion.

There has been an unheaval in Argentina which far exceeds the changes made by the New Deal in the United States. Some of the representatives of entrenched wealth who formerly enjoyed great influence in Argentina are about as popular with today's ruling group as Chicago "Tribune" representatives were in Washington in 1939.

Understanding this similarity between the New Deal and the present government of Argentina is perhaps the beginning of wisdom when shaping one's business policy regarding that country. I have talked to Argentines in all walks of life, and am intensely reminded of 1936 in the United States. At that time few people with accumulated wealth could speak favorably of Mr. Roosevelt. To them, he was the enemy of wealth. On the other hand, young college students and most "have-nots" considered him the savior of the underprivileged. Something similar is happening in Argentina: many of the families which were wealthy before the war have the same fears regarding Mr. Peron

The FIFTH THIRD UNION TRUST CO.

CINCINNATI, OHIO

Statement as of June 30, 1947

RESOURCES

Cash and Due from Banks		$ 55,050,404.51
United States Bonds		84,645,414.15
Other Bonds and Securities		19,134,811.46
*Loans and Discounts		64,281,862.48
Federal Reserve Stock		360,000.00
Banking Premises Occupied		3,661,321.00
Customers' Liability Under Acceptances		50,295.00
Other Resources		684,207.13
TOTAL		$227,868,315.73

LIABILITIES

Capital Stock	$ 6,000,000.00	
Surplus	6,000,000.00	
Undivided Profits	3,204,339.66	
Total Capital Funds		$ 15,204,339.66
General Reserve		3,568,965.38
Reserve for Dividends Payable		90,000.00
Reserve for Taxes		848,176.29
Reserve for Interest, etc.		184,389.05
Liability Under Acceptances		50,295.00
DEPOSITS:		
**Commercial, Bank and Savings		206,152,026.64
U. S. Government		1,451,637.95
Other Liabilities		318,485.76
TOTAL		$227,868,315.73

**In addition to this item as shown we have unused Loan Commitments outstanding in the amount of $6,500,056.18.*

***This includes $2,749,241.72 of trust moneys on deposit in the Banking Department, which, under the provisions of the banking law, Section 710-165, of the State of Ohio, is a preferred claim against the assets of the bank.*

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that similarly situated people in the United States felt regarding Mr. Roosevelt.

The Argentine Government is doing many things that the Roosevelt Administration did in this country. The latter had less co-operation from Agriculture than from Labor, and this is also true of the Peron government. One reason why there is some criticism of Mr. Peron by Argentine farmers is that the government expects to pay a large portion of the cost of the Five-Year Plan by purchasing agricultural exportable items from the producers and selling them on the world markets at a profit—instead of permitting brokers, exporters and other commission men to handle such transactions. For instance, the government bought wheat at $17 per hundred weight and sold it at $35. It bought linseed at $35 and sold it at $90. It has handled all Argentine products except wool in this manner, and it expects to make a profit of two billion pesos (500 million U. S. dollars) this year in this manner. Of course, the farmers who were not permitted to receive the full benefit of increased prices are not too enthusiastic about this method.

The Argentine Government is also criticized because it paid off the foreign debt and bought the foreign-owned railroad and telephone facilities. The critics claim that this foreign exchange should have been retained and used for future purchases of machinery. The government claims it can do both.

Some people today claim that Argentina has a dictatorship. However, no intelligent person questions the fact that the Congress—which has a House and Senate similar to those of the United States—retains full legislative powers, and that five years from now the President, whoever he may be, will be elected by the majority of the people. Neither does anyone question that if Mr. Peron were to run for office today he would be re-elected—and fairly.

In nationalizing business, the Argentine Government is following more in the footsteps of England than in those of the United States. Take banking, for example. While the government has not taken over the private banks, it has taken over the deposits. The Argentine branches of the National City Bank of New York and the First National of Boston are no longer liable for deposits. The government assumes this responsibility, and pays the expenses of the banks incurred in handling deposits and checks. The government then tells the banks the percentage of all deposits which they may loan, but permits the banks to loan 100% of capital and surplus. The government also regulates banking hours and the minimum pay of employees.

Government controls probably irritate bank managers in Argentina as much as they did banks in the United States. However, the Argentine banks last year, including the New York and Boston branch banks, made the largest profits in their history, and so far in 1947 the rate of profit is even higher.

The Argentine Government, I believe, has not gone as far in nationalizing business as has England and other countries with which the United States Government has the best relations.

So much for governmental changes. Strange as it may seem, many manufacturers in the United States who wish to sell to Argentina have failed to recognize these sweeping changes.

(4) **Superficial Information.** Frankly, businessmen in Argentina are disappointed with the representatives of business and finance who come from the United States. I was told repeatedly how the latter come to the Plaza Hotel in Buenos Aires, have interviews about their own importance with the press, visit the American Embassy and the American banks, have cocktails with a few families of the old regime—and then return to the United States believing they know all about Argentina. An engineer who drove me through most of the streets of a smaller industrial city and showed me the living conditions of the average factory worker said, "Practically none of the American businessmen who visit Argentina have ever been this far away from the Plaza Hotel. They can never get the right picture by merely having cocktails with people who have never done a hard day's work."

I have tried to see all sides. On my first day in Buenos Aires I was taken to the Banco de la Nacion Argentina. My guides showed me a new building used exclusively for banking operations, which, although incomplete, has already cost $15 million and is not equalled by any bank building in the United States. But instead of stressing the size and appointments of the structure, my hosts called my attention to the long lines of depositors at each window. At four other banks I saw thousands waiting in lines. I also inspected hundreds of store windows, and found them filled with the latest fashions and the finest materials—which are sold, not to the ultra-rich, but to the average residents of Buenos Aires. In this and other ways I learned that business today in Argentina is not in the hands of a few families. Business activity, as well as wealth, is gradually being spread among more and more people.

Consumer goods are not the only index of prosperity. The stock market is having a wonderful time. Before the war, stocks represented about 7% of the volume and bonds 93%. Now, with the volume tremendously increased, stocks represent 60%. The stock index for the average of 1938 was 100, and for the average of 1946 it was 295. For March, 1947, the index was 475.

How to Transact Business in Argentina

When selling to any government, many manufacturers believe that they do best by sending the President or the Vice-President to the capital to deal directly. For example, a plane landed recently at Buenos Aires with 19 Vice-Presidents of U. S. Corporations aboard.

My investigations, on the other hand, convince me that the best results are secured by dealing through some representative firm **in the United States** which in turn is represented **in Argentina by an Argentine firm.** Of course, the manufacturer should know the qualifications and financial standing of both organizations before he goes ahead.

The Argentine company will be of little value unless it is qualified to do two things: (1) win and keep the good will, confidence and respect of the less important government officials—those who investigate and make recommendations to the men at the top, and (2) possess the same degree of confidence on the part of the top officials, and be able to see even the highest officer whenever necessary.

It is generally believed that no transaction involving large sums of foreign exchange are concluded without being brought to the head of the Central Bank. This official, on the other hand, must depend largely upon the investigations and recommendations of his subordinates. This same situation exists in many U. S. Government departments. For example, when Jesse Jones headed the RFC, it was well to have your application approved by technical subordinates, and it was also helpful to have it presented to Mr. Jones by someone in whom he had absolute confidence.

Our International Position

I left Argentina just before the recent reversal of our State Department's policy toward that country. Argentine business leaders, including those of English birth or descent, as well as many critics — and supporters — of the Peron Government, believed that the attitude of the United States Government toward Argentina was unrealistic. As one Peron critic put it, "If it is desirable for the United States to cooperate with France by loaning her $500 million, and with Greece and Turkey by loaning another $400 million to prevent Communistic control, is it not desirable to cooperate with anti-Communistic Argentina which, instead of asking for a loan, merely wants the United States to sell her some machinery, metals and ships—at a profit?"

Even prejudiced critics say that neither Peron nor the government favor Nazism. Some say the government cooperated with Germany during the war because they thought Germany would win, and they wanted to be on the winning side, not because they worshipped Hitler ideologies. Englishmen who told me this were certainly not German sympathizers. These same Englishmen in Argentina reminded me that, in spite of Argentina's belief in the superiority of the German military, Argentina was of great assistance to us in the war, by supplying food. We in the United States complained about our meat rations, but if Argentine beef had not been available for Europe, we would have been much worse off.

Further industrialization of Argentina will make more food available to us, not less, in the event of another world war. It will increase agricultural production and lower its cost. It will also make Argentina a greater contributor of metallic materiel, shipping and other transportation—as well as a stronger ally. I found everyone agreed that, in any dispute which might arise between the United States and Russia, Argentina will be on the side of the United States. A strong ally, when you need him, is far more desirable than a weak one!

Conclusion

The foregoing points may be summed up as follows:

(1) Argentina **today** is in a better financial position than any other country to increase purchase of manufactured products from the United States. After the present supply of U. S. dollars have been spent, however, Argentina may have to trade more with England and less with the United States.

(2) Many U. S. firms can transact business more profitably today in Argentina than in any other country, provided they adjust their selling efforts to meet the viewpoint and customs of Argentine government officials and business men.

(3) The best interests of the United States can be benefited by cooperating with Argentina toward a more rapid industrialization, as contemplated by the Fire-Year Industrial Program.

Argentina Alters Rules On Capital Control

The Central Bank of Argentina on July 8 radically altered its policy regarding the ingress and egress of foreign capital, according to the United Press. In line with Argentina's recent large shipments of gold to the United States, she has decided to remove all restrictions on the entry of foreign capital within her borders. At the same time it is reported that she is about to impose strict controls on capital exports.

With Stern, Frank Firm

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Walter Podolak has been added to the staff of Stern, Frank & Meyer, 325 West Eighth Street, members of the New York and Los Angeles Stock Exchanges and other leading national exchanges.

With Merrill Lynch

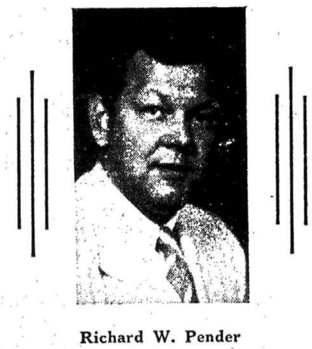
Special to The Financial Chronicle

CLEVELAND, OHIO—Constance Fairley is with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, N. E.

Richard W. Pender Is With S. R. Livingstone

Special to The Financial Chronicle

DETROIT, MICH.—Richard W. Pender has become associated with S. R. Livingstone & Co., Penobscot Building, members of



Richard W. Pender

the Detroit Stock Exchange. He was formerly Manager of the Trading Department for Charles E. Bailey & Co. and prior thereto was with Baker, Simonds & Co. and Allman, Everham & Co.

Sterling Inv. Incorporates

Joseph K. Alliger is now President and Hyman Ratner is Secretary and Treasurer of Sterling Investing Corporation. Both were previously partners in the Sterling Investing Company.

Atwill Adds to Staff

Special to The Financial Chronicle

MIAMI BEACH, FLA.—Benjamin C. Brewer has been added to the staff of Atwill and Company, 605 Lincoln Road.

With Fewel & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—August M. Krech has become connected with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Watling, Lerchen

Special to The Financial Chronicle

DETROIT, MICH.—Walter C. Simon has been added to the staff of Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

STATEMENT OF CONDITION

THIRD NATIONAL BANK

NASHVILLE, TENNESSEE

As of June 30, 1947

ASSETS

Cash and Due From Banks	$27,457,155.23
United States Government Bonds	26,417,427.89
State, County and Municipal Bonds	4,016,956.78
Corporate Bonds and Securities	727,934.15
Loans and Discounts	32,009,852.71
Bank Building and Garage	712,829.90
Furniture and Fixtures	1.00
Other Real Estate	1.00
Income Earned—Not Collected	281,912.27
Other Assets	58,209.45
Total	$91,682,280.38

LIABILITIES

Capital		$ 1,000,000.00
Surplus		3,000,000.00
Undivided Profits		605,653.81
Reserve for Dividends—Not Declared		25,000.00
Reserve for Taxes and Interest		432,393.97
Income Collected—Not Earned		264,494.88
DEPOSITS:		
Demand	$69,782,558.77	
Time	16,572,178.95	86,354,737.72
Total		$91,682,280.38

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Trends, Cycles and Business Forecasting

(Continued from page 2)

meaning circle. It signifies merely a coming around again to the place of beginning, as from the low of one depression to the low of the next. One business cycle may be 3 years in length another may be 7. No uniformity of time span is necessarily implied in the word cycle.

Rhythm

The word *rhythm*, however, comes from a word meaning measured time. When a thing has rhythm it has a "beat" to it. When business cycles, or price cycles, or security cycles are called rhythmic, it means the tops or the bottoms come at reasonably regular time intervals.

If in any series of figures the ups and downs have come with *enough* regularity of timing to create a rhythm, and if this rhythm has continued over *enough* repetitions so that the regularity cannot easily be the result of chance, it is unwise to ignore the *possibility* that the rhythm may continue. If the rhythm was first observed long ago and has kept on coming true since discovery, it is even more unwise to ignore the possibility of its continuation.

What are the chief rhythms observed in our economy? How many times have they come true since discovery? With what precision have actual behaviors conformed to ideal mathematical patterns? What will happen in various security, wholesale price, and business series if these behaviors continue?

For a fairly complete answer to many of these questions the reader is referred to a book called CYCLES: THE SCIENCE OF PREDICTION, written in 1944 by Edward R. Dewey and Edwin F. Dakin, and published, March, 1947, by Henry Holt & Co. of New York City, price $3.00. The book contains 255 pages and 157 charts, four of which are reproduced herewith with the permission of the publisher.—Editor.

I shall try to answer these questions briefly.

Real Estate Activity

Such figures of real estate activity as are available (Fig. 1) indicate a rhythm in this series of about 18⅓ years from crest to crest or from bottom to bottom. If one averages out the time span between all the tops and all the bottoms from 1795 to date, it is very easy to construct an ideal pattern (shown by dotted lines) to which the recorded behavior more or less conforms.

If this pattern continues to come true in the future as in the past, we can expect an irregular falling off of real estate activity in the United States from now until perhaps a year or two one way or the other from 1953. Further, we can expect this down turn to be followed by an 8 or 10-year rise. This rise would culminate in the general neighborhood of 1962.

Although it is true that Samuel Benner in 1875 proclaimed that "panics" recurred (within a year or two one way or the other) at intervals of 18 years, and that since that time this tendency has continued the actual existence of an 18⅓-year cycle as such (9⅙ years down and 9⅙ years up) has been noted only recently. Faith in its reality must therefore rest chiefly upon the number of times and the regularity with which the wave has repeated itself during the past 150 years, as shown in Fig. 1.

Similar behavior is clearly observable in building construction. A rhythm of the same length has also been observed in marriages per 10,000 adult males in greater St. Louis, acreage planted to wheat in New York, building construction in Hamburg, Germany, and in many other time series.

The 18⅓-year rhythm has not been observed in average wholesale prices.

Stock Price Cycles

It is not present in common stock prices in the sense of 9⅙ years down and 9⅙ years up, but there has been a tendency in common stock prices, from at least 1855, for exceptionally low lows to come at 18⅓ year intervals (I have not investigated earlier series). Taken in conjunction with the fact that so many other time series show a definite rhythmic pattern averaging about 18⅓ years, it is conceivable that this 18⅓-year tendency in common stock prices has more than accidental significance. More probably however, it is the result of what seems to be a 6 1/14-year rhythm, every third repetition of which coincides with an alternate 9-year low.

Another rhythm present in many industrial series, in common stock prices, and in the prices of many individual commodities, measures about 41 months (just short of 3½ years) from top to top or from bottom to bottom (Figs. 2 and 3). I have good reason to believe that this rhythm was first discovered in 1912, although no mention was made of it in print until 1923. At all events, it has "come true" ever since discovery. Tops and bottoms in the past, in more than half the instances, have come within 4 or 5 months one way or the other from perfect timing. If this rhythm continues in the future as in the past, the odds are therefore better than fifty-fifty that the next low for common stocks will be within four or five months one way or the other of August, 1948. Other series usually have had turning points slightly later.

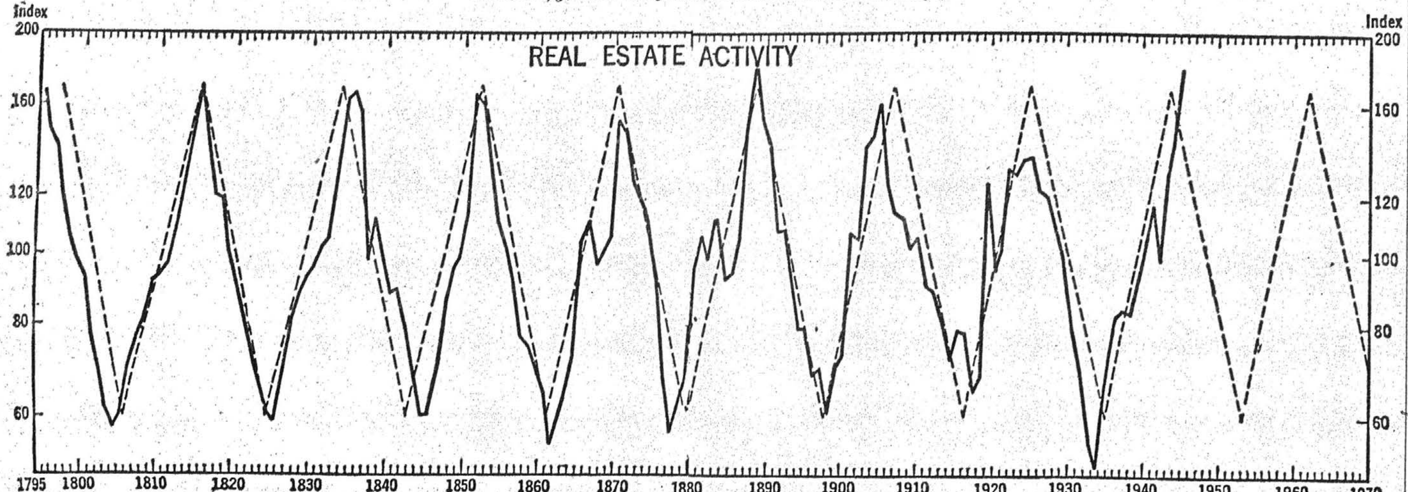
Following this low, whenever it comes, there will be, if the pattern continues, a rise in production and common stock prices for a year and a half or two years to a peak "due" July, 1950, with the actual peak likely to come four or five months one way or the other of this ideal time.

This prospective bull market seems to have been overlooked by many readers of CYCLES, in spite of the fact that Mr. Dakin and I devoted a whole chapter to the 3½-year rhythm.

It seems in point at this juncture to ask whether or not this rhythm was present prior to the beginning of the Dow-Jones averages in 1897; what causes it and other rhythms; what assurance we have that it or any of them are real; and what assurance we have that they will continue.

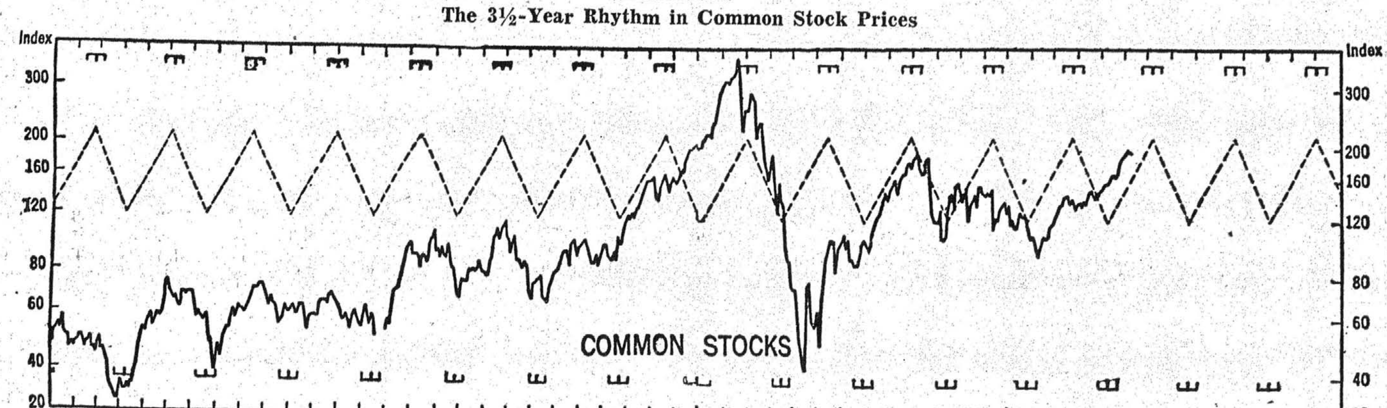
Prior to 1897 a rhythm of about this length was present but it was slightly shorter from top to top or from bottom to bottom, and consequently an arbitrary projec-

FIGURE 1.
The 18⅓-Year Rhythm in Real Estate Activity



Real estate activity in the United States, 1796-1946 (after Roy Wenzlick in the *Real Estate Analyst*), Data are for January of each year. A regular 18⅓-year cycle has been added and projected to 1970, to show in a general way what will happen if this rhythm continues. *Ratio scale.* Ideal tops fall 1888.6, 1907.0 (i.e. June 30, 1907), 1925.3, 1943.6, and 1962.0; lows 1897.8, 1916.2, 1934.5, 1952.8, 1971.2.

FIGURE 2.
The 3½-Year Rhythm in Common Stock Prices

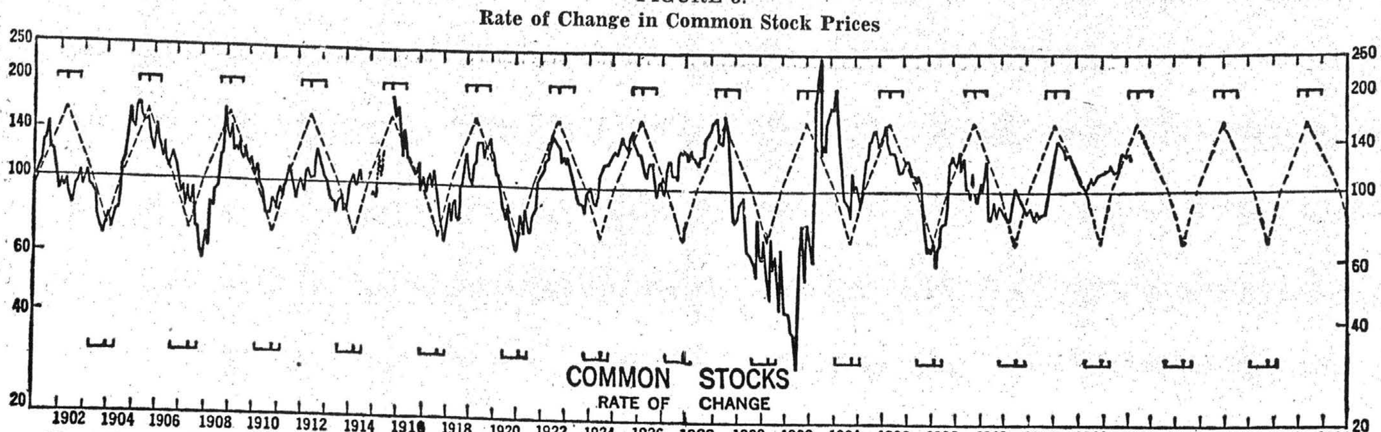


Dow-Jones industrial common stock prices, January 1901-March 1946. (Scale prior to 1914 adjusted to conform to subsequent basis.) A regular 41-month cycle has been added and projected through 1954, to indicate approximately what will happen if the rhythm continues.

This regular 41-month cycle, like the cycle in Pig Iron Production and the cycle in the Federal Reserve Index for Industrial Production, was determined and projected by Mr. Hoskins early in 1938.

The dates projected for the three next ensuing highs in the regular 41-month cycle are February 1947, July 1950, and December 1953. The two next lows are August 1948 and January 1952. (After Chapin Hoskins.) *Ratio Scale.*

FIGURE 3.
Rate of Change in Common Stock Prices



The 3½-year rhythm in the rate of change of common stock prices, in terms of moving percentages of the Dow-Jones Industrial Averages shown in Chart 2.

Like Chart 2, this chart shows the percentage that the actual prices of each month are of the corresponding month one year before.

A regular 41-month cycle has been added and projected through 1954 to indicate approximately how the moving percentages will behave if the rhythm continues.

(After Chapin Hoskins.) *Ratio Scale.*

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tion backward of a rigid 41-month pattern would get progressively more and more out of step with actual behavior. Why the length changed slightly at the beginning of the century no one knows.

Cause of Rhythms

What causes these rhythms in our economic life? No one knows; and I for one have no theories, in spite of attempts to pin theories upon me. It seems to me that in the present state of our knowledge we should concern ourselves with gathering facts. This seems hard for some people to do. Tyndall said that an idea in an empty head had the time of its life, for it could rotate in any orbit it chose without having any facts to bump into! Let us first see what the facts are, then spin the theories.

Could this regularity be the result of chance? Of course it could. Almost anything can be the result of chance. Could it *easily* be the result of chance? I must leave the answer to your own common sense, for the mathematics of the subject are not, in my opinion, adequate to give us a definitive answer.

The Possibility of Cyclical Regularity

Assuming that the regularity of these ups and downs is *not* the result of chance, does this fact of itself *prove* that this behavior will continue? Of course not. The regularity of your heart beat is not the result of chance but, notwithstanding this fact, someday it will stop. On the other hand, if something is "real," and if it has continued many repetitions since discovery, is it reasonable to ignore the possibility that it *may* continue? I leave this answer also to your own good common sense, which may even tell you, as mine tells me, that as a practical matter we are justified in saying "the *probability* that it *will* continue."

If the length of this cycle changed slightly around the turn of the century, may it not change slightly in the years to come? Of course. And, if so, one's projections will be off by the amount of the change until one observes that the length has changed and modifies one's projections accordingly, and similarly for all the other rhythms.

Two other rhythms are worthy of mention. One of these is a rhythm about 54 years in length that has been present in British wheat prices since 1260 (which is as far as figures go), and in wholesale prices in this country for as far back as figures are available. As far as I know, this rhythm was first discovered in 1922. It has obviously not had an opportunity to repeat itself since discovery.

(It has been stated that a 54-year cycle was alleged by Benner in 1875. In the sense of a 54-year cycle of 27 years down and 27 years up, this is not so. What Benner said was that the irregularities of the 18-year cycle repeated themselves every third cycle—and three 18's are of course 54—but this is a very different matter.)

The last creast of the 54-year cycle was about 1925, and consequently the next low can be expected, if the pattern continues, in the general neighborhood of 1952.

The 9-Year Cycle

Finally, I must mention the 9-year cycle (Fig. 4). This rhythm was first discovered in 1860 (and has been coming true ever since). In average wholesale prices and in common stocks back to about 1855, it seems to have been about 9.2 years in length. In wholesale prices, it becomes slightly shorter as we go back from 1855 to 1832. In 1832 the index changed its constituent components and the rythm vanished completely. From 1832 to date it averages about nine years. The last crest of the ideal pattern came in June, 1946. If this behavior continues, the next low will come about 4½ years later, after which prices will tend to go up toward a crest due in 1955.

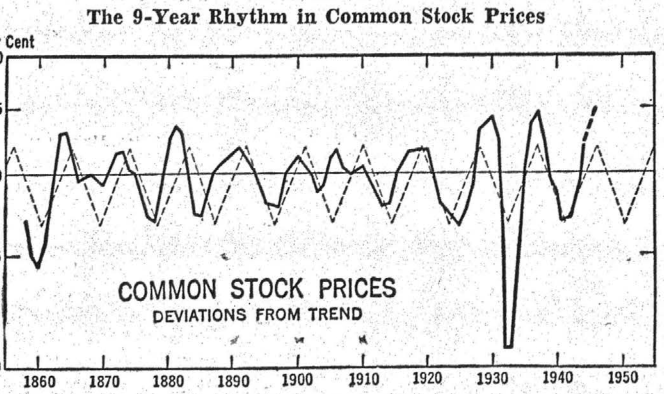
How can we have two rhythms in the same series of figures? The answer is, one rides on the back of the other, just as, in the ocean, waves ride on the back of ground swells, ripples ride on the back of the waves, and the whole combination rides on the back of the tides. Think of the "9-year ground swell" as running downward from the middle of 1946 to the end of 1950, and think of the 41-month "wave" running down from February, 1947 to August, 1948, then up again, in spite of the ground swell, to July 1950, then both of them down together again, and so on.

I have no formula. I express no theories; I try to deal only with fact. I make no predictions unqualified by the statement "if the rhythm continues." I hazard no guess as to whether or not they will persist. No one in the world knows.

On the other hand, it should be obvious that if I did not feel that at least certain rhythms had significance I would not even mention the subject. I therefore charge all of you who have the task of outguessing the future to study the rhythms of the past and, if they cannot easily be the result of chance, not to ignore, except at your peril, the probability, as a practical matter, that they may continue.

FIGURE 4.

The 9-Year Rhythm in Common Stock Prices



Percentage deviation of the 3-year moving average of the Axe-Houghton Index of Common Stock Prices from the 9-year moving average of the same figures, together with a regular 9-year cycle.

The highs of the regular cycle fall as follows: 1856.0, 1865.0, 1874.0, 1883.0, 1892.0, 1901.0, 1910.0, 1919.0, 1928.0, 1937.0, 1946.0, 1955.0, 1964.0, 1973.0, 1982.0, etc. The lows fall halfway between these dates. (The exact year indicates the mid-point of that year. Thus "1928.0" means June 30, 1928; "1946.0" means June 30, 1946.)

A rhythm that has repeated itself as many times (10) and as regularly as this one cannot easily be the result of pure chance.

The regular cycle has been extended into the future to indicate approximately the behavior that may be expected in the deviations of the 3-year moving average from the 9-year moving average, if this rhythm continues.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The statement of the **Chase National Bank of New York** for June 30, 1947 shows deposits of $4,445,081,000 compared with $4,488,156,000 on March 31, 1947 and $5,039,709,000 on June 30, 1946. Total resources on June 30, 1947 amounted to $4,814,277,000 compared with $4,860,581,000 on Mar. 31, 1947 and $5,403,847,000 a year ago; cash in the bank's vault and on deposit with the Federal Reserve Bank and other banks amounted to $1,113,745,000 compared with $1,104,330,000 and $1,249,714,000 on the respective dates; investments in United States Government securities $2,168,563,000 compared with $2,140,178,000 and $2,611,093,000; loans and discounts $1,203,007,000 compared with $1,251,549,000 on Mar. 31, 1947 and $1,166,386,000 on June 30, 1946.

Capital funds of the bank on the three dates were as follows:

	June 30, 1947	Mar. 31, 1947	June 30, 1946
	(000's omitted)		
Capital	$111,000	$111,000	$111,000
Surplus	154,000	154,000	139,000
Undiv. profit	52,317	49,049	59,392
Tot. cap. fds.	$317,317	$314,049	$309,392

Net current operating earnings for the first six months of 1947 were $1.11 per share, compared with $1.30 per share in the first half of 1946. Net profits on securities were 13 cents per share compared with 34 cents in the first six months of 1946. The combined figures resulted in net earnings of $1.24 per share in the first half of 1947, compared with $1.64 in the corresponding period of 1946. A refund of $538,000 on real estate taxes paid in prior years was received during the second quarter. This amount is not included in the net earnings as reported, but was transferred directly to undivided profits.

* * *

The National City Bank of New York announced that as of June 30th its total deposits were $4,720 million and total resources were $5,044 million, compared with $4,664 million and $4,978 million, respectively, at last year-end. As of June 30 the **City Bank Farmers Trust Company's** total deposits were $114 million and total resources were $147 million, compared with $122 million and $155 million, respectively. During the first half of 1947 the combined net current operating earnings of the bank and its trust affiliate were $9,829,626, or $1.58 per share, compared with $1.55 per share a year ago. Additionally, the combined net profits from sales of securities were 43 cents per share, compared with 60 cents per share a year ago. The total of the deposits for the Bank and Trust Company together as of June 30 amount to $4,834,622,849 and total resources to $5,191,270,161, as compared with corresponding totals at the end of 1946 of $4,786,005,082 and $5,132,465,233, respectively. The total capital funds of the Bank and Trust Company together are $294,286,373 as of June 30, 1947, or $47.47 per share on the 6,200,000 shares outstanding, compared with $287,631,634 or $46.39 per share as of Dec. 31, 1946.

* * *

The statement of condition of **Guaranty Trust Company of New York** as of June 30, 1947 shows total resources of $2,808,162,975, as compared with $2,841,800,875 at the time of the last published statement, Mar. 31, 1947. Deposits are $2,417,706,061, as compared with $2,450,270,491 on March 31. U. S. Government obligations total $1,406,053,590, as compared with $1,415,822,179, and loans and bills purchased total $679,092,158, as compared with $744,331,676. The statement shows total capital funds of $358,124,196, comprising capital of $100,000,000, surplus fund $200,000,000, and undivided profits of $58,124,196, the latter figure comparing with $56,982,566 on Mar. 31, 1947.

* * *

J. P. Morgan & Co., Inc., New York, in its statement of condition at the close of business on June 30, 1947, reported total deposits of $630,679,398 compared with $598,299,391 on Mar. 31, 1947, and total resources on June 30 of $701,757,337, compared with $670,040,278 for the preceding period. Cash on hand and due from banks at the latest date is shown as $162,195,587 against $141,744,799; U. S. Government securities held on June 30 are reported as $358,793,824, against $365,027,608; and loans and bills purchased now at $139,328,195, compare with $119,431,157 at the end of March. During the past three months the capital and surplus have remained unchanged at $20,000,000 each, and undivided profits have risen from $18,024,419 at the end of March to $18,498,983 on June 30.

* * *

The statement of condition of the **Manufacturers Trust Co. of New York** as of June 30, 1947 shows deposits of $2,113,002,694 against $2,103,695,601 on March 31, while resources of $2,259,911, 590 were reported as of June 30, comparing with $2,250,225,889 as of March 31. U. S. Government securities are shown as $1,175,263,724 against $1,179,216,424 three months ago; cash and due from banks amounted to $536,619,549 at the latest date compared with $505,278,630 on March 31. Loans, bills purchased and bankers' acceptances amounted to $450,415,149 in the latest report, against $469,166,049 at the end of March.

Capital funds and surplus have remained unchanged for the past quarter at $41,250,000 each, while undivided profits on June 30 amounted to $38,798,075, against $37,683,686 on March 31.

* * *

The Chemical Bank & Trust Company of New York reported as of June 30, deposits of $1,168,958,598, and total assets of $1,293,093,043, compared, respectively, with $1,114,939,997 and $1,238,076,886 on March 31, 1947. Cash on hand and due from banks amounted to $325,011,456, compared with $282,009,919; holdings of U. S. Government securities to $463,613,551 against $471,050,200; bankers' acceptances and call loans to $84,155,716 against $51,087,881; and loans and discounts to $284,925,140 against $309,746,354. Capital is unchanged at $25,000,000, while surplus is now shown at $75,000,000, against $70,000,000 on Mar. 31, 1947, and undivided profits are now reported as $7,289,613, as compared with $9,150,365 at the end of March.

* * *

Central Hanover Bank & Trust Co. of New York had total resources of $1,568,086,845 as of June 30, 1947, compared with $1,613,528,102 three months earlier and $1,902,366,206 on June 30, 1946, according to the bank's latest statement of condition. Deposits at the end of June stood at $1,431,750,976 against $1,472,190,045 on March 31 this year and $1,767,706,438 a year earlier. Holdings of U. S. Government securities amounted to $688,952,211 against $767,984,199 at the close of March and $931,610,352 a year before. Cash and due from banks totaled $386,393,240 on June 30, 1947 compared with $362,880,650 and $452,470,634, respectively. Loans and bills purchased were listed at $407,570,503, against $399,507,083 three months before and $468,166,927 a year ago. Capital, surplus and undivided profits aggregated $125,155,237 as of June 30, 1947, as compared with $124,629,498 at the end of March and $119,310,986 on June 30, 1946.

* * *

The Irving Trust Company of New York in its statement of condition as of June 30, 1947 reported total resources of $1,159,522,229 compared with $1,149,846,949 on Dec. 31, 1946; total deposits at the end of June amounted to $1,035,687,213 compared with $1,021,002,334 at the end of the year. Cash on hand and due from banks on June 30, 1947 was $278,183,071 against $250,810,821 at the close of 1946. U. S. Government securities of $547,624,771 were shown at the end of June compared with $573,887,113 on Dec. 31, 1946. Capital has remained unchanged for the past year at $50,000,000 while surplus and undivided profits advanced from $62,675,499 on Dec. 31 to $63,978,421 at the present time.

* * *

The June 30, 1947 statement of the **Corn Exchange Bank Trust Company of New York** shows deposits on that date of $767,512,666. This compares with deposits of $767,984,745 reported on Mar. 31, 1947. Total assets on June 30 amounted to $812,741,984, compared with $812,560,537 at Mar. 31. Cash in vaults and due from banks totaled $204,009,705, against $189,546,571; U. S. Government securities, $512,246,362, compared with $523,950,596; loans and discounts, $72,240,171, against $73,766,821. Capital and surplus of the bank were $15,000,000 and $20,000,000, respectively, both unchanged from the previous quarter. Undivided profits at June 30 were $7,856,663, compared with $7,443,860 at Mar. 31, 1947.

* * *

The **Public National Bank and Trust Company of New York** reported in its June 30, 1947 statement of condition total deposits of $520,046,838, compared with $503,931,631 as of Mar. 31, 1947. Total assets at the end of June were reported at $555,932,090, against $539,300,744 at the end of March. U. S. Government securities held by the bank amounted to $301,141,782 at the end of June against $282,277,845 on Mar. 31, while cash on hand and due from banks was $115,460,405 against $103,814,003 three months before; loans and discounts are now $125,246,190 compared with $138,487,277. Capital and surplus at the end of March and June totaled $22,000,000 and with the $7,197,603 in undivided profits the grand total amounted to $29,197,603 on June 30, while on Mar. 31 the undivided profits amounted to $6,910,329.

* * *

The statement of conditions of the **Bankers Trust Company of New York** as of June 30, 1947 shows total resources of $1,526,091,313 and total deposits of $1,340,581,588 compared with the figures for three months before of $1,486,679,439 and $1,309,545,921 respectively. The chief assets of the bank are: Cash and due from other banks $333,432,893 June 30 against $302,739,147 on March 31; U. S. Government securities of $602,665,899 at the end of June compared with $601,190,404, and loans and bills discounted of $505,320,504 compared with $505,035,363. The capital and surplus have remained unchanged for the past three months at $30,000,000 and $80,000,000 respectively, while the undivided profits have increased from $37,729,773 on March 31 to $38,201,728 on June 30. The latter statement also

(Continued on page 38)

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Minimum Wage Fixing by Law

(Continued from first page)

Labor Relations Committee, that "Congress should undertake a thoroughgoing study of the entire law (Fair Labor Standards Act of 1938) and its economic effects."

In addition to the economic effects, our membership has been concerned with the ambiguities and uncertainties arising out of the language of the Act as well as out of what appears as arbitrary administration and reaching for power by the administrators. Some of the most vicious rulings and most serious uncertainties were removed by the passage of the portal-to-portal statute by the 80th Congress. But these correctives still leave uncertainties and, of course, nothing has been done to meet the basic economic criticisms of a scheme which imposes upon this highly diversified country a uniform nationwide fixed minimum wage rate.

It is to the economic issues that we would like to direct your attention.

Poverty and Non-Wage Workers

The problem of poverty and low incomes is not confined to wage workers. Many landlords own one or two dwelling units and frequently eke out a minimum of subsistence. Millions of farmers get little or no benefit from our agricultural support program and barely subsist normally on what they raise for their own needs and on the few dollars from the sale of products. Only about half of our corporations turn in a profit year after year. Hundreds of thousands of small businesses earn their owners scarcely a living wage.

If the national interest calls for the establishment of a minimum wage by law, does not logic and consistency also call for a floor under income from rentals, from farming, or from running a business?

If the national Government has a responsibility to establish a minimum wage for employees, how can it explain its neglect of these other low-income groups who, in the aggregate, probably exceed the number of persons who would be directly benefited from a rise in the established minimum wage rate?

Intended Purpose vs. Actual Results

(1) Can the plight of the low-wage earner be remedied by passing a law stating that he shall not work unless he can get at least 65 cents per hour?

(2) If he cannot find self-employment and no employer thinks he is worth the minimum, will he merely shift over into employment not covered by the law, and thereby help drive down wages in already over-crowded fields?

(3) Or will the law merely say, in effect, "I have organized you out of a job"?

(4) How do you arrive at the "correct" minimum wage rate?

(5) If the criterion is the income needed by a worker, say, with three dependents, why should not the rate be set at least as high as $1 per hour? If it is admitted that such a rate is "too high" is it not also an admission that it would cause unemployment?

(6) What will it do to the job-making and real wage-raising prospects of the lowest-wage-rate regions and localities?

(7) Will not a higher minimum wage merely set in motion a new general upward wage movement to restore the time-honored differentials between wage rates?

(8) Can we raise wages by law, without at the same time either stimulating further inflation or causing the disemployment of those workers whom employers do not think are worth the minimum?

(9) Will not a rigid minimum wage increase economic instability by stimulating inflationary tendencies when these tendencies are in the ascendency, and stimulating deflationary tendencies when markets begin to shrink because then a fixed minimum will make it that much more urgent to lay off those workers whom the employer finds are not worth the minimum rate? Or, will the rate be changed every few years to reflect inflationary and deflationary changes?

(10) Is it economically wise to say to those workers who cannot earn the minimum, "You shall not work for wages at all?"

(11) If we believe that government should supersede the competitive market, in regulating minimum wage rates, ought not the proposed action go much further? At market rates, employers hire workers and keep them on their payrolls. How much are we helping the low-wage worker if we merely say he cannot be hired or retained for less than so much, unless we add another law requiring the employer to hire or retain him?

(12) Are there not better ways of solving the poverty problem?

The purpose of a minimum wage law is widely applauded; what its effect in actual practice may be is quite another thing, and obviously much more important.

There are two ways of summarizing a minimum wage law: AN EMPLOYER MUST PAY not less than so much, say 65 or 75 cents an hour, to any worker covered by the law; or, you are not permitted to work, in any "covered" field of employment, for less than so much, say 65 or 75 cents an hour.

The first is the more ordinary way of putting it. But (apart from the matter of assigning liability) these two statements say exactly the same thing.

Of those previously working for, say, 40 cents an hour, not everybody will still have his job the day, the week, or the month after the legal minimum is set at 65 or 75 cents an hour. It is impossible to work out beforehand how rapidly the "disemployment tendency" will operate or how far it will go. The answer will be considerably affected by the upward or downward movement of business activity and prices in general.

Impact on the Wage Structure As a Whole

In its initial impact, minimum wage legislation can be counted on to narrow down or eliminate some of the pre-existing wage differentials. But the law does not change the underlying realities that produced and sustained these differentials. They can be counted on to reassert themselves—to induce a spreading of upward change in wage rates from those directly affected by the law to others not directly affected.

This is the interesting and directly relevant observation of a West Coast department store executive:

"I don't believe the public has any conception of the effect (of minimum wage legislation) as it relates to wages at the higher levels . . . I know of one instance . . . in which a five-cent-per-hour increase in the minimum rate cost the company a million dollars a year. But over $900,000 of the total payroll increase was in brackets **above** the minimum. With wages as high as they are today, if I were a union leader seeking higher wages for my skilled performers, . . . I would spend a great deal of effort in trying to get the minimum wage raised by Congress. In that way I should be able then to work on preserving the historical differential and end up with a higher wage for my skilled workers. From a social point of view, we are all in favor of raising the level of living of the poorest, but under our present system, relatively the poorest stay the poorest, and the effect of the raise for the lowest level only continues to keep the differential in existence between the lowest and the highest."

There is little or no disagreement about minimum wage legislation both "jacking up" the whole wage-rate structure and increasing its rigidity. It is on the desirability of these effects that fundamental disagreement develops.

Regional and Local Wage-Rate Differentials

Regional or local differences in the real cost of labor in some cases may exceed what would seem justifiable by comparison of living costs and living conditions. When and where they do, the normal functioning of a free-market economy tends to reduce them. Where real labor costs are relatively low, there is an important special attraction to capital investment which then helps to raise wages. At the same time, labor tends to move from where wage rates are lower to where they are higher.

While minimum wage legislation also must have the effect of reducing regional and local wage-rate differentials, it is by no means on the same side as the normal functioning of a free-market economy. Relative increase in regional or local labor cost is obviously a distinct repellant to capital investment. And it is equally obvious that minimum wage legislation must bring the greatest increase in labor cost just where the relative enlargement of capital supply is clearly most in order.

This can block, or even reverse, the industrial progress of regions and localities that otherwise promise most. Instead of more and more jobs coming to the less highly industrialized regions and localities, more and more workers must move into the already developed (and generally crowded) industrial centers—in order to get any jobs at any wage rates.

Impact on Costs, Output, and Selling Prices

In the controversial discussion of minimum wage legislation, generally there is less than adequate recognition of the inexorable interdependence of costs, output, and selling prices. Looking at the economy as a whole—and for the moment ignoring cyclical complications—the crux of the analysis can be summed up in three basic propositions:

(1) If total output (real income) remains the same, minimum wage legislation means higher prices in general (inflation).

(2) If total costs (money incomes) remain the same, minimum wage legislation means smaller total output (real income).

(3) If prices in general remain the same, minimum wage legislation means both smaller total costs (money incomes) **and** smaller total output (real incomes).

Actually, of course, neither total output, total costs, nor prices in general can be expected to remain the same. But, something has to give, and putting the three main parts of the analysis together, this conclusion does emerge:

The less serious the resultant **problem of inflation, the more serious the resultant problem of disemployment.**

The less serious the resultant problem of disemployment, the more serious the resultant problem of inflation.

Minimum Wage Legislation and Economic Instability

We are far from general agreement as to what causes or sustains the upward and downward spirals of the so-called business cycle. In the present state of our disagreement, we can say little more than this about the influence of a new "undigested" minimum wage law. The pressure it exerts may be inflationary (higher prices) or deflationary (reduced employment); and the less there is of the one, the more there will be of the other. Something has to give, but whether on the side of inflation or deflation must depend on whether "other conditions" are more on the side of rising prices or of declining employment.

The inflation potential in any 1946 minimum wage legislation was recognized in the Congress. In April of 1946 a minimum wage bill was before the U. S. Senate. Addressing that body, Senator Scott Lucas (Dem., Ill.) made the following statement: ". . . if this bill should become the law of the land, it would constitute, in my humble opinion . . . inflation . . . I am compelled to vote against it . . . for what I conceive to be the best interests of the people of America." **Congressional Record,** April 5, 1946.)

An older, "fully digested" minimum wage law could hardly have the effect of aggravating inflation. In might even have a certain "braking" effect. A general upswing in prices tends to raise the **value**-productivity (money) of labor. This, in turn, may create employment eligibility for people previously excluded because the legal minimum wage rate (or other wage rates indirectly "propped up" by the law) exceeded their productivity.

To whatever extent an upswing of prices had been induced by enlargement of the country's money supply, an increase in the total work force (drawing people into jobs) could be expected to have a braking effect. The money supply would be spread thinner, so to speak, and the inflation tendency would be weakened "by dilution." (But there must be better ways of combatting inflation than by building up a pre-inflation "reserve force" of unemployed workers.)

All the seductive "purchasing power" theory to the contrary notwithstanding, however, even a fully "digested" minimum wage law can reasonably be expected to aggravate deflation. Such a law directly and indirectly does reduce the possibility of cutting total wage payments (and therefore total expenditures—or "purchasing power") through a lowering of wage rates. But to whatever extent it maintains higher wage rates, in generally declining markets, it also holds out larger potential savings from work-force reduction, a possibility which the law does not and cannot eliminate. **In a deflationary spiral, the declining total of wage payments is actually much less a matter of falling wage rates than it is a matter of rising unemployment.** This is the weakness of the argument of those who say, "A minimum wage law will maintain purchasing power."

The Workers Directly Concerned

A minimum wage law says nothing that insures an increase in any family income or, for that matter, in any worker's earnings. All it says, in effect, is that no income shall be earned at less than so much per hour. Workers who cannot satisfy some employer that they are worth "not less than so much per hour" have been assured that they will earn, not higher wages but, at least in the covered fields of employment, no wages at all.

The only relevant question is this: "Of the workers now getting less than, say, the proposed 65-75 cents legal minimum rate, how many would employers regard as worth considerably less than that?" That, obviously, is the number that employers would set about trying to get rid of. And the longer the time allowed, the closer most every employer **would** come to completing the elimination of workers to whom a law required him to pay more than he considered them worth.

How many workers thus eliminated? Even best informed witnesses would answer differently. But could any well-informed witness actually believe that, of all those now working for less, enough could qualify for employment at 65-75 cents an hour to prevent shrinkage of **total wages** for the group as a whole? If not, it is hardly unfriendliness toward lowest-wage-rate workers to recognize a certain unsatisfactoriness about trying to help them in a way that could reasonably be expected to shrink **the total income** of the group.

More Questions

Is the proposed minimum wage legislation on the side of a healthier or less healthy economic system? Will it serve the best interest of American workers in general? In the longer run, will it bring more gain or more loss to American job-holders in the lowest wage-rate brackets?

Before taking our commitment, ought we not to ponder well:

(1) Whether such legislation cannot reasonably be expected to discourage the wage-raising and job-making industrial development of the lowest-wage-rate regions and localities.

(2) Whether there is any reasonably foreseeable escape from the real-wage-reducing inflationary impact of minimum wage legislation, without the alternative "wage-eliminating" disemployment of many directly and indirectly affected workers.

(3) Whether minimum wage legislation cannot reasonably be expected to aggravate the instability of our economic system. (With new legislation intensifying whichever tendency is then current, inflationary or deflationary; and an older, "digested" law deepening and prolonging rather than counteracting depression.)

(4) Whether, of all those now working for less, enough could qualify for employment at 65-75 cents an hour to obviate shrinkage of total wages for the group as a whole.

The purpose that minimum wage legislation may be intended to serve is one thing. How it can reasonably be expected to work out in practice may be something else again, and obviously much more important.

It is this latter consideration with respect to which the questions raised herein may seem worth a second thought.

Unfortunately, we have no way of measuring statistically the precise economic effects of minimum wage fixing. We do know that at war's beginning we still had some 8 to 10 million unemployed in spite of innumerable Government programs designed to "create purchasing power" and jobs. To what extent the legal minimum wage law destroyed jobs by retarding the opening of new businesses and the expansion of others, we do not know.

Since 1940 we have had an enormous increase in the money supply which has stimulated an inflationary boom. We are today still the beneficiaries of war- and inflation-induced employment; when the bubble bursts, as it will, it may prove very difficult to absorb the total labor supply. An increased legally fixed, inflexible minimum wage spreading its effect to the whole wage structure, will make it that much more difficult to stem the deflationary tide and to re-absorb the disemployed workers. Employers and "private enterprise" will be held accountable for the unemployment. But can we honestly hold employers responsible for creating jobs, if outside forces dictate what those jobs must pay? It would be just as logical to hold the farmer responsible for the nutritional and dietary condition

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of the American people while the Government dictated the price which the farmer must charge for his product.

Prosperity Best Solution to Low Earnings

The most effective force for reducing poverty is high level employment. From 1939 to 1945, for example, the wages of farm workers rose by more than 180%, while the hourly rate of skilled factory workers rose by 55% and the weekly earnings by 85%. In other words, prosperity raised the earnings of the lowest-paid workers about twice as fast as it raised the earnings of skilled factory workers. Prosperity is the best cure for low wages. Furthermore, that cure comes about through the natural workings of the market. It is employers who bid up the price of labor during good times. The greatest contribution which can be made to the cause of the low-paid worker would be to help find the solution for enduring prosperity. Once we mastered the art of sustaining prosperity the problem of poverty and of low-paid workers would shrink to small proportions.

Investment in Job-Making Facilities

About $7,000 investment in job-making facilities is required to create one job, on the average, in our economy. Virtually all economic progress consists of new and improved investment in job making facilities which raises and diversifies the output of management and labor. This is what makes good wages possible. We are greatly in need of new investment in power plants, pipelines, gas and gasoline and oil facilities, commercial ventures, housing and many other lines. Inflation is due to excessive money and money incomes in the face of shortages of raw materials and productive capacity. Unfortunately, in spite of all the appeal of the idea that wages should keep pace with the rise in the cost of living during an inflationary period, putting more dollars into the pay envelope merely permits the consumer dollar to bid more fiercely for the scarce supplies of goods, and thereby stimulating further inflation. Have we (or have we not) learned this lesson the hard way in the recent past? Our great need today is not higher wages but more productive capital and better application of labor, so that our labor force will be able to produce more per man-hour. This is what puts substance into the pay envelope. And for the long run the government should never place a penalty on putting men on the payroll.

No one benefits from poverty. Productive employment at good wages is best for the worker, for management, for the tax collector, and for the whole economy. Artificially fixed minimum wage rates do not merely place a floor under wage rates, not under total wage income; but they have many unanticipated economic effects and is it not to these that your Committee should give consideration?

The "Dollar Crisis" A Production Crisis

(Continued from page 12)

past—can provide a clearer view of the present.

During the 19th century and the first quarter of the 20th, population throughout most of the civilized world grew at a rate never before known in history. Accompanying it there developed slowly, at varying degrees of speed, complexity and capacity, three great industrial productive areas.

The first of these, not necessarily the first chronologically, emerged within our own great country. The growth of its capacity to cultivate and harvest the foodstuffs essential to human life; the expanding benefication of the vast resources which Providence had deposited in its soil; the construction and operation of industrial facilities; and the stream of products which came pouring out of them, are one of the astounding phenomena of the last three quarters of a century.

The second, highly productive and industrialized area, was the continent of Europe—in the more western parts of the continent of Europe with Germany as its center. Shafts were sunk, mines were developed. One of the great coal deposits of the world was explored and exploited. Partly associated with them, partly apart from them, vast chemical plants were established. A highly mechanized and industrially fruitful structure of production took form and shape.

The soil was cultivated and cared for, nourished and fertilized and the foodstuffs which it produced were on the whole adequate to satisfy the tastes and the demands of hundreds of millions of people.

An intricate complicated system of industry involving necessarily a high division of labor was fashioned by the efforts and the capital of men. Each part was in large measure dependent upon the other. It was indeed an interdependent area bound together by a web of rail transport and waterways—a transportation system as fine as any web ever spun by spiders.

This great area, however, frustrated it may have been by the increasing significance attached by the nation states to their various frontiers and however more and more divided it was thereby made, was the industrial and productive heart of Europe's body. It sent out through the arteries of commerce to the East, the West, the North and the South the products of its capital equipment, its industry, and its agricultural husbandry, receiving in exchange a variety of materials and commodities which it required. It was, therefore, itself on the one hand, a market, and on the other, the developer of markets. Its circulatory system embraced all of Europe, touched other parts of the world—and was joined with the veins and arteries of this island's commerce and finance.

The third great industrial area, older than the others, was developed here. It became in a very real sense the workhouse of the world, built upon coal, and while it was intimately related to the European system and derived from it much support and nourishment, it was much more than a part of that system, for the threads of its commerce and finance stretched to the farthest corners of the world.

Nationalistic Trade Barriers

It is, I suggest, true that during the interwar period the enjoyment of the full productive potentiality of these areas was reduced by a variety of different nationalistic steps taken by a number of different nation states. These steps tended to interfere with the full enjoyment of the abundance which otherwise could have been provided.

While science was tending to make the world smaller, these nationalistic devices were making it larger, its parts more separate, and more distant from each other. The increasingly wide and prevailing manifestation of economic nationalism, the heavy debts incurred as a result of prosecuting World War I, the inflation that followed afterwards, all together interfered with and arrested the full satisfaction of our ambitions to achieve a fuller life. "Shades of the prison house began to close about the growing boy."

For, indeed, their devices doubtless played a part in creating the environment out of which came the last and most ravaging of all wars. But in spite of the difficulties of those uneasy years intervening between the two World Wars, the productive capacity of Europe and of this island was very great.

Let us look at the situation as we now find it. The throbbing heart of that complex, sensitive, highly productive European economic body is now barely beating. Caught in the clutches of an unparalleled destruction and devastation, it is now relatively impotent in industrial production; relatively impotent in agricultural produce; relatively impotent in its capacity to transport. Sources of raw materials have been shifted if, in fact, they effectively exist anywhere. The East has been cut off from the West. Production languishes, prices in doubtful currencies soar. Gresham's Law is reasserting itself. Cigarettes and goods are sought after more than pieces of paper of doubtful value. Nor is this situation lessened by a quivering financial situation, resting as it does in many countries on the shifting sands of heavy debt and great piles of paper money.

The doubtful tenure of governments—the conflict between fundamental conception of life—aggravate the whole of the European complex.

This great sensitive interdependent continental area with its once vast productive capacities and great production can neither produce to meet its own requirements nor sell to provide the necessary imports.

The British Position

On this island the situation is somewhat different. The exactions of war here have been as great as, if not greater than, the ravages of war elsewhere. They express themselves differently. Twenty-five per cent of its merchant fleet, on which it so depended for revenue and imports for its very existence, lies at the bottom of the seas. The dedication of its wealth at home and abroad, human as well as material, to the one single purpose of preserving the integrity of its Empire, or its Commonwealth and of civilization, has imposed incalculably heavy exactions on its resources; prevented the maintenance and modernization of plants. The liquidation of its foreign investments to provide the exchange with which to purchase the implements of war with which it could, and so gallantly did for so long a time, hold off in solitary grandeur a great military machine, has drastically reduced the income from foreign investments which was the life blood of its existence.

Valiant efforts have been made to redress the dislocation of battle and the shift of economic endeavor from the purposes of war to the purposes of peace. But the total productivity of the island, dependent on raw materials on the one hand and markets on the other, has been impaired by the general ruins of a continent and the world-wide disorders of commerce and trade.

The production of coal, of which it had before the war an exportable surplus and with which it supplied large parts of Europe, is now not adequate fully to satisfy its domestic demand. These are some of the costs of victory.

Thus, while one of the great productive areas of the world serving as it formerly did a large part of the European continent, creating markets for the produce of other countries, including the fruits of industry on this island, is idle, and another of the great industrial areas of the world has been wounded by the blows of war, the third great industrial parcel of the globe remains unscatched, untouched, undamaged, indeed, if anything, with its capacity to produce the goods so much in demand enhanced by becoming, as it so fortunately and effectively did become, "the arsenal of democracy."

Disequilibrium of Production

The war has thus left a great lesion which divides the civilized world into two parts—that part which has high productivity and that part whose productivity has been in part shattered and in part seriously reduced.

Dollars are merely the financial reflection of this far-reaching disequilibrium of productivity—for dollars are goods. Where production is great the volume of dollars is great—where production is small the volume of dollars on the one hand is small and the need for dollars on the other is great—for it is only with dollars that the things which are not being produced may be purchased. Factors other than production I have no doubt affect the situation and aggravate it. But they are not at the root of the matter.

The dollar crisis is therefore fundamentally a production crisis. No amount of sophistry—no dialectical exercise — can conceal this brute fact.

There will be no solution therefore to the dollar crisis, so loaded with far-reaching consequences, until the production crisis has been mastered.

It is for this reason that Secretary Marshall, evidencing again his singular capacity to assess the significance of events, made his Harvard address.

Response to Marshall Plan Encouraging

The wide response and the earnest efforts that have been made in recent weeks to seize hold of the central problem of restoring European productivity and the first successful endeavors to inspire European initiative, are both gratifying and impressive. While it is too soon to be confident of the outcome, there is every reason to be encouraged.

Within a very short span of time a few of the major factors so necessary to the reconstruction of Europe have been assembled. On our side of the water there has been a wide acceptance of the view that the recovery of Europe from the devastations, dislocations and ruins of war will demand assistance from the United States—broad in scope and extending over a period of several years.

During the past six weeks, the Secretary of State, the two Under Secretaries of State, the Counselor of the Department of State and an Assistant Secretary of State have individually and publicly recognized the role that the United States, as the sole remaining unscathed productive area of the world must play in the rehabilitation of Europe, and the President of our country has appointed three committees—two from among officials of the government and one from among distinguished citizens of all political faiths to review the capacity and desirability of the United States, thus to serve itself and the world by aiding Europe.

The second factor that has developed with such welcome speed is the initial enthusiastic European acceptance of its responsibility to formulate a coordinated and comprehensive program for the restoration of European productivity.

In his speech on June 5 at Harvard, Secretary Marshall clearly suggested that before the United States can contribute to the task of laying a solid foundation on which Europe's productive capacities may be reconstructed, some common assessment among the countries of Europe of the requirements of the situation must be had and a clear initiative on their part in the preparation of a program must be taken. Assistance from our country will, I wish to emphasize, be fruitless and unavailing unless it is associated with broad and definite evidences of European collaboration — fashioned by Europeans themselves to effect the fullest, the most economic, the best husbanded use of European resources.

Mr. Bevin, promptly seizing the occasion, has consulted with Monsieur Bidault in Paris and we are on the eve of additional and, I hope, significant conferences.

The third factor of European reconstruction and recovery is the decision by the Soviet Union to join in these consultations to formulate a coordinated and integrated economic European program.

With the sincere and determined effort of the Soviet to participate with full measure of cooperation the task should be simplified; of success we should be immeasurably more confident.

These are the three principal factors of European reconstruction—they are at hand.

European Political Instability

But there are others which, if not principal, are at least necessary. Of them, unfortunately, there has not been recently evidence of an over-abundant supply. Economic reconstruction must rest upon confidence in the stability of political institutions. Without this essential it cannot, I believe, be fully achieved. Without it we will be merely "hunting the fairies' gleam." It is, therefore, urgent that unilateral political acts committed either by states, or groups within states, which disturb confidence, encourage fear and foster economic disintegration, must come to an end.

Propaganda disseminated within states and among them, aimed to inspire fear, to encourage hatred, to foster the belief in the certainty of war, and in the inevitable fall and ultimate disappearance of certain types of economic systems, must cease. There is no reason why countries with different economic systems may not work together effectively and successfully toward reconstruction of one of the great devastated regions of the world; but they cannot hope to do so if uneasiness, suspicion, fear and hatred are deliberately inspired among them and among the citizens of each.

I cannot refrain from expressing the earnest hope that the European nations will work in amity toward the solution of this great and overpowering problem. I hope that they may put aside doctrinaire considerations, abandon the propaganda which eats at the foundations of that which remains of Europe, retards, if it does not completely prevent its recovery, and sows the seeds of discord everywhere. With determination to do the job in an atmosphere of friendship, mutual helpfulness and common husbandry, it is not too much to hope that success will crown their efforts and ours.

P. E. Hoover Named to Post Of Reserve City Bankers

Paul E. Hoover, Vice-President of The Anglo California National Bank of San Francisco, has been appointed a member of the important Committee on Bank Credit Policies of the Association of Reserve City Bankers. The Committee, composed of ten representative bankers, is headed by DeWitt A. Forward, Senior Vice-President of the National City Bank of New York. Mr. Hoover is the only member appointed from a western bank.

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Interest Rate, Price Level and Keynesian Ideology

(Continued from first page)

content merely to state, for posterity's benefit—these have been solved since about 1930. We now know techniques which will banish depressions, create enough saving and see that our savings are used, keep us in a permanent condition of Full Employment, and, in short, simultaneously give us all (even the least enterprising of us), for the first time since man walked upon this earth, freedom *and* comfort *and* economic security.

These are the beliefs preached of late years by Keynes, the greatest of a brilliant group, by Beveridge in England and Alvin Hansen on this continent, by countless run-of-mine economists all over the place; and, of course, by the Marxians as well, who thrive on—and therefore aim to spread—first, hope unjustified, then fear and disillusion.

Never since "The Wealth of Nations" was originally published has there been such union of minds among economists. In countless classrooms, accordingly, these perfectionist theories have been taught for 10 or 15 years past, like articles of faith (and often accepted as blindly). Since there are today far more teachers of Economics, and far more students of Economics, than ever before, the diffusion of the new doctrines has been very quick. Politicians and leaders of labor unions, heads of departments in the civil service, and the presidents of women's clubs can be heard repeating them, even when asleep—which they quite often are, even in the daytime!

Gospel of Full Employment Oversold

Inevitably the new product (that is, the gospel of Full Employment) has been oversold. One could easily foresee that this would happen—I think it was obvious as far back as 1943. But in the meanwhile, too many millions of simple folk (and even several millions who thought themselves far from simple) have been lulled into thinking that, because Keynes wrote one book and Beveridge another, because politicians promised what even statesmen cannot deliver, therefore when World War II reached its end, we, the victors, would enjoy work at good wages for everyone, a stable cost of living, and no depressions any more.

Now, for most of these millions, the mirage fades. In a real world with Europe prostrate, Asia demented by revolution, England short alike of coal and food and dollars, and ourselves depending on solvent customers abroad (if we can find any) for our own domestic well-being—in this real world, as its stark outline becomes increasingly clear, we realize that something was unaccountably left out (some item of immense importance) by the technicians of modern Economics, who promised us full employment.

Someone at this point is wondering "What connection has the rate of interest with all this rigmarole about full employment?"

The question is fair; but I must ask you to bear with me. For the complete assurance about interest rates and the need for manipulating them all the time, which distinguishes the best minds in Whitehall, Washington and Ottawa, stems from the same source as the full employment program, and owes its existence largely to the same authors, rests on the same technique of thinking about economics, and sinks or swims, so to speak, with Keynes and Beveridge and Hansen.

That is the reason for casting my net a little wide.

What is, in general terms, the technique of thinking which created today's orthodoxy?

Nearly two centuries have passed since Adam Smith first studied "The Causes of the Wealth of Nations." Nearly two centuries have been devoted by relays of economists (the successors of Adam Smith) to formulating their problems correctly, disputing over them, gathering the related facts, and finally beating out and hammering the products of this activity till they should at least look like reasonable conclusions.

But still, the method of theoretical research in economics is to build out of stated hypotheses an imagined economy: something to be studied in the light of experimental logic, and equivalent of the sealed test-tube in which a chemist makes the conditions and designs his own universe; much as that great Glasgow colleague of Adam Smith, the pioneer James Watt, built himself a model steam-engine from which to learn what steam could do.

Just as Watt controlled his engine, so can you control your imagined economy, test it under various conditions, find what its capacities are. You can make it do lots and lots of things; and on the basis of knowledge so gained, you yourself can formulate scientific laws valid for this imagined economy.

Here, of course, the most important words are the last six—which, therefore, I shall not apologize for repeating: "laws valid for this imagined economy." So long as you stick to that imagined economy, bounded at your will by stated and definite hypotheses; or provided that in the life around us you can find an actual economy, paralleling in its own conditions the stated hypotheses with which you began; then you can safely depend on those scientific laws, which embody the results of your work, in an enclosed, imagined economy.

But when you find, as always you do find in this world of sense, that any condition which you postulated is missing (or instead, when you find in this world of sense that any new condition of more than trifling importance is present, which you did *not* postulate in your imagined economy), then you must beware!—for the track is sure to be dangerous thereafter, and the visibility poor.

Real Fault of Full Employment Analysis

Here we get at the real fault of the Full Employment analysis—that product of the mind of John Maynard Keynes which has intoxicated millions. For there is one condition absent in the marvellous, imagined economy which Keynes used for that analysis. The Keynesian economy did not depend—as the British and the Canadian economics in varied fashion actually do depend—on immense imports and exports, continuously moving. In other words, Keynes created an economy, for most practical purposes self-contained.

I shall assume in this connection (although there are some first class mathematicians by whom this assumption will be challenged) that there is no fault in the Keynesian algebra: that complex of mathematical logic on which depends the program for insuring Full Employment. In other words, I shall assume without question that, given the Keynesian postulates, the Keynesian prescription would indeed provide us with Full Employment. But is it not obvious as well that, so far as in the life around us the Keynesian postulates are not fulfilled, the prescription is bound to prove inadequate?

Of course we cannot but agree that in Wendell Willkie's "One World," if it could be realized (that is, in a global, self-contained and integrated economic universe, without external trade), we could conceive of a government manned by Keynesian philosophers—Hugh Dalton, Sir Stafford Cripps and their little friends—bringing about, and maintaining, Full Employment successfully.

But the converse is equally true. Go to the far end of the scale, take a very small economic unit—Long Branch or Mimico, Burlington or Dundas—and it is obvious that in any such dependent economy no domestically managed policy, Keynesian or otherwise, would be the slightest use.

Alas! because (excepting perhaps the States and the Soviet Empire) all countries are closely dependent on external markets, therefore our chances of maintaining Full Employment nationally, by means of appropriate domestic policies, are much more like those of Long Branch and Mimico than like those of Mr. Willkie's magnificent "One World."

In other words, Full Employment, like Peace, is indivisible.

This is the depressing fact which, in Britain and Canada particularly (but far afield as well), good folk by millions have begun half-consciously to realize. This is the meaning of my statement, not long ago, that by means of uncritical teaching everywhere, the public has been over-sold on Full Employment.

And all because the Keynesians commonly neglected, among the required postulates of imagined economy, the dependence on external trade in large volume, which is today characteristic of all or almost all, countries.

But back of that is the method, sanctified by two centuries of economists, which first endows with stated postulates an imagined economy—then all to readily regards this tenuous figment as if it were what the chemists calls "a controlled experiment."

The Rate of Interest

And here I return to the proper topic of tonight's discussion, which is the rate of interest.

Control of interest rates for ulterior purposes lies at the core of the Keynesian program, which, in its larger aspects, has already claimed our attention. Thus the case for controlled interest rates can scarcely be separated from the General Theory, which in its turn (I suggest) suffers from a methodological weakness almost uniquely found in the so-called Science of Economics.

But whatever its basic weakness, the case for controlled interest rates has been accepted in High Places. Since—shall we say?—in 1932, Treasuries and Central Banks all over the world have done to the rate of interest whatever seemed good in their own eyes. And the result? Even in the first seven years thereafter of so-called peace, till 1939, national debts almost universally grew larger, while the cost of servicing these growing debts was resolutely reduced.

Since 1939, of course, the process of enlarging the public debt has been very much hastened and intensified. Most, if not all, debts of national governments have grown so fast since 1939 that the cost of servicing them, over-all, has been very much increased also. Nevertheless, with varying degrees of enthusiasm (but everywhere with an air of conscious virtue), Treasuries and Central Banks have continued their deliberate depression of the rate of interest, which, in terms of all countries, is probably lower today than it has ever before been in recorded history.

This has visibly been at the cost of certain social groups, not usually vocal politically. The deliberate depression of interest rates has been the more easily carried out, because the process of depressing interest rates, and the long-term consequences of depressing interest rates, are not at once obvious to the man in the street most of us, in fact, need a little time in order to take these things in and understand them.

Furthermore, the process of depressing interest rates deliberately, through the joint action of Treasuries and Central Banks, was carried furthest and carried out most effectively, during World War II, when good citizens were disinclined to take time up in political discussion, believing that talk might delay needed action.

But now (though there is not yet much more leisure than there was in wartime) some of those whom our Planned Economy sacrificed in wartime are beginning to be just a little vocal.

I shall not try to voice the separate interests of the various classes of the people whose prospects in life have been narrowed as a result of this deliberately chosen policy. I shall restrict myself, at this point, to just one observation.

Any population anywhere includes an element of more than average ability, more than average strength of purpose, more than average capacity to take long views, more than average initiative. Such folk, ever since it became possible to save and invest small sums at a time, "to make money grow," "to build up a nest-egg," as our common language puts it, have endeavored all through their lives to provide, by saving, for the future of themselves and their families.

Their objective has been frank and unashamed: to safeguard their own old age, to create a future for their own children. They did not claim to be serving mankind; they slaved for their kith and kin. But in fact they did serve all mankind. They benefited the thriftless as well; they made it possible for others less determined than themselves, less enterprising or less well situated, also to practice thrift and save.

They served mankind, first driven by their own strength of purpose to seek out and develop opportunities to produce wealth which would otherwise, at best, have been developed later; secondly, by consuming less than their entire incomes, and so by means of their personal savings, invested in plant and machinery, making all industry more productive.

They were busy creating for themselves and their families a minimum of economic security. The result of their efforts was to benefit everyone by raising the national income, and thus the level of all personal incomes—to make possible for everyone a measure of security; for there cannot be real social security for the mass of our fellow-citizens which is *not* founded on productive enterprise and a large national income.

You can print dollar bills in profusion—but you cannot eat or wear them.

Prior to 1914—or indeed, for that matter, right up to 1930—Canadians anxious to provide for their families could save and invest, at 5% or more, in their government's own obligations. If they let their interest accumulate, they might hope some day, by means of their own efforts, to create the nest-egg that everyone would like.

Anyone with a pencil and paper can verify the following position. The Canadian who decided at the beginning of the 20th century to save $6 weekly, putting these dollars into bonds at 5% and accumulating interest, and who built up his investment at this rate for 30 full years, would at the close of this period have accumulated almost exactly $20,730—which sum, again invested in bonds at 5%, would have brought him $20 weekly for life and, as well, enabled him to leave upwards of $20,000 to those who succeeded him.

But the man who decided, after the deliberate lowering of the rate of interest to 3% per annum, to save $6 per week, putting these dollars into bonds at the new 3% rate of interest, would find—what? That after 30 full years of thrift on the scale here indicated, his nest-egg would only be $14,-850—nearly $6,000 less than that of his predecessor.

Furthermore, that when he took and invested this amount at 3% in the new bonds, he would receive only $8.60 per week instead of the $20 per week income of his predecessor.

The rate of interest is assumed, in this illustration, to be reduced by 40%; that is, from $5 on each $100 bond to $3. But (as a result of High Policy) the rate of income of the thrifty person has been deliberately reduced in this way by no less than 57%; that is, from $20 weekly to $8.60. Such is the penalty levied on those who try to provide their own social security by the new "Keynesian" school. The victims are, of course, *all* holders of life insurance policies, *all* purchasers of annuities, and *all investors*, as distinguished from mere speculators.

In a count of heads, of course, these contribute an immense proportion of the citizens of Canada—politically, by far the most forceful element when roused; and socially, the most constructive and valuable element as well.

Membership in this group is wide open. Any Canadian can join it, merely by deciding to join it and fulfilling his intention of saving so much per week or month. But there is a much less attractive inducement to join it now than there was before the new doctrines were accepted. While the rewards of other kinds of effort have been very much increased, the reward paid for saving has been cut down sharply.

There are books by learned modern men which take the view the saving, by the kind of private individual whom I have described, is not so much needed as it once was—and for two reasons: firstly, because nowadays much saving is done by corporations, which continuously plough back undistributed profits into new plant and equipment; secondly, because our social security laws provide a large element of compulsory saving today by the citizens individually.

These propositions do not impress me very much; but, for lack of time, I shall not deal with them tonight.

The same learned men maintain, additionally, that the size of the reward paid for saving does not regulate the scale on which individuals will save money.

The position is very much the same, in these learned modern men's opinion, as if one would not need any longer to pay wages to plumbers if it could only be proved that paid or unpaid, the poor simpletons would continue to fix our plumbing anyway.

That is an argument on which I shall not spend much breath, either.

"To Spend or Not to Spend"

Let me rather turn from the position and the problems of man as an individual, moodily reciting:

"To spend or not to spend—that is the question. Whether 'tis better in the mind to suffer the slings and arrows of countless bureacrats, banded against one in a social security scheme—or to take arms against the monstrous regiment of public officials who devour one's substance and push one around; and by saving a bit on one's own account for sickness, unemployment and old age, to render one's self more or less independent of them."

Let me direct your attention instead to the thing we really met

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to talk about: that is, the rate of interest.

I have already dwelt on the serious handicap under which, most of the time, economists labor; I mean, the disadvantage of working with an imagined economy. The practice leads, as anyone can see, to the formulation of laws valid for the suppositious case: not necessarily valid, anywhere in the world of the senses.

That is no ground for poking fun at, still less for abusing, economists. Each of us uses the best tools he can get; and with reference to most economic problems, there is no better tool available to the student than this imagined economy fulfilling stated postulates.

We must remember that our industrial system is still quite young, as we now reckon time; further, that the taking of accurate statistical measurements is younger still; furthermore, that the development of a science of statistics, by means of which to learn what the statistics really mean—that is an achievement almost of yesterday—still quite incomplete.

There are, in reference to most economic problems, no relevant and trustworthy statistics, over a sufficient span of time, to make possible a realistic and, at the same time, a reliable analysis.

One field already ripe for factual investigations is the field of interest on capital, and the movement of interest rates. For, although the record of these fluctuations does not, anywhere on this continent, go back very far, there is in England a lot of material for study. Moreover, during the period to which this material relates, England was the single great commercial and financial center, reflecting locally the result of world-wide changes.

In Britain the perpetual government stock which is called Consols is one of the great antiquity. The percentage yield of Consols is recorded in a continuous series of figures since 1782. Since the stock has no maturity, this percentage yield may fairly be taken, over periods of years, as the rate of pure interest: if not everywhere, at least in the London market. A record by this time 165 years old is indeed a treasure.

Interest Fluctuations

What, in brief, has been the rate of pure interest in London during this long time? There has, of course, been an incessant fluctuation upwards and downwards, sometimes in brief, convulsive movements characteristic of what some economists still call "the business cycle"; but underneath such movements one can easily detect a wave motion, spread over long periods of time.

In order that we may disregard, as irrelevant for our purposes tonight, the so-called "business cycle" (and, as well, the momentary reactions of the money market to political events), I have taken the record of the past, in terms of individual years, from 1782 to the present, and have "smoothed" this record by making an 11-year moving average of them (see table and chart attached). For convenience in what follows, I shall refer each figure representing an average of 11 years to the last, or eleventh of those years. Thus, when I say that the figure for 1947 is 3.12%, I mean that an average of the period from 1937 to 1947 inclusive—an average of 11 consecutive years ending in 1947—gives us that figure.

What are the facts, so simplified?

A low point just before the 19th century began was 4.08% in 1793. This rose quite rapidly during the next following years, till it reached a maximum for the time being of 5.08% in 1807.

Thereafter it fell with short-lived and quite insignificant interruptions, till it reached a low point of 3.16%, in 1860.

That is, in the 11 years from 1796 till 1807 (11 years of what we now call the first half of a World War) there was a swift, quite smooth rise in what I now describe for practical purposes as the pure rate of interest, by 1% almost exactly. Then in the 53 following years, from 1807 till 1860, there was a slow, fairly smooth decline, by just about 2%.

Following 1860, the rate of interest rose—but not by very much and not for very long. From 1870 till 1874 (remember that I speak still in terms of successive 11-year averages) it stood at a temporary maximum of 3.27%; thereafter it again declined, till in 1881 it was back again at 3.16%. But that was no stopping place; the downward movement was destined to continue for a long time. In 1900 and again 1903 the minimum was reached, of 2.67%.

That is, within a little less than a century, from 1807 till 1903, the long-term rate of interest fell by just about 2.40%. But the process was not unbroken; there was a brief interruption (and quite a gentle one) in the mid-19th century.

Thereafter, the long downward movement was reversed sharply. From 2.67% in 1903, the rate rose for 24 years without a single interruption, till in 1929 it reached 4.63%—not very far below the "going" rates at the beginning of the 19th century. This period of rising rates, like the period from 1796 till 1807, included within itself the stresses of another World War.

Thus we may conveniently regard 1807 and 1929 as the peaks of two great waves; and the long period in between, as forming a vast trough between these peaks.

What happened following 1929? I take you first to 1932, because I regard that year as a convenient dividing line, between an age when interest rates were controlled by the forces of economics, and a brief period during which interest rates have been brought under artificial control and manipulated by Treasuries and Central Banks.

From 1927 till 1930, the rate hovered, without any pronounced tendency, between 4.61% and 4.63%. From 1930 to 1932 (remember, these are still facts expressed in the form of moving averages) the rate fell from 4.61% to 4.39%.

Then the great decline began, which carried the long-term rate of interest in 15 years (1932 to 1947) from 4.39% to 3.12%—a decline in this brief space of time by 1.27% (or from the peak of the long term rate of interest in 1929), a decline in the annual rate of interest of no less than 1.51% per annum.

This constitutes a fall in the long-term rate within 15 years (in our own generation) as large as the decline recorded in the 26 years from 1807 till 1833, during the supposedly dangerous and unstable generation following Pitt's death and Napoleon's virtual conquest of Europe.

So much for the bare, factual description of interest rate movements, in one-and-a-half centuries. If I may talk still for a moment in terms of events, as waves and troughs, we seem by now to be far down in a second, long-period trough.

The paradox is, that we persisted in the downward movement right through the terrific financial ordeal of World War II—whereas, if the pattern of past movements had persisted, we might have expected the long-term rate of interest, which rose by nearly 1% during World War I, to rise by something more than 1% during World War II. Instead (and under powerful controls) it very definitely fell.

Is this the whole of our story? Quite obviously not. There is a parallel to these facts at which we have been looking; and when we put side by side the two series which I have in mind, the likeness between them (during most of the period within which they can be compared) is startling and, indeed, to me quite alarming.

Alongside the record of Consols in the London money market, from 1782 to the present, I have set the record of commodity prices in Britain (that is, the record of wholesale prices) during precisely the same period. Using precisely the same technique, I have made an 11-year moving average of the record of prices, plotted on the last or eleventh year. Thus I now get two series made up in the same way, representing, respectively, changes in the long-term rate of interest, and changes in the level of wholesale prices; and each of these series, averaged as I have averaged them, now covers a little more than one-and-a-half centuries, from 1792 to 1947.

I shall not take up your time by describing in detail the movements of the price index number, so smoothed. There is no need for me to describe them. For the strange fact is, that the two series move in step together, both upwards and downwards (for all practical purposes) until the mid-nineteen-thirties.

Each moves in waves with two great crests and a long trough between them. In each case there is a small intermediate wave, about midway between the crests. In each case the low point is reached at the close of the nineteenth century.

There is some difference in the timing of these movements. It seems that, after the Napoleonic Wars, the price index followed the rate of interest downward. It seems that, after World War I, the rate of interest followed the price index downward. But I submit that, if the facts are graphed and a diagram is made of them, it is for all the world as if a couple of hounds are on a leash which holds them together, so that one or another may now get a little bit ahead, but they cannot come apart, the leash obliging them to follow the same path, uphill or down.

That is, for most of the time That is, until the new technique of managing and controlling money markets has been fully matured and developed; for, bear in mind the changes that have been made in Treasuries and Central Banks within our lifetime are just as complete and sweeping (and amazing, if one can understand them) as the changes that have been made in locomotives or automobiles during the same span of years. And I venture to say that these changes in the Treasuries and Central Banks have affected, and will affect, the lives of men—all men—much more powerfully than the truly great changes in locomotive and automobile engineering.

Not until the nineteen-thirties could it truly be said that the new model Treasuries and Central Banks were ready. They "came on the market" (so to speak) at about the time dear Dr. Schact—who taught us quite a lot, himself, about the possibilities of these institutions—began to get world-wide notice.

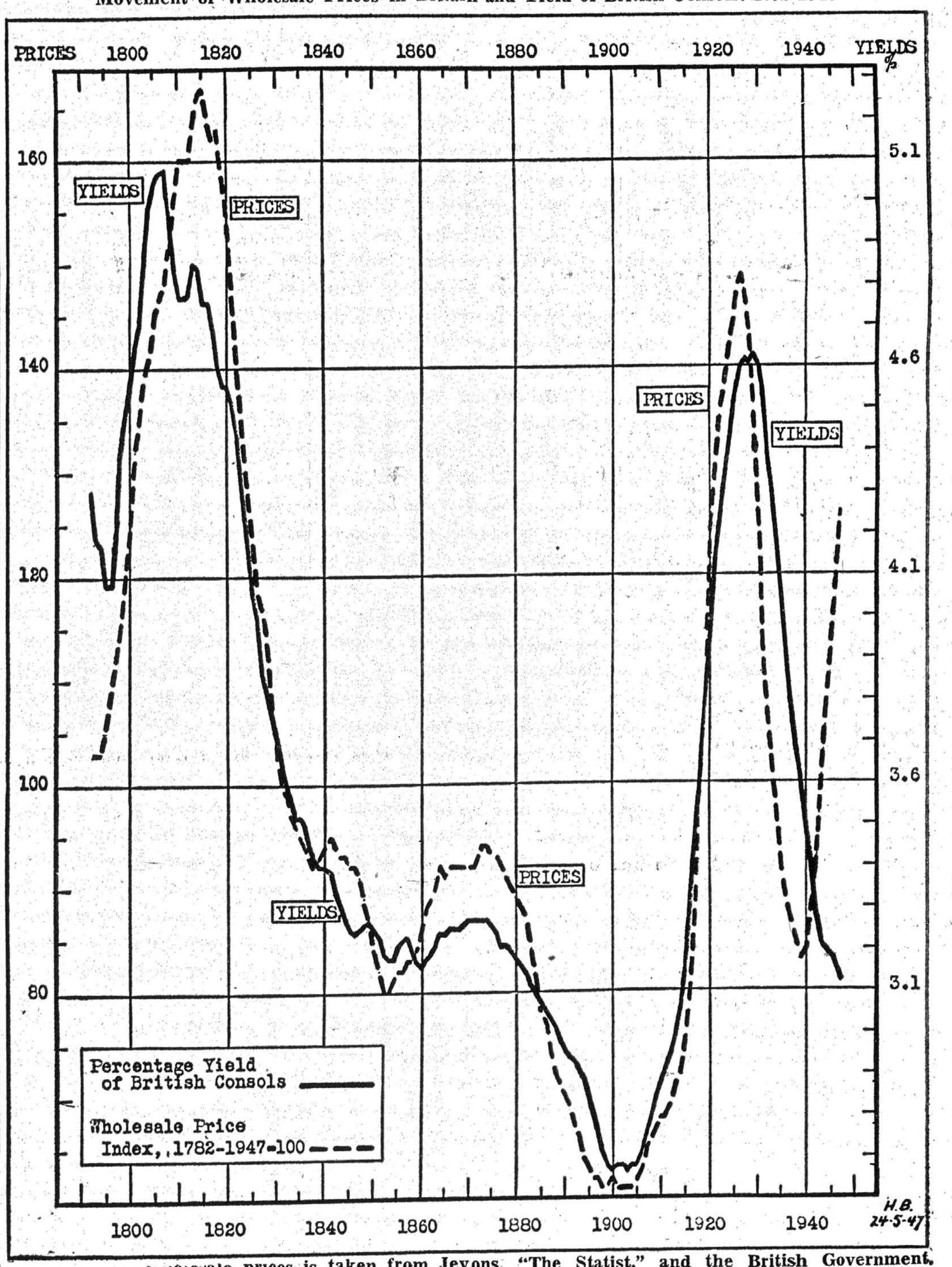
This was about the time (let us also note) when the new doctrines ultimately synthesized in the Keynesian General Theory received general acceptance.

The new machines, the new technique for operating the new machines, and the new philosophy behind the new technique—these things were synchronized in a quite remarkable degree.

Some historian, writing about us in the twenty-first century—thus armed with the perspective of his own time—may say that more significant than the Great Depression which occurred after 1929 was the combination of new financial controls with new financial techniques and a new

(Continued on page 34)

Movement of Wholesale Prices in Britain and Yield of British Consols: 1792-1947



The record of wholesale prices is taken from Jevons, "The Statist," and the British Government. The yield of Consols (Government perpetual debentures) is taken from Warren & Pearson and "The Economist." The figures are shown in eleven-year moving averages, so as to bring out their essential character.

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Interest Rate, Price Level and Keynesian Ideology

(Continued from page 33)

philosophy, which also distinguished those years.

Money market controls are exercised with a skill and a precision today which very few years ago did not even appear possible.

When we mark the parallel, from 1792 to 1947, between the "smoothed" series representing interest rates and the "smoothed" series representing the movement of prices, we see the first fruits of this new "dispensation."

As we have already noticed, for not much less than one-and-a-half centuries the two series have companioned one another like a couple of hounds on a leash.

These things do not occur by chance, during so long a period of time, and one subject to such fierce upheavals as the Napoleonic War, the coming of the Railroad Age, the Civil War between the North and the South, and World War I, and the beginning of the Great Depression.

We may not feel we know the reasons for this parallelism of the rate of interest and the level of prices) I myself certainly make no such claim to knowledge). Nevertheless, we must recognize it as involving a deeply-rooted relation between cause and effect of some kind.

That relationship is visibly now broken. The data before us, it happens, are British; but if we were to collect, instead, parallel Canadian or United States records covering the past 15 years, we should get exactly the same picture.

An Anomalous Situation

Now, for the first time since records like this became available, we find ourself in a period of inflation (and by common consent, the present is a period of *dangerous* inflation); but, as well, in a period when the rate of interest has been going down, because it was being forced downwards while this inflation was getting under way.

Wiser men than I may take up the burden at this point. I venture to suggest just two things, and I leave them for persons wiser than myself in their own time, to study.

(1) That in the past the rise in the rate of interest, which as a result of natural causes has accompanied the great price inflations, may have been the natural, and the most powerful and effective, brake on these price inflations, preventing them from getting out of hand. (If so, the brake has now been removed, deliberately.)

(2) That in the present (if it is intended permanently to keep the rate of interest in the neighborhood of its present level) we find ourselves committed, for the purpose of keeping down the rate of interest, to creating credit on a great scale. We are thus strengthening the forces now making for inflation every time the rate of interest shows signs of rising, and resuming what I feel tempted to regard as its historic role, namely, of acting as a brake on price inflation.

If there is anything in these two suggestions, it follows that the problem of the rate of interest is in urgent need—perhaps more urgent than ever before—of being thought out afresh.

The job of re-thinking this part of economic theory may be done anywhere—most likely, perhaps, on the campus housing our universities.

But when it is done—when someone has thought out afresh, and in terms of historic reality, the problem of the rate of interest—no places are going to need more urgently the results of this research and cogitation than Whitehall, Washington and Ottawa.

There was once a clause in the Litany much used in churches in the North of England. Daniel Defoe, the man who wrote "Robinson Crusoe," records it in his dairy—the date, 1727. That old clause read as follows:

"From Hull, Hell and Halifax,
Good Lord, deliver us!"

It is with a certain sense of shame that I recall those words; for, let me confess, it was close by Kingston-upon-Hull, in Yorkshire, that I first saw the light of day.

But Hull would not figure in any such clause if we were to remake the modern Litany. Nor Halifax. Perhaps Hell might; but the moderns tell us that Hell is a myth anyway.

Perhaps on some Quiz Program some day the question may be settled: from which cities, chiefly, we citizens of 1947 should pray to be delivered.

Meanwhile, I give each of you three guesses.

The Economic Outlook

(Continued from page 6)

least hoped to be, the rich uncle's final illness.

I.

Four reasons have usually been cited for the predicted recession. First, prices and profits have been rising much faster than consumer incomes; therefore, purchasing power would soon be inadequate to take the current production off the market. Now, this question cannot be dismissed lightly. Admittedly demand must be deficient at some stage around the crest of the boom, or declining business activity and depressions would not follow, as they always have in the past. The real question is whether or not raising consumer incomes or deliberately reducing prices does very much to get the economy back in balance at a time when excessive demand is already pushing prices higher. When productive capacity is already almost fully utilized, such an obvious solution may only prolong the upward spiral by creating a wider spread between demand and available supplies.

II.

Second, the rapid rise in business inventories has caused considerable apprehension about future business. By the last quarter of last year, goods were being added to stocks at the rate of $10 billion per year, according to U. S. Department of Commerce estimates. Even if inventories were still too low, this $10-billion-dollar-a-year demand would not go on forever. What would happen when it stopped? A $10 billion market would, of course, pass out of the picture. Would consumers or others step up their purchases to maintain this demand? If not, $10 billion would have to be pruned off current production schedules.

At the turn of the year, a dim view of the inventory picture was justified. Fortunately, since that time the rate of inventory accumulation has considerably declined. Preliminary evidence indicates that the annual rate of inventory accumulation during the first quarter of 1947 was about $5 billion, a 50% reduction over the previous quarter. It now looks as if we have at least an even chance to work out of an inventory situation which a few months ago could justifiably be viewed with considerable alarm. A vastly expanded volume of net exports, together with some rise in outlays on durable goods as their production expanded, has more than offset this declining rate of inventory expansion.

III.

Third, scattered declines in demand for some textiles and "soft" goods in general have raised further questions about the general business outlook. Retail sales prior to Easter were not apparently up to expectations, with the result that post-Easter sales featured substantial markdowns. On the other hand, too much must not be made of this. Incomes were high during the war and durable goods on which high incomes are spent were unavailable. It was to be expected therefore that the excessive wartime demand for many soft goods, abnormally swollen by a "spill-over" demand, would weaken when hard goods became more available. Furthermore, the stores still had a good deal of off-brand merchandise which had never received adequate consumer acceptance and which could only be moved at m a t e r i a l l y reduced prices.

In the process some areas have been effected more than others. It is part of the struggle to work out of the economic system its wartime kinks and distortions and does not necessarily imply the beginning of a general recession.

IV.

The fourth troublesome development has been indications of weakness in the construction industry. During the first quarter of 1947, 137,000 new permanent family dwelling units were started, slightly below the 140,000 during the corresponding period of last year. In some areas the volume of building permits early in the year was materially below the corresponding period a year ago.

These developments do not in themselves portend a serious slump in the construction industry. They do suggest that the construction industry's large 1946 inventory of units in process is beginning to move through the production process to the completed stage. Therefore, it is only natural to expect that during the present period there will be a bulge of completions corresponding to the bulge of starts last year. Since a substantial proportion of the construction industry's activity must now be devoted to the completion of houses begun last year, a correspondingly smaller proportion is devoted to getting new units under way.

I do not want to give you the impression that in my judgment there is nothing wrong in the construction picture. Two serious problems are obvious. First, construction costs are currently too high to sustain for long any large volume of construction. That is the way we have chosen to hold in check temporarily a substantial proportion of the construction backlog. Costs are undoubtedly due to come down, and when they do there is every reason to expect that new demands will be brought into the market.

Second, the building materials industry in general is producing materials at a rate beyond the current capacity of the on-site construction industry to convert them into new buildings. The sensible way out of this impasse is to expand on-site construction capacity rather than to precipitate a cutback in the flow of building materials, though there is no necessary reason to expect that this course will be taken.

V.

The one development which has exerted a very considerable deflationary influence is the cash surplus of Federal, state and local governments.[1] This cash surplus rose rapidly through 1946 and is at present running at the substantial annual rate of somewhat over $10 billion. Under normal circumstances such a surplus could be expected to exert a materially deflationary influence on the economy. Since we have been, and may still be, in a period when inflation was our chief worry, the restraining influence of this large cash surplus has been all to the good. It is, in fact, just about offsetting the inflationary effect of the heavy net export surplus.

What Is Ahead?

Where do we come out? Do these developments mean a further boom or a recession? In two important respects the recent predictions of the forthcoming recession were both realistic and useful. First, if the business situation had continued to develop as at the turn of the year, there might well have been real trouble. The wide advertising of the prospect of a recession may therefore have itself helped to tone things down before they got too far out of hand. For example, the rapid bank credit expansion at the turn of the year has leveled out. In some areas there has been an actual contraction.

Second, if by recession one means a catching up in certain lines, a softening of some prices, and for some industries the inevitably painful experiences in adjusting to a somewhat less affluent economy, then the predictions of a recession were not only realistic but they have also been confirmed. We are now in that period of adjustment. But it so far has meant little more than the return of conditions where the consumer may, if he is modestly lucky, ask for and get not only the right neck size and sleeve length but also have the choice between two colors. It has not meant anything approaching mass unemployment. In fact, unemployment nationally, which had increased slightly in April, declined substantially in May.

Immediate Outlook Depends on Export Volume and Construction

I.

Whether we have a sharp recession within the next 12 or 18 months seems to me to depend largely on exports. If our net export surplus is terminated too abruptly, a sharp recession would then be quite possible, for the whole remainder of our adjustment to a more normal peace-time economy might then be dumped in our laps in one package. This does not seem to me to be too probable. Current foreign economic policy discussions point rather to further substantial foreign aid with a view to getting Europe on a self-sufficient basis. While this may mean reduced exports eventually, the immediate effect is probably to sustain our exports at somewhere near the present level for the immediate future.

II.

In that case I should hope that further increases in construction activity might roughly offset a decline in inventory accumulation. It seems not to be realized generally that, relative to our total gross national product, outlays on construction are still extremely low. In the first quarter of 1947, construction outlays of $9 billion on an annual basis represented less than 5% of gross national product, relatively somewhat less than in 1920. During the better years of the Twenties, construction represented 8 to 10% of gross national product. It does not seem unreasonable to think, therefore, that if capacity can be expanded and costs reduced moderately, outlays on construction might expand by another $8 billion. A further increase in outlays for consumers' durables together with, if necessary, the elimination of the government's cash surplus would add another $12 billion.

The economy still has, therefore, a potential expansion of roughly $20 billion in these three areas alone. This would somewhat more than offset the complete elimination of the net export surplus ($11 billion) and inventory expansion ($5 billion).[2]

Possible Expansion and Contraction in Gross National Product

(In billions—annual rates)

Further Expansion	
Construction expansion	$8
Consumers durables expansion	2
Elimination of govt. surplus	10
Total	$20
Possible Contraction	
Elimination of net export surp.	$11
Elimination of inventory accumulation	5
Total	$16

The skeptic will certainly be pardoned if at this point he raises an arched eyebrow and remarks, "How nice. They must do it with statistics!" The sixty-four dollar question, of course, is whether the increases and decreases will take place gradually enough or simultaneously enough approximately to cancel each other out. Probably not. They seldom have in the past.

This brings me to my final conclusion about the immediate business outlook. If this analysis has been reasonably realistic, it clearly does suggest that the buoyant forces in the country are still strong. Even if some decline in general business activity should develop within the next year, there is little reason to expect the sort of cumulative downward spiral that plagued us during the early Thirties or even from 1920 to 1921.

As a matter of fact the real dangers now are from prices in two critical areas that are showing too much strength—food products and construction. If the former particularly continue high, there will be a legacy of all sorts of difficult consequences. Further wage demands will be difficult to hold to moderate proportions. And continued abnormally high farm prices could induce land price inflation that would endanger the currently sound position of agriculture. If a recession could restore these prices to some degree of balance, it might well be a cheap price to pay.

The real danger is that our legacy of depression-mindedness from the Thirties may prompt our jumping in prematurely to halt a decline in national income and employment, which in this case would probably neither go far nor continue for long.

Too Much Preoccupation With Short-Run

It seems to me we have been much too preoccupied with the possible consequences of an immediate recession. It has almost become a national business neurosis. This national pastime of examining the business tongue in the mirror every time the economic pulse-beat, as measured by our favorite index, wiggles by a point or two is in very real danger of causing us to overlook fundamental economic policy ques-

[1] This is not precisely the same thing as a budgetary surplus, though closely related. It attempts to measure the extent to which via taxes and other receipts all government units (Federal, state, local) take more funds out of the income stream than they replace through outlays for goods and services.

[2] All of these figures are preliminary estimates of annual rates on the basis of information available in the first quarter of 1947.

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tions on which the public does need to make up its mind.

I.

Foremost in importance for us in this area is the question of a long-run American agricultural policy. The wartime price support program expires within 18 months, and the presently swollen flow of agricultural exports will not automatically go on forever. What then?

A permanent price support program? If so, other questions arise. Are we willing to adopt production controls? How can the parity or support level be kept up-to-date so that some products are not over-priced at support levels and some under-priced? If the support program is effective, our domestic agricultural prices will tend to exceed world levels. If so, do we give up the export market entirely with further production controls? If we sell agricultural products in world markets for whatever they will bring, how do we avoid the charge of a two-price system, dumping, and economic warfare? These are hard questions. But by 1949 we should be well along toward their answers.

II.

Of by no means secondary importance are questions about our general foreign economic policy. In the Twenties our tendency to sell more to the rest of the world than we bought from them resulted in a persistent decline in our agricultural exports. Whatever prevented a larger volume of imports into this country was in no small way responsible for the low degree of agricultural prosperity in the Twenties. Yet during this period we twice raised tariffs which further restricted imports and therefore further reduced agricultural exports.

Are our current policies aimed to prevent a repetition of that sort of a crazy-quilt world economy? Will agriculture itself (which might have much to gain) support such policies? Conversely, have we been so preoccupied with setting up the requisities for making a going world run better, instead of recognizing that the world must be able to walk before it can run?

These, it seems to me, are the real questions posed by my subject, "The Economic Outlook." Those more expert than I am in such matters seem to feel that recent events have restored to the United States the bargaining power which she apparently lost during successive phases of the war. If so there now exists the opportunity, through real business statesmanship, to answer some of these questions which I have just raised.

The time is opportune. The world economy is in a fluid state. It would be unfortunate if, through excessive preoccupation with wiggles on our favorite business graph, we ignore the opportunity.

First Boston Corp. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—The First Boston Corp., 231 South LaSalle Street, has added Ranald A. Finlayson to their staff.

With Glore, Forgan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Thomas I. Kevin has become affiliated with Glore, Forgan & Co., 135 South LaSalle Street, members of the New York and Chicago Stock Exchanges.

With Eastman, Dillon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Edgar S. Beaumont has become associated with Eastman, Dillon & Co., 105 South LaSalle Street.

The State of Trade and Industry

(Continued from page 5)

usual seasonal decline in output in some manufacturing lines also occurred. Unemployment also increased somewhat during the week as a consequence of the number of persons out of work due to strikes or layoffs.

Declines were registered in steel ingot output, electric power production, daily average crude oil output, and car loadings of revenue freight.

Latest reports in regard to lumber production indicate a continuance of the present high level of output.

At the recent New York furniture show buyers' attendance reached record proportions. Cheaper grades of upholstery and novelty furniture moved slowly. Rug displays were well received, but some disappointment was apparent at the limited production.

Shoe production in the first half of 1947, according to the June 30 issue of the "New England Letter," published by the First National Bank of Boston, is estimated to have exceeded demand. It further reports distribution channels well stocked, although fall requirements do not appear to have been fully contracted for in some cases. Manufacturers, it notes, have curtailed operations in line with reduced unit sales at retail, and output is believed to be about 25% below a year ago. The decline, however, the "Letter" points out, is principally accounted for by sharply reduced production schedules of play shoes, house slippers, and other casual types which enjoyed an exceptional demand in recent years when there was a shortage of staple footwear.

STEEL OPERATIONS ADVANCE—PRICES TO RISE

The average price of steel will be advanced, this week or next, one-fourth of a cent a pound, or $5 a ton, because of higher steel-making costs, according to "The Iron Age," national metalworking weekly. The U. S. Steel Corp. is expected late this week to take the lead in the price adjustment which will cover virtually all major steel products. Some product prices will be raised more than others.

The steel price increase will amount to about 8.8% on the basis of "The Iron Age" weighted steel composite price of finished steel which early this week was 2.85664c per lb. After the price adjustment is made the average price of steel is expected to be about 3.11c per lb.

The new steel prices when announced will become effective immediately because steel is now sold on the basis of price at time of shipment. The average price for finished steel will be 33.4% higher than it was in 1939 when competition had driven the price of steel somewhat below the 1937 average. Compared with the average price in 1946, the new steel price will be about 16% higher than in that period, the magazine states.

The industry's experience following the steel labor contract, increased coal costs and a continual loss on some products are the basic reasons given for the proposed price increase.

Rather than face a complete shutdown in the steel industry with a possible irreparable loss of 4 to 6 million tons of steel because of the coal strike, the leading industrialists involved in the negotiations felt that the coal contract was not too high a price to pay to prevent a total breakdown in industrial production such as occurred in 1946, the paper stated.

With both coal and steel labor problems settled for at least a year indications this week were that the steel industry in 1947 would come close to approaching the all-time high in output made in 1944 when steel firms produced 89,642,000 tons of steel. There is a good possibility that steel output this year will go beyond 85 million ingot tons.

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 78.9% of capacity for the week beginning July 7, 1947, as compared with 72% one week ago, 96.9% one month ago and 87.8% one year ago. This represents an increase of 6.9 points, or 9.6% from the preceding week.

The week's operating rate is equivalent to 1,880,700 tons of steel ingots and castings compared to 1,259,900 tons one week ago, 1,695,700 tons one month ago, and 1,547,400 tons one year ago.

ELECTRIC PRODUCTION 10.9% ABOVE A YEAR AGO

The Edison Electric Institute reports that the output of electricity decreased to approximately 4,150,000,000 kwh. in the week ended July 5, 1947, from 4,674,748,000 kwh. in the preceding week. Output for the week ended July 5, 1947, was 10.9% above that for the corresponding weekly period one year ago.

RAILROAD FREIGHT LOADINGS 3.8% BELOW 1946

Car loadings of revenue freight for the week ended June 28, 1947, totaled 846,141 cars, the Association of American Railroads announced. This was a decrease of 55,155 cars, or 6.1% below the preceding week, and 33,403 cars or 3.8% below the corresponding week for 1946. Compared with the similar period of 1945, a decrease of 47,806 cars, or 5.3% is shown.

On July 3, the nation's 699 railroads petitioned the government for an increase averaging 16% in their freight rates. Should their request be granted it would add more than a billion dollars to their revenues in 1947.

AUTOMOTIVE OUTPUT LOWEST SINCE JANUARY

Production losses due to the July 4 holiday and plant closings resulting from steel shortages cut car and truck output in the United States and Canada last week to an estimated 66,537 units, Ward's Automotive Reports state. This was the lowest total for any week since the early part of January.

In the comparable week last year 45,155 units were turned out, while in the like week of 1941 the total was 96,457. Last week's revised figure was 103,203.

BUSINESS FAILURES RISE IN LATEST WEEK

After the previous week's decline, commercial and industrial failures took an upward turn in the week ending July 3, reaching the highest total in the last six weeks. Dun & Bradstreet, Inc., reports that concerns failing increased to 82 in the week just ended from the 60 recorded a week ago. There were more than six times as many failures as in the comparable week of 1946 when only 13 enterprises failed.

THE COURSE OF THE STOCK MARKET

The stock market last week suffered some curtailment in its trading activities as a result of the Independence Day holiday, on Friday. Early in the week prices advances to their best levels since the beginning of March. Mid-year reinvestment demand and short covering, it was reported, were responsible for the market's improved tone.

An easier tendency prevailed later in the week, but notwithstanding it, prices closed higher for the sixth advance within a seven week period. Improved business statistics, excellent earnings and larger dividends contributed their share to the market's increased strength.

WHOLESALE FOOD PRICE INDEX ADVANCES SHARPLY

A general uptrend in food prices, with advances in individual commodities more than double the number of declines, lifted the Dun & Bradstreet wholesale food price index for July 1 to $6.39, from $6.24 a week earlier. This was a rise of 2.4% in the week, bringing the current figure to the highest level since April 8, when it stood at $6.41. On the corresponding date a year ago, the index also rose sharply to $4.54 as a result of the temporary lifting of all price controls.

DAILY WHOLESALE COMMODITY PRICE INDEX SLIGHTLY LOWER

Continuing to move in narrow limits, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved slightly lower in the past week, closing at 259.27 on July 1, as compared with 259.73 a week earlier. At this time last year the index moved sharply upward to 217.15, due to the temporary relaxation of OPA price controls. This has narrowed the year-to-year increase to 19.4%, as against 30.4% shown a week ago.

Activity in grain on the Chicago Board of Trade fell off last week. Prices were unsettled and closed generally lower. The feature of the week was in corn which sold off sharply at the close. New seasonal highs for the cereal were established early in the period with July touching a new record high of $2.03½ per bushel. Late weakness in corn was prompted by improved weather conditions reported over practically the entire belt and further declines in premiums for the cash article.

Wheat prices showed a steady decline under the expanding movement of new wheat to market. Harvesting of the record-breaking 1,000,000,000-bushel crop of Winter wheat was reported well under way.

After a slight hesitation in the early part of the week, cotton values resumed their upward trend of the previous two weeks.

All active futures as well as spot cotton on the New York Cotton Exchange recorded substantial net gains. The outstanding feature was the independent strength shown in the new crop positions. To a large extent, demand was influenced by the anticipation and subsequent confirmation of a moderate rise in the mid-June parity price of the staple.

Continuing the improvement noted in the past few weeks, sales of fine and half-blood domestic wools in the Boston market were greatly stepped up during the past week. Considerable contracting for 1947 clip wools was reported in Texas and in practically all the Western States. The chief factor for the broadened demand for domestic wools has been the extreme tightness in the supplies of finer type wools in foreign markets.

RETAIL AND WHOLESALE TRADE HOLDS AT HIGH LEVEL

Retail activity centered around vacation needs and volume the past week continued at the high level of the previous week. Retail volume was slightly in excess of that of the corresponding week of 1946, reports Dun & Bradstreet, Inc., in its weekly review of trade. Clearance sales helped move slow merchandise with promotions confined to seasonal items. Consumers indicated preference for medium-priced articles.

The purchasing of groceries, meats and fresh produce was heavy and substantial quantities of all foods were available. Food prices were high and sales steady.

Improved weather conditions in many sections led to an increase in demand for Summer clothing. Increased interest was evident in dresses and lightweight men's suits. Medium-priced bathing suits sold well. Clearance sales were in full swing in department stores and retailers lowered the prices of various items of women's clothing and shoes.

Volume of household furnishings, hardware and known brands of electrical appliances rose. Backlogs of orders for tractors, combines and hay balers continued large.

Wholesale volume last week remained at the high level set in the previous week and continued well above that of the corresponding week last year. Buying became less inhibited in some lines but generally continued to be cautious. Collections were slow.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 28, 1947, increased 2% above the same period of last year. This compared with an increase of 3% in the preceding week. For the four weeks ended June 28, 1947, sales increased by 5% and for the year to date by 10%.

Although the extended holiday weekend curtailed trade somewhat here in New York last week, activity in the main continued seasonally strong. Sales volume of department stores was estimated at about 10% above that of last year, but differences in the number of days in which several stores were open played a part in the increase.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 28, 1947, increased 1% above the same period last year. This compared with an increase of 5% in the preceding week. For the four weeks ended June 28, 1947, sales rose 4% and for the year to date 9%.

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As We See It

(Continued from first page)

President now takes, is to us cause for deep uneasiness —a suggestion that so soon after the most costly and destructive war in history the American people either are prepared to contemplate another, or else do not understand precisely what it is that the President is saying.

Candor Essential

Such circumstances as these seem to us to make it imperative that we speak our own mind quite candidly while there is yet time. After some vague generalities about international interdependence, which apart from context might mean almost anything or nothing, the President says—and we quote his exact words lest there be any possibility of misrepresentation:

"It is now the duty of all nations to converge their policies toward common goals of peace. Of course, we cannot expect all nations, with different histories, institutions and economic conditions, to agree at once upon common ideals and policies. But it is not too much to expect that all nations should create, each within its own borders, the requisites for the growth of world-wide harmony.

"The first requisite of peace among nations is common adherence to the principle that governments derive their just powers from the consent of the governed. There must be genuine effort to translate that principle into reality. . . .

"When all governments derive their just powers from the consent of the governed there will be enduring peace."

Is Mr. Molotov, is Marshal Stalin, is the Politburo to interpret these sentences as a direct and unequivocal assertion that they must give up their dictatorship in Russia if they are to "cooperate" with the United States and other internationally minded countries to establish harmony and peace through the world?

If this is not what the President meant to imply, we can scarcely imagine what he did mean. If this is what was intended, the absurdity of the proposals would be obvious enough if the staggering implications of them did not almost benumb the intellect. Even Mr. Stalin some time ago felt it necessary or wise to express the view publicly that his type of government and the others throughout the world need not clash continuously, that, indeed, there was no reason why they both should not live in peace and harmony together on this planet.

Can He Really Mean It?

Does the President really mean that he does not think they can? Or, if he does not, can he possibly suppose that his words will be otherwise interpreted in Russia—and, for that matter, in many other lands?

Lest some one suppose that these sentences are isolated or chance remarks—more or less what the lawyers would term "obiter dicta"—issued without full realization of what was being said, let us proceed with more of the President's address:

"The second requisite of peace among nations is common respect for the basic human rights. Jefferson knew the relationship between respect for these rights and peaceful democracy. We see today with equal clarity the relationship between respect for human rights and maintenance of world peace. So long as the basic rights of men are denied in any substantial portion of the earth, men everywhere must live in fear of their own rights and their own security. . . .

"The maintenance of peace will depend to an important degree upon the progress that is made within nations and by the United Nations in protecting human rights."

This second requisite is, obviously, like unto the first and equally "out of this world" as it were. We must hope that the President is wrong—as we are sure he is—in believing that peace in the world is in any important degree dependent upon the willingness of Russia, or a dozen other peoples which we might mention, to adopt our "bill of right" or anything even approximating it.

We need hardly add that there are sure to be many, many observers in many lands who will be impolite enough to inquire about the abjuration of interference in the internal affairs of other nations so often made by us as well as other nations of late years.

The President's third requisite concerns the "free and full exchange of knowledge, ideas and information among the peoples of the earth, and maximum freedom in international travel and communication." Here the President gives expression to a most desirable consummation, but, again, we must hope it is not really essential to peace—since it, in anything aproaching the degree the President apparently has in mind, has never existed on this earth and is not likely to for a good many years to come, if ever.

The President's reference to it at this time, and in this manner, can hardly be interpreted as other than a thrust at Russia—which, it would appear to us, can hardly be expected to improve the prospect of peace.

A World New Deal?

The President's fourth requisite, accompanied as it is with the kind of arguments we have already here presented, can scarcely fail to be interpreted abroad as a continuation of our "relief diplomacy"—or perhaps a new kind of dollar diplomacy. To informed observers here at home it smacks discouragingly of most of the New Deal planning ideas and of the notion that eternal prosperity can be achieved by profligacy. Here it is:

"The fourth requisite of peace is that nations shall devise their economic and financial policies to support a world economy rather than separate nationalistic economies.

"It is important to recognize that the United States has heavy responsibilities here. The United States is the greatest industrial nation of the world, the leading exporter of agricultural products, and the greatest creditor nation. Europe and Asia, on the other hand, have been devastated by war, and with insufficient funds and materials are struggling desperately with mountainous problems of reconstruction. In this situation the economic and financial policies maintained by the United States are of crucial importance."

We can only hope that the American people, one by one, individually, and with eyes and minds open and independent, will read every line of the President's Independence Day address—and reach their own prayerful conclusions about it.

The hazards of our present course are real and serious.

What Can Be Expected of Employment Act of 1946

(Continued from page 6)

sion forecasting of the gross national product and its composition.

These, in my opinion, were wise changes. As it now stands, the Act represents a great step forward. While refraining from outrunning our present knowledge in the application of economic analysis and technique to governmental policy, it recognizes fully the concern of the Government for the national economic welfare and provides machinery and a procedure for dealing with it.

II

Objectives of the Act

I take it that the broad objective in carrying out the provisions of the Act will be to preserve and improve our kind of economic system while continually striving, in the light of experience, to remedy its defects. Much depends upon how the problem is posed. I think we can conclude from the historical record that the private enterprise system as we have seen it develop in this country has been characterized by productive efficiency and capacity for growth unmatched by any other kind of economic system of which mankind has had experience. Its great defect has been its instability and insecurity. There are many who believe that the instability is inherent in the nature of the system, and that as private capitalism develops into more advanced stages fluctuations in output and employment become more violent, with an underlying tendency toward stagnation. This in one form or another has been the thesis of the Communists, the Socialists, and within the past decade or so of the Keynesian economists, whose main objective, I think it should be recognized, has been to retain our kind of economic system by improving its stability.

Whether our economic system, as it develops into more advanced stages, tends to become more unstable is difficult to determine because the record has been shot through with wars and their aftereffects, on what up to now has been an ever expanding scale. Most of the very worst depressions, the chief exception perhaps being that of the 'nineties, came in the aftermath of war. Who can say today how much the severe maladjustments of the interwar period, including the great depression of the 'thirties, resulted from the first World War, and how much from causes inherent in the nature of our economic system? But, taking the record as we find it, there is no room for doubt that government must play a greatly increased role, as compared, for instance, with the nineteenth century, if we hope to prove that our kind of economic system can function acceptably to the mass of the people whose well-being is dependent on it; and the fact that we face the question after the world's greatest war, and in a world in which so many other nations appear to be seeking other kinds of solutions, makes the question more challenging than ever previously.

We shall need to use both short- and long-run policies. The business-cycle theorists have been quite right in pointing out that if cumulative upward and downward tendencies are allowed to run their course they may destroy our economic and political system; it is a grave question whether we could survive a recurrence of the early 'thirties. But, on the other hand, quite as much has been said about long-run tendencies which threaten to undermine the vitality and powers of growth of our economic system; and this kind of explanation has frequently been offered as to why the recurring great depressions have tended to become more severe. Granted that both types of policy are necessary, I would put the greater emphasis on what the Committee's Questionnaire calls the "basic principles," partly because this is the more fundamental approach, and partly because in our kind of political-economic system, and in our present state of knowledge, it seems to me the more feasible.

III

Difficulties in Forecasting

This brings me back to the question of forecasting. Thus far, as a tool of prediction economics has made a sorry record. Though one could draw illustrations from almost any phase of any business cycle, the two worst instances in my lifetime came when we most needed to be right. At the end of 1929, at a joint meeting of the American Economic Association and the American Statistical Association, the most prominent forecasters of those days differed as to whether the depression would be over by February, or by Labor Day, 1930, and no one foresaw that we were entering upon the worst depression in our history. The other occasion was in 1945, when the econometricians, using precisely the techniques laid down in the original Murray draft of this Employment Act, predicted unemployment of up to 10 millions within six months after the end of the war, and laid the groundwork for the anti-deflationary policies of the immediate postwar period. There is no near-by likelihood, in view of this record, that fiscal policy can be a precise instrument of stabilization.

Until economic forecasting has proved itself—and I continue to be skeptical of how much can be achieved in view of the complexity of the problem and the non-measurability and unpredictability of so many of the data, including particularly human behavior in a free society—I think we are likely to have more success in cutting off the tops and the bottoms of the larger fluctuations than in attempting to iron out the business cycle altogether. Before acting on the basis of predictions, it will probably be wiser to wait and see what really is developing. Such a procedure would leave room, and this seems to me essential, for corrective tendencies within the business situation to operate, while preventing cumulative maladjustments from getting too seriously out of hand.

But with this kind of reservation I do agree on the necessity of compensatory fiscal policy—including a cyclically unbalanced budget (with surpluses in good times as well as deficits in bad), cyclical variations in both taxation and expenditures, and cyclical debt management. Its function should be to play the kind of role which until the 1930's was played by the central bank. Even before the last war it was becoming clear that one price we should have to pay for continuous budget deficits was the submerging of monetary policy by fiscal policy; and with the great growth of the public debt during the war, it is being recognized increasingly that the possibilities of varying the interest rate as a means of controlling economic fluctuations are now much more limited than formerly, though my own view has been that we should unfreeze the wartime pattern of rates and could then exercise considerable effect through variations in the short-term rates.

Since 1914, we have seen the Federal budget grow from under a billion dollars a year to something over 30 billion dollars at present, or about one-sixth of the gross national product. This is a revolutionary change in the American economy, and it will probably be years before we entirely appreciate its implications. Obviously a budget of this magnitude provides room for variations in Federal revenue and expenditure which could have a powerful effect upon the level of output and employment. But this is a pioneer field, and one beset with political as well as economic difficulties. The first and at this time the most important task, I think, is to com-

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plete the transition from the wartime level of revenue and expenditure. For this reason I favored the recent tax-reduction bill as probably the only effective method of putting upon expenditures the pressure necessary for finding out what they reasonably need to be and letting the country know what the tax burden, on a peacetime basis, is going to have to be.

The machinery and the procedure provided by The Employment Act of 1946 can perform an important short-run function. The report of the Council of Economic Advisers and its continuing work through the year, the President's own Economic Report, and the hearings, studies, and report of the Joint Congressional Committee provide an opportunity for analyzing current tendencies and bringing together the knowledge and the collective judgment of the community in more effective fashion than has ever previously been possible. These, together with the fact that the business community over the past year has seemed to be more conscious of the problem than in previous periods of expansion, seem to me to constitute our chief reliance for knowledge as to where we are going from year to year. As I have said, once that knowledge develops into reasonable certainty as to the short-run trend I would rely primarily on fiscal policy for moderating short-time economic fluctuations. One advantage of a budget of the present magnitude (whatever may be its disadvantages) is that deliberate compensatory fiscal action would be reinforced by the automatic "built-in" flexibility that a tax structure based largely on the progressive income tax affords.

IV
Main Task of the Act

The main task, however, in carrying out this Act should be to improve the vitality of our economic system. The war revealed the enormous productive power of this country when our efforts are united upon a common goal. There is no precedent in history for the expansion of output that occurred, despite the taking of 12 million men in the armed forces, between 1939 and 1945. Perhaps its most extraordinary aspect was that, though about 45% of the nation's total effort was devoted to war production, and private capital formation and production of consumer durable goods were virtually suspended, civilian consumption as a whole was at the highest level it had ever reached. It was fundamentally the expansion of output, coupled with the good sense shown by the community in saving a large fraction of its money income, that was responsible for our comparative success in preventing inflationary developments during the war.

Thus far in the postwar period, though we have made mistakes, we have on the whole been fortunate. Although hampered in many lines by the unprecedented loss of work through strikes, reconversion has been fairly rapid. The deferred demands and the wartime savings (combined, I think, with the buoyancy and adjustability of an economy running at high employment) prevented any large initial drop when the war ended; and since the first quarter of 1946 production and employment have risen sharply. Though widely discussed for the past year, no convincing evidence of a recession has yet appeared; and if one should occur, it seems unlikely to be serious or prolonged. Though supply is catching up with demand for a growing number of consumer nondurable goods, the large demand still unsatisfied for consumer durable goods, construction and other capital goods, and the need of the rest of the world for our goods and services should provide the basis for high employment for some time to come, provided production and consumption are not checked by excessive costs and prices.

The great challenge of the postwar period is whether in the conditions of a free society, without the regimentation of a war economy, we can continue to enjoy a large, growing, and reasonably stable volume of production and employment. This is the objective of the Employment Act of 1946. If our efforts are to be successful they will have to be directed primarily, I think, not toward any merely quantitative and mechanical offsetting of fluctuations of private consumption and investment by governmental investment and expenditure (though as I have said fiscal policy should have an important secondary role), but toward making private enterprise function more effectively within itself. We need to strengthen the forces and the motives that make for vigorous growth even when the wartime stimulus is lacking; and as production and employment grow, we need to learn how to preserve a better balance of the complex relationships that exist in a modern highly organized economy such as ours. This is a task that suggests the need of continuous study rather than a blueprint of legislative or administrative action. The great virtue of the Act as finally approved is that it provides the machinery for such study rather than a specific policy or program. I was much pleased also that this was the note struck by the first report of the Council of Economic Advisers.

The heart of the problem lies in the relations of prices, costs, and profits. Though these have long been a main concern of economic theory, they have been overlaid in recent years by preoccupation with monetary and fiscal compensatory analysis, and the tendency has been to regard price-cost behavior as a kind of *force majeure* to be "offset" rather than corrected. It is surprising how little we know, and can agree upon, with regard to these relationships, and what course to steer in order to avoid merely (a) letting them take their course, (b) compensating for them by monetary and fiscal manipulation, or (c) subjecting them to direct control. None of these by itself is adequate, and the third is foreign to our system in ordinary peacetime conditions.

Since the war we have made the mistake, I believe, of lifting the controls too soon. A flexible price control, such as many favored in 1946, would have been better than the rigid system which the Administration insisted upon, and much better than the virtually complete absence of control which in the past year has resulted in the greatest rise of prices in any comparable peacetime period. Another major mistake was the excessive pressure for wage-rate increases, which had its origin, at least in part, in the mistaken anti-deflation policies of the immediate postwar period. But it now seems that the wage-price spiral may have run its course. Perhaps the main threat at present is that the high and uncertain costs of building may produce a setback. But we have usually done our building in periods of high income rather than low cost, and a moderate drop in building costs, together with improved labor efficiency in that industry, would probably be enough to set construction going in adequate volume. Meanwhile, our very large export trade is providing a powerful stimulus which should go far to bridge any gap in total output and employment until construction gets strongly under way.

A combination of rising incomes and falling prices is the heart of economic progress under the free enterprise system. An advancing economy is one that relies more and more on better technique and organization to increase its output, and more and more upon the rapid diffusion of the benefits through price reductions and income increases to expand consumption correspondingly. The mainspring of growth is productivity. After the last war we had an increase in productivity that has few parallels in our history. Output per man-hour increased for two successive years at the rate of about 10% a year (against a long-run average rate of about 3% during the years 1899 to 1941). Coupled with a fairly sharp decline of wage rates from the top of the postwar boom, it produced a 32% drop in the unit labor cost in manufacturing from 1920 to 1922. This pronounced fall in unit labor cost undoubtedly had much to do with the prolonged period of prosperity that followed. But there is reason to believe, I think, that in the prosperous 'twenties profits were too high too long, and that the wave of investment and speculation they engendered were a major cause of the great depression that ensued.

Thus far, following this war, there has been little evidence of increased productivity, but it should be in the making if the collective wisdom of management, labor, and government can be effectively focused on the need of it. Large-scale expansion of plant and equipment began with the war, and since the end of the war capital formation, particularly in manufacturing, has proceeded at a record-breaking pace. Many industries are in the process of adopting and applying new techniques developed or perfected during the war. The wear and tear of all types of equipment during the war years has necessitated replacements on a large scale. The re-equipment of large sections of American industry, together with the application of new technical processes, should result in a substantial increase in the physical output per unit of labor employed. But these changes will take time to make themselves felt, and for the period immediately ahead, probably the greatest possibility of a sharp increase in productivity lies in increasing the efficiency of labor. This is particularly true in some industries (such as building) where the speed of the individual worker sets the actual pace of production.

We must find some other method of settling labor disputes than the plethora of strikes that has characterized the postwar period. Though I am not enough of a labor economist to pass on it in detail, the Taft-Hartley Act seems to me a most important step toward evening up the responsibilities as well as the privileges of labor and management and toward minimizing strikes that have a paralyzing effect on the whole economy. I am particularly pleased by the provision for a Committee of Congress to continue to study the problems and the operation of the Act.

I strongly favor a high-wage policy, and a trade-union policy which insists on labor's sharing adequately in the benefits of increasing productivity. One of the questions about which we know too little is whether, from the standpoint of sustaining demand for goods and services, advances in wage rates ought not to be considered as a valid claim upon profits, coordinate with reinvestment. This is a most difficult question. Much would depend upon the circumstances, and due allowance would need to be made for profits incentive and for the need of capital expansion to promote the growth of output and real income. But I do think that in the economic literature of the past too little attention has been given to the question.

Wage rates are both income and cost, and quite a different kind of problem is raised when wage rates are increased in advance of productivity. We saw the consequences of such an advance in 1937, when the round of wage increases in the first half of the year, perhaps unparalleled up to then in any peacetime period of our history, undoubtedly had much to do with the renewal of depression. Such wage-rate increases lead to a cost-price spiral which almost always terminates in depression. Another difficult aspect of the wage problem is that wage increases in the more productive industries tend to spread to the less productive which cannot pay them without raising prices. Similarly, wage increases in the more productive parts of the country tend to spread to the less productive parts. To some extent these effects are unavoidable, and are part of the process whereby labor and other factors of production are moved out of less efficient and into more efficient industries or parts of the country. This is a process which has long been familiar to students of international trade theory. But it applies as much or more to production and trade within a country. The greatly increased strength of organized labor, however, particularly the growth of nation-wide unions and nation-wide collective bargaining, and the increased participation of Government in the settlement of labor disputes have raised new problems of this character which will require intensive and continuing study.

The fact, however, that wage increases are not and should not be uniform, and that many workers do not share in them, or do so only very slowly, constitutes a compelling argument for emphasizing price decreases as the most general method of distributing the benefits of increasing productivity to the general mass of consumers. This in turn suggests that one of our main objectives must be to remove obstacles to the effective functioning of competitive economic forces. The Act states in its declaration of policy that its purpose is to "have the Federal Government . . . use all practicable means . . . to coordinate and utilize all its plans, functions, and resources . . . in a manner calculated to foster and promote free competitive enterprise. . . ." Continuing study directed toward this end should be a major concern of the agencies set up under The Employment Act of 1946.

In this brief statement I have omitted many aspects of the problem of postwar production and employment. I have said nothing about agriculture, which many others are more competent to discuss. Except for the reference to the bearing of our large export balance on our current volume of production and employment, I have not attempted to discuss our foreign problems, though at this juncture they seem to me of paramount importance both for us and for the world. I shall conclude with one more reference to fiscal policy, not from the standpoint of its short-run uses, but from the much more difficult and I think more important standpoint of its long-run effects upon the economic structure. This is a pioneer subject. Taxation is essentially restrictive, and we shall probably be a long time in learning how to distribute the burden so that it will rest as lightly as possible on both consumption and investment. On the expenditure side, there will undoubtedly be a growing need for outlays that can be undertaken only by the community as a whole. I am sympathetic to public expenditure to promote higher standards of health, education, and security. By such means we can help to put a floor under consumption and at the same time increase the productivity and general well-being of our people. But such a program should not be confused with the policy, much discussed during the '30's, of compensating for long-run contractive tendencies toward over-saving and under-investment. I have been skeptical of the reality of such tendencies, but to the extent that they may occur, the best attack, I think, is through policies designed to promote a vigorous growth of the economy from within itself, and particularly in the continuing study of price, cost, and profit relationships.

Halsey, Stuart Offers N. Y. Telephone Bonds

Halsey, Stuart & Co. Inc. and associates offered publicly July 9 $125,000,000 New York Telephone Co. refunding mortgage 2¾% bonds, Series D, due July 15, 1982, at 103% and accrued interest. The group was awarded the bonds at competitive sale July 8 on a bid of 102.55199.

The bonds will be redeemable at prices ranging from 106% to 100%, plus accrued interest.

New proceeds will be applied by the company to the repayment of $79,300,000 borrowed from its parent, American Telephone and Telegraph Co., on demand notes, and $13,000,000 borrowed from The Chase National Bank of the City of New York on short-term notes. The balance of the proceeds will be applied toward the company's record construction program which has already required substantial expenditures and is expected to necessitate the obtaining of large amounts of new capital over the next few years. The company spent $83,000,000 for new construction in 1946 and $38,000,000 in the first three months of 1947.

The company on March 31, 1947, had 3,709,742 telephones in service, of which 3,696,657 were in the State of New York and the remainder in a small portion of Connecticut. The company estimates that other companies operating within New York State had in service on the same date approximately 300,000 telephones. New York Telephone as of March 31 this year had on hand nearly 447,000 unfilled applications for telephones and these were almost entirely for service in localities where adequate switchboard and outside plant facilities were not yet available.

Following the financing, the company's outstanding capitalization will comprise $75,000,000 in refunding mortgage 3% bonds, series C, due Oct. 15, 1964; the $125,000,000 in new bonds; and 4,213,000 shares of common stock, par value $100 per share, all of which is owned of record and beneficially by American Telephone and Telegraph Co.

Quarter Century Club At Central Savings

On Tuesday, July 8, Central Savings Bank held a special testimonial dinner to mark the establishment of its Quarter Century Club and to welcome as charter members everyone who had been associated with the bank for 25 years or more.

Guests of honor were the following 15 members, five of whom have served the bank for more than 40 years: Louis Watjen, trustee; F. W. Lafrantz, trustee; Robert Drysdale, trustee; Otto Strippel, Vice-President, Treasurer and trustee; Charles H. Kreeb, Assistant Vice-President; Carl Cordes, Assistant Vice-President; John E. Armitage, Assistant Branch Manager; Raymond C. Hague, Assistant Branch Manager; Frank P. Austin; Victor H. Studer; Paul Hellman; Louis Schneider; Alois Cesark; Harold Braue; Werner P. Grunert.

James T. Lee, President of the bank, presented each member with a gold service button and a $50 U. S. Government Bond. In addition, he stated that annual paid vacations for each employee who is a member of the club would be increased to four weeks.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Good market action of past few days doesn't detract from bear signals recently displayed. Present is good time to accept profits.

Since last week's column was written the market has gone up nicely and the blue glasses are s l o w l y being changed to pink ones. This is all to the good. It creates more interest; the interest fills more customers' rooms and brokers get more business. And if there is anything more bullish than a broker whose customers are long or thinking of going long, then I have yet to see it!

* * *

Here and there somebody throws out a cautious word, others are downright glum, but the great majority are assuming a cheerfulness they hope will be justified in the weeks and months to come.

* * *

If you read market letters you will see varied opinions. One letter-writer being frankly bearish, says: "Never in our history has a bull market started when the process of capital formation was at a record pace and there was practically full employment. Consequently we consider the recent market advance as merely a rally in a bear market."

* * *

Another writer disagrees. He says: "It was the persistent demand for such issues that started the market recoveries of 1932, 1942 and 1945. Still lacking is a widespread public interest—which is needed to create active trading. But in the past it has generally taken several weeks of quiet investment absorption before the public started to buy with any enthusiasm." You will note that the second writer leaves himself an out. He points to the past by saying that it has taken "several weeks of quiet investment . . . before the public started to buy. . . ." If the market doesn't go up it can be blamed on (1) no investment, and (2) no public participation.

* * *

Now comes the question of what does the column have to say about the market. The answer is that this column feels that the averages are within a few points of their highs. Whether that will be followed by an immediate break is something the soothsayers may solve. I do know that whenever market action has indicated a top, it is wise to step aside and let the action either be denied or confirmed by subsequent performance. I also know that it is practically impossible to accurately gauge the distance of a decline, or a rally. Such matters are often taken over by the public which makes its own picture.

* * *

Two weeks ago this column recommended the purchase of a few stocks. These were Bethlehem Steel at 83 and U. S. Steel at 66. Chrysler was also mentioned, but no specific buying figure was given. Last week this column pointed to an extension of the rally but also warned that it was becoming time to think of profits.

* * *

As this is being written Bethlehem is about 88½ and U. S. Steel at 72, Chrysler is about 115. In last week's column I suggested taking profits on Monday's opening on the assumption that openings would be the highest of the day. I was wrong. Prices improved later in the day and improved still more the following day. Nevertheless the entire action of the market continues to point to an intermediate top. This does not mean that a break is around the corner or that they can't go higher. As a matter of fact the averages look like they'll go to about 185 before a reversal occurs. The signals for turn down, however, have already been given and the trader who disregards them will be short-sighted.

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.]

Pacific Coast Securities

Orders Executed on Pacific Coast Exchanges

Schwabacher & Co

Members
New York Stock Exchange
New York Curb Exchange (Associate)
San Francisco Stock Exchange
Chicago Board of Trade

14 Wall Street New York 5, N. Y.
COrtlandt 7-4150 Teletype NY 1-928
Private Wires to Principal Offices
San Francisco — Santa Barbara
Monterey — Oakland — Sacramento
Fresno

Selden F. White Rejoins Thomson & McKinnon

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Selden F. White is again associated with Thomson & McKinnon, 231 South La Salle Street, members of the New York Stock Exchange. Mr. White, who has recently been in retirement, was formerly a partner in the firm.

With Wayne Hummer Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Earl C. Jockish has joined the staff of Wayne Hummer & Co., 105 West Adams Street, members of the New York and Chicago Stock Exchanges.

News About Banks and Bankers

(Continued from page 29)

shows a general reserve account of $15,665,817 compared with $15,424,265 on March 31 last.

* * *

Brown Brothers Harriman & Co., New York private bankers, in their statement of conditions as of June 30, 1947, reported total resources of $250,952,016 compared with $251,308,268 at March 31, 1947, and $212,633,722 as of June 30, 1946. Deposits at the end of June amounted to $224,226,511, compared with $221,107,304 on March 31, 1947, and $185,992,884 a year ago. Capital and surplus of $13,805,284 compared with $13,785,473 three months earlier and $13,725,455 on June 30 of last year. Loans and discounts totaled $56,142,926 against $59,066,554 on March 31 and $51,945,475 on June 30, 1946. Other important asset items compared as follows with figures for three months and a year ago: cash, $50,906,977 against $51,601,538 and $46,106,706; United States Government securities, $80,792,995 against $75,479,494 and $50,988,714; state, municipal and other public securities, $46,227,205 against $45,343,563 and $47,342,871.

* * *

As of June 30, 1947 the total resources of the **United States Trust Company of New York** were $140,613,605 against $152,518,800 as of March 31, 1947; deposits of $107,580,404 were reported in the latest statement compared with $119,447,913 on March 31. U. S. Government obligations a r e n o w $69,581,006 against $79,958,195, and loans and discounts are shown to be $32,327,664 compared with $24,842,066 three months ago. Capital and surplus are unchanged at $4,000,000 and $24,000,000, while undivided profits rose from $2,824,414 at the end of March to $2,835,339 on June 30.

* * *

Fulton Trust Company of New York reports total deposits of $33,035,843 and total assets of $38,771,304 in its statement of condition as of June 30, 1947, as compared with total deposits of $39,639,192 and total assets of $45,296,977 on June 29, 1946. Cash and U. S. Government securities amounted to $32,321,032, while cash, U. S. Government securities and demand loans secured by collateral totaled $42,517,559 a year ago. Capital and surplus showed no change in total at $4,000,000, and undivided profits were $1,335,447 (after dividend of $30,000 paid July 1, 1947) as compared with $1,293,530 on June 29, 1946.

* * *

The National City Bank of New York observed on July 1 the Fiftieth Anniversary of its Overseas Division. In the late eighteen hundreds American trade abroad was increasing rapidly, and the Bank saw a need to offer a more complete service to its customers with business interests in other countries. So on July 1, 1897, the Bank took what was to be the first of many steps in developing an integrated, round-the-world banking system. This was the establishment of the Bank's Foreign Department, now known as the Overseas Division. Arrangements were concluded with established banks in the most important world trade centers to act as correspondents. These arrangements have been expanded with the years, until today, in addition to its 46 branches in the principal cities of the world National City enjoys correspondent relationships with thousands of important banking institutions wherever trade is possible. In our issue of July 3, page 37, we referred to the 135th anniversary of the founding of the bank.

At a regular meeting of the Board of Directors of **The National City Bank of New York** on July 8, Rollin C. Bush was appointed an Assistant Cashier.

* * *

The Board of Directors of **The Fifth Avenue Bank of New York** have appointed Samuel Cochran, Jr. an Assistant Cashier. Mr. Cochran came to the Bank in 1932. During the war he served in the Pacific as an Intelligence Officer in the Air Corps with the rank of Major.

* * *

Charles G. Proffitt, the director and Secretary-Treasurer of the Columbia University Press, was elected a trustee of **The Greenwich Savings Bank, New York,** at a recent meeting of the board of trustees, it was announced by Earl Harkness, President.

* * *

The statement of condition of **Brooklyn Trust Company of Brooklyn, N. Y.** as of June 30, shows increases in total deposits and total resources since March 31, when the last previous statement was issued. Total deposits of $224,789,623 are now shown, comparing with $222,142,604 on March 31, while total resources June 30 are $242,600,401 against $239,722,102. Cash on hand and due from banks June 30 is reported as $61,146,531 against $52,868,188, and holdings of United States Government against $52,868,188, and holdings of United States Government securities at the latest date are $138,435,842 against $139,653,833. Total loans and bills purchased at the end of June appear as $30,278,277 against $32,571,329. Surplus June 30 of $5,700,000 represents an increase of $100,000 since March 31, while undivided profits are now $1,692,948 against $1,847,462. Capital is unchanged at $8,200,000.

* * *

Kings County Trust Company of Brooklyn, N. Y. reported earnings for the first half of this year were at the rate of $51.73 per share. William J. Wason, Jr. is President of the company. Surplus and undivided profits were $8,038,990 compared with $7,980,317 on Dec. 31, 1946. D e p o s i t s amounted to $51,211,032 and holdings of United States Government securities were $28,877,785. Cash on hand amounted to $1,145,214 and in banks aggregated $15,428,993. Capital remained unchanged at $500,000.

* * *

The **Tradesmen's National Bank and Trust Company of Philadelphia** has announced promotions in its official staff as follows:

James M. Large heretofore Vice-President has become Executive Vice-President; A. F. Hauck has been advanced from Asst. Vice-President to Vice-President; Harold Entwisle from Asst. Cashier to Assistant Vice-President; George W. Geuder from Asst. Cashier to Assistant Vice-President; Joseph McDonald, Mgr. Credit Department to Assistant Cashier; Fred A. Stocker from Asst. Cashier to Assistant Vice-President; Joseph R. Roberts from Asst. Mgr. Credit Dept. to Assistant Cashier.

* * *

The statement of **The Philadelphia National Bank of Philadelphia, Pa.** for the period ended June 30, 1947, shows deposits on that date of $646,492,061, consisting of $1,126,923 U. S. Treasury deposits and $645,365,138 representing all other deposits. This compares with deposits of $613,809,317—$8,697,022 of U. S. Treasury deposits and $605,112,295 covering all other deposits—reported on March 31, 1947. Total resources amounted to $712,623,219, compared with $680,581,588; loans and discounts $120,070,988, compared with $117,744,886; cash and due from banks aggregated $230,510,356, compared with $218,064,943; U. S. Government securities $309,441,391, a g a i n s t $290,843,969; state, county and municipal securities were $15,005,879 versus $14,290,747; other securities $32,483,743 against $33,239,993. The capital stock of the bank and the surplus at the end of June both remained unchanged at $14,000,000 and $36,000,000, respectively. Undivided profits were $7,876,060 compared with $7,706,801 at the end of March.

* * *

The board of directors of **The Central National Bank of Richmond, Va.,** announced on July 1 the election of W. Harry Schwarzschild, Jr., E x e c u t i v e Vice-President and Howard E. Gill, Vice-President

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The **Fifth-Third Union Trust Co. of Cincinnati, Ohio,** reported total deposits and total resources of $207,603,665 and $227,868,316 respectively on June 30, 1947 compared with $213,838,503 and $233,695,805 on March 31, 1947. Of the total deposits on June 30, $1,451,638 represented government deposits which at the end of March had totaled $6,568,900. U. S. bonds held by the bank at the end of June are shown as $84,645,414 against $93,615,176 three months ago; cash and due from banks at the latest date amounted to $55,050,405 compared with $59,408,810 on March 31; loans and discounts at present are $64,281,862 with additional unused loan commitments outstanding of $6,500,056, against the figures for March 31 of $61,368,755, with unused commitments outstanding of $8,332,827. Capital and surplus have been unchanged during the 3-months period and stand at $6,000,000 each, while undivided profits appear as $3,204,340 in the latest report, against $3,017,982 on March 31.

* * *

The **Continental Illinois National Bank and Trust Company of Chicago, Ill.,** announced total resources for the period ending June 30, 1947 of $2,374,270,926 and total deposits of $2,185,408,382 compared respectively with $2,227,056,286 and $2,038,434,994 on Dec. 31, 1946. U. S. Government obligations held by the bank at the present time amount to $1,316,616,022 compared with $1,179,451,969 at the end of 1946; cash on hand and due from banks at the close of June was $571,561,779 against $565,280,423; loans and discounts in the most recent report were $417,745,167 compared with $406,741,298 on Dec. 31. Capital and surplus have remained unchanged at $60,000,000 each while undivided profits are now $39,054,064 compared with $35,585,318 on Dec. 31, 1946.

* * *

The **Harris Trust and Savings Bank of Chicago, Ill.,** announced in its statement of condition as of June 30, 1947 that total deposits and total resources were $458,854,309 and $496,809,509 respectively, compared with $390,745,495 and $449,147,610 on March 29, 1947. Holdings of U. S. Government obligations by the bank amounted at the end of June to $165,587,504 against $111,321,412 on March 29; cash and due from banks was $119,231,445 compared with $95,721,365; loans and discounts at the latest date are shown as $166,934,083 against $164,543,286. Capital and s u r p l u s remained unchanged at $8,000,000 and $12,000,000, respectively, and undivided profits a d v a n c e d from $5,811,865 to $5,692,337 at the present time.

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This Perverse Stock Market

(Continued from page 4)

our excesses in both directions. Nothing has stopped them in the past and nothing will stop them in the future. Of course, the more restricted the facilities for exploiting the excesses, the less violent will be the ups and downs.

What is taking place now is the first stages of a manifestation of the inflationary aspects of our economy. There are developments in the financial and economic world which ring a familiar note in their broad aspects —they simply change their names and character but on the whole, it's a familiar pattern.

After the first World War, it took several years for the monetary inflationary factors to expand to a point where the virus transferred itself to the stock market. The intermediate period of housecleaning, reorganization, and readjustment during the grim years of 1920, 1921 and 1922 has telescoped itself in this modern age into a period of three or four months. Do not overlook the fact that after the first World War we had no previous pattern to follow. Everything was out in the open. There was no floor plan of a previous war; we had no earlier mistakes to correct and as is quite natural, plenty of mistakes were made. The inventory collapse whch followed took several years to work itself out.

Fewer Mistakes Than After World War I

This time, the mistakes are fewer; there are some, to be sure, but in the minority. Thus far we have come through a period of readjustment with very few casualties.

Having made mistakes 25 years ago and benefited by them, it would be logical to assume that during the next few years of advancing prices, we should again benefit by the excesses of the 1922-1929 bull market which reached dizzy heights. We may make mistakes again but they will not be the same mistakes.

We have now reached a level in the stock market where the bears have very little left on which to hang their hats. They can still shout from the housetops that we continue in a bear market until the industrials go through 185 or the rails through 53 but that is slim comfort for those who had a chance either to cover their stocks or to go long when the industrials were floundering around the 165 level and the rails around the 42 level.

I have always found Dow theory a very interesting formula and during my last 40 years in Wall Street, 30 of which have been spent in watching the stock market averages, the Dow theory has been helpful only insofar as a trend was concerned and then only after it had been established many weeks or months prior thereto.

1946-1947 Only a Bull Market Interruption

When the stock market fell out of bed last September and October, I held the view that we were not beginning a bear market. When the history of the present stock market is written, the decline from September 1946 to May 1947 may be characterized simply as an interruption in a broad bull market. In my opinion, the big forward movement will not culminate until some time in the Fall of 1949. I venture the opinion without qualification that during 1948 and 1949 you will see security prices much higher than they are today, maybe 50 to 100 points. It is possible, of course, that part of the advance from the middle of May to the present time may run into a correction period sometime this Summer or Fall before we start the two-year upswing but, when you are handling portfolios, these intermediate contrary movements should not be taken too seriously.

To say that the stock market habitually discounts business very much in advance of the actual fact, is a most trite observation. Very often the stock market discounts a change in opinion of the businessmen rather than the actual business happenings.

Memories in Wall Street are notoriously short yet only a few months ago the stock market was in the throes of gloom and despair because the soft goods industry was going through a period of readjustment. At that particular time, the bears were outspoken in their convictions that this readjustment in the soft goods industry would communicate itself to the heavy industries and that, therefore, we were in the first cycle of a severe business depression.

Soft Goods Correctives Isolated

I have held to the view and still hold to it, that the correction that was taking place in the soft goods industry was only that and nothing more; that the capital goods industry would continue to proceed at capacity business and that in the final analysis the tail would not wag the dog, the dog had simply been wagging its tail and that eventually both dog and tail would wag together.

Time and again we have reached a political or business or an international situation where the cards dropping one way or another, were supposed to influence the trend of the stock market for the long run; but usually these influences lose their power.

During the past 12 months there have been periods in the stock market where our relations with Russia seemingly were the uppermost determining factor. At another time, it was a railroad strike or a coal strike or the Tax Bill or the Labor Bill. In the broad trend, however, all of these momentary "crises" are nine-day wonders.

Statisticians, chart experts and the like always are trying to make comparisons, the most notorious of which was prevalent about three or four months ago when we were swamped with charts from various services comparing the 1946-1947 market with that of 1919-1920. I took occasion at the time to point out in an article in "The Chronicle" that the conditions were so dissimilar and that while a few factors seemed somewhat identical, the more important current factors were so completely at variance with those prevailing in 1919-1920, that the comparison did not invite serious study or attention.

Lately, other statisticians and chart experts who still are convinced the present upswing is but an interruption in the broad down trend, point out that 1936-1937 would be a better comparison and that **that** is the pattern we should watch and follow. They call attention to the decline into June of 1937, a two months' recovery and then a wide open break in the Fall of 1937.

The present chart picture of the market is somewhat different from 1936-1937 but with a sharp pencil you could make out a case for some similarity. But from a business and technical standpoint the underlying factors are miles apart.

I could talk for hours taking financial, economic and technical conditions item by item and could prove without any doubt that conditions today are entirely different from those prevailing 10 years ago.

Cycles

Now a word about cycles.

The 40 to 44 month cycle of changing direction in stock prices is not understood as competently as it should be. Many people take the erroneous view that this means the stock market goes down for 40 to 44 months and then goes up the same length of time. As a matter of fact this cycle, which is a most interesting one and which has been most helpful during the last 40 or 50 years, means that the stock market has a habit of **changing its direction** every 40 to 44 months, from top to top and from bottom to bottom. Everyone, of course, has the privilege of plotting his own cycle, applying it to the stock market and reaching his own conclusions. I have that privilege as well.

According to my calculations and plotting, in the 40 to 44 months chart on the averages going back to 1911, an unusual degree of accuracy prevails which becomes distorted at only **one period** in the entire structure—that period covering 1927 to 1931. In other words, taking those four years out of the picture, you would have an usual record of accuracy.

What does the cycle say now? From a time standpoint the next aggressive upswing is due to start sometime between November 1947 and the Spring of 1948—and if the cycle behaves itself in a normal manner — the next four to five months may keep the market within boundaries of let us say —170 to 190.

Time does not permit me to go into several additional technical indications—such as the bond market as a forecaster of stock prices—or the various ratios of speculative to investment issues —called an index of confidence by some. It is sufficient to say at this time that these forecasting indications are also for the present in an upward direction.

The Marshall Program

(Continued from page 16)

world who cannot, without our help, start the wheels of economic recovery. It proposes to combat those economic conditions which are the breeding-ground for revolution and war.

More important still—whereas the Truman Doctrine apparently abandoned the concept of One World and blew the bugle for a political and perhaps military struggle between East and West, Secretary Marshall has now announced a program of planned United States aid to **all** of Europe, including Eastern Europe and the Soviet Union. To quote his own words: "Our policy is not directed against any country or doctrine, but against hunger, poverty, desperation and chaos."

Unfortunately, the President's original proposal not only confused the minds of most Americans and of many people abroad; it also let loose a dangerous flood of emotions. It won loud acclaim from the extreme Russia-haters, red-baiters and reactionaries of all sorts, evoked protest from a strange mixture of idealistic progressives and cynical irreconcilable isolationists. Worst of all—it alienated the great majority of middle-of-the-road Americans whose common sense told them that we must not hastily abandon the One World idea nor the hope of reconciling our differences with the Soviet Union.

Abroad the result was much the same. The Soviet Union and the Communist parties in various countries interpreted the Truman Doctrine as a declaration of ideological war. The Right Wing anti-democratic elements in the various countries rejoiced and climbed on our band-wagon. The great mass of patient, suffering peoples shuddered with fear as they felt pushed nearer and nearer to a forced choice between what appeared to them as the rival imperialisms of East and West.

Unfortunately, it will take time to undo the damage and to recapture at home and abroad the confidence and support which the new program deserves and needs in order to succeed.

Not only the Russians but people throughout the world must be brought to realize that the Truman Doctrine is dead; that the question now before the house is the Marshall program; and that the Marshall program is basically different in objective as well as in approach. The existing climate of tension and confusion has obscured the dramatic change of direction by our government.

It is, of course, quite possible that we may see another sudden reversal and a return to the original ideological or geopolitical emphasis. Such a regression might come about either through failure on the part of Soviet leadership to appreciate and trust the change of heart which has occurred here—or through failure on the part of our government to stand by the principles which it has now affirmed.

Whatever the future may hold, the fact is that the Truman Doctrine was proposed and debated in such a way as to produce heat rather than light. What we need now is the opposite kind of study and discussion.

A Cooperative Program

Perhaps the greatest virtue of the Marshall program—apart from its basic soundness and common sense approach—is that by its very nature it is a cooperative program. Instead of single-handled hit-or-miss action in various parts of the world, it requires first of all a careful appraisal of the world's economic needs and resources, by those who need help and those who are able to supply it. This means that the peoples of Europe must assess their needs, establish priorities and come to us with the result of their calculations. It means that we in turn must find out which of these needs we can supply out of surplus, which we can supply only if we produce more than we are now producing, and which we can supply only if we produce more and also consume less ourselves.

That is where the new foreign policy involves a new domestic policy. To be effective, the Marshall program must include a careful appraisal of our national resources, of our production capacity, and of the possibilities of increasing and re-directing a part of our productive efforts. This implies some degree of over-all economic planning and control, similar to, though not as rigid and far-reaching as that which we used so successfully to win the war.

Some of our extreme conservatives will view this prospect with alarm. It is useful to remember that these same ultra-conservatives objected to any sort of planning and control to save this nation from disaster in 1933 and again in 1941.

The Marshall program will also greatly affect our fiscal policy. It will cost a lot of money—perhaps as much as six or seven billion dollars a year for a period of years. But we are now spending almost twice that amount each year on our military and naval budgets. These can certainly be reduced once peace is more firmly established. And even if, over the next 10 years, we should spend as much as $70 billion to reactivate world recovery and establish peace—which is unlikely—this huge sum would be only a fraction of what we should lose in the major depression which would follow a European collapse —only a pittance compared to what we should lose and spend in fighting another war.

Some of our Right Wing economizers and isolationists will not like spending all this money. They will scream that we are over-exporting — that we are squandering our heritage on foreigners whose fate does not concern us—that, if saving the world costs too much, we had better save ourselves—forgetting that we cannot save ourselves except by helping the world to save itself. Again, these are the same voices uttering the same arguments by which they wrecked the peace after World War I, brought on the Great Depression and thus sowed the seeds of World War II.

Lend-Lease for Peace

Yet, even from a purely selfish, nationalistic point of view, the six or seven billion dollars a year, which we shall be called upon to lend-lease for peace, will be the hottest kind of hot money if we fail to spend it. It will burn the hide off our own hands. Holding on to it means deliberately shutting off our export markets and thus deliberately creating unemployment and reduced production here at home. Holding on to it means denying to the world its only available means of getting back upon its feet. And, unless the world does get back upon its feet soon, there will be little chance of preserving human freedom—or of building an enduring peace.

For the first time since VJ-Day we, the American people, face a clearly drawn basic issue. Here it is:

It took courage to put forward the Marshall program. Shall we make good on the promise? Shall we use our great strength to lead the world toward recovery and peace?

Or shall we disavow the Marshall promise—as once we disavowed the Wilson promise—and, by attempting to hoard our power, render it as useless as a miser's gold?

The Russian's cannot change this issue.

They, too, have a decision to make. But their decision cannot now affect our decision any more than it could in early 1941. Now, as then, it can only make our task infinitely easier or vastly more difficult.

The sooner we realize this—and the sooner the Russians realize it —the better.

We live in precarious times. The burden upon our public servants is great. The more they feel behind them the calm determination of the people to finish the job for which so much has already been sacrificed—so vastly much more than is still required—the greater will be their wisdom and their effectiveness.

Business Man's Bookshelf

Cuba: Supplies your Sugar; Buys your Products—Booklet on importance to American exports —American Chamber of Commerce of Cuba, P. O. Box 849, Havana, Cuba—paper.

At Ross, Browne & Fleming

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Richard W. Carlson is now with Ross, Browne & Fleming, 919 North Michigan Avenue.

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Clarification of International Settlements Bank

(Continued from page 16)

1945. Sometimes the BIS was faced, during the war, with conflicting orders from an Axis-occupied country and from the London officials of that country. In such cases, it explains, it did nothing.

It was BIS policy from the beginning of the war in 1939 to permit gold movements to the United States and to safeguard gold which central banks had deposited with it on the Continent. In such cases the BIS insists it always ascertained that the metal involved had been the prewar property of the member country concerned. It states that in the cases of Axis-occupied countries it never executed orders without the approval of the United Kingdom and France. In the case of the £10,000,000 of Czechoslovakian gold surrendered in May 1939 —before there was a state of war —to Germany, the BIS had the advance consent of the UK Government; that gold, moreover, was located in London, yet the British Government did not interfere with the Bank of England's turning over the gold, because it was precluded therefrom by the protocols of 1930 and 1936.

In addition to sending neutral gold to New York, the BIS early in the war sent some of its own gold here. It also accepted gold in Switzerland in exchange for gold in New York, as for Yugoslavia; gold in Buenos Aires for gold in New York, as for Hungary; gold in Amsterdam against dollars in New York, as for Holland, etc. The BIS also facilitated the movement of Dutch gold to London and New York. It accommodated Switzerland by giving gold in New York in exchange for gold in Bern; and the Polish Government-in-exile by giving gold in London for gold in Paris. But the BIS refused Rumanian gold which that country had received from Germany. And when, in 1940, contradictory orders were received from Norway and from the Norwegian central bank authorities in London, the BIS followed neither, because of inability to decide the facts and laws involved, it states. Conflicting Belgian orders had the same result.

Similarly, in the cases of the Baltic states, when these were occupied by the USSR the BIS did not follow orders. Later, when they were overrun by the Germans and the officials of those central banks thanked the BIS for having ignored their previous orders and now gave new orders, the BIS disregarded them as well. In the case of instructions received from Yugoslavia prior to the Axis invasion, the BIS as soon as it learned of the invasion transferred the assets of Yugoslavia to New York; but when later conflicting orders were received from two sets of Yugoslav central bank officials, the accounts were blocked.

Dividend Distribution

In addition to acting prudently in such matters, the BIS during the war either suspended the distribution of dividends, or made the distribution thereof without actually remitting foreign exchange. In occupied member countries, it restricted transfers of shares to cases like deaths. All wartime annual meetings were held by proxy. The Chairman of the Board until 1942 was a Britisher, and after 1942, a Swiss; and throughout the war the BIS's President was an American.

During the war the BIS increased its liquidity by acquiring gold to a peak of approximately one-fourth of its assets; and it reduced its assets on the Italian, Hungarian, French, German and Polish markets. It simultaneously increased its holdings of dollars, Swiss francs, and gold in the USA, UK and Switzerland. On March 31, 1945, the BIS's gold holdings in millions of Swiss francs were distributed as follows: Bern, 53.6; New York, 31.0; London, 10.0; Portugal, 0.6; total 95.2. At the end of 1946 the gold total was 97.1.

Present Problems

Apart from disspelling the cloud over the BIS, three questions were in the minds of the officials who came to this country in April: the deblocking of BIS funds in the USA, ascertaining the BIS's stake in the German settlement under negotiation, and coordinating the activities of the BIS with the World Fund and Bank. In consequence of having its permanent resources so largely tied up in Germany, the BIS on May 2, 1945, wrote to the creditor governments under the Hague agreements and to the United States Treasury Department concerning the rights and obligations of the BIS under the Hague agreements, the legal position of the BIS as to its investments in Germany, and its relations with the creditor governments. The BIS asked the creditor governments to refrain from action which might injure the BIS's rights, and to reserve the rights of the BIS should the treaties and agreements in force be modified.

Since there has been no move since Bretton Woods for the liquidation of the BIS, and since there is in certain central banking circles abroad and here a strong feeling that the BIS can still play a useful role, especially in Western European central banking affairs, its relationship to the Bank and Fund need to be worked out. The BIS is regarded not only as a convenient meeting place for Western European central bankers, but also as a valuable potential adjunct to Fund and Bank. Concerning its predominantly Western European orientation, it is pointed out that more than half of its stock and voting power is held by central banks of that area, while the Russian sphere of Europe accounts for only about 17% and the American, 9.9%—the latter privately held. The American voting power, incidentally, has never been used, although it may now have to be since the United States holds the Japanese and part of the German interest.

Pro-BIS Arguments

Additional arguments for the continuance of the BIS—apart from those mentioned above—are being made. A Swiss dispatch in the London "Financial Times" of Jan. 27, for example, stated that the BIS possesses a certain amount of funds avialable for stopgap credits like that given to Finland earlier this year. The BIS is described as "more elastic than either of the two Bretton Woods institutions"; it can engage in transactions from which the Fund and Bank are debarred. Thus, it can act as agency and intermediary between central banks in such matters as the coordination of credit policies, standardization of gold-handling terms and policies, and foreign-exchange operations, it is stated. It can act as depositary for foreign-exchange holdings of various central banks and manage the investment of such holdings to facilitate the credit policies there. Another use claimed for the BIS is the holding of gold for central banks under its immunities from seizure, expropriation or embargo; and facilitating swaps and clearing operations between gold-earmarking accounts. Additional services the BIS offers are the acceptance of gold-weight accounts; acting as depositary and clearing agent for the International Postal Union in settlement of international postal, telephone and telegraph accounts; serving as depositary for the ILO and the Red Cross; acting as trustee for international loans like the Dawes and Young loans, the Austrian international loan of 1930, which was floated in several markets, and World Bank loans (in preference to private trustees, if any); handling any future reparations of a *financial* nature; serving as European branch of Fund and Bank; handling exchanges of currencies in areas which are transferred from one country to another (like the Saar following the plebiscite); compiling and distributing texts of financial laws and regulations.

Czechoslovakia's Trade Aims

(Continued from page 15)

us, and, under present condition, is difficult to carry out to most of the countries which have directly suffered by the war, and which are now restricting their imports to articles of primary necessity. The importance of the American market for us lies in the fact that we can freely sell our goods therein, and by their sale obtain very valuable foreign exchange, enabling us to purchase other goods which we require.

Relations With USSR

Our commercial relations with the Soviet Union and with the other states of Central and Southern Europe are of quite another kind. The whole of this territory —the Soviet Union more than any other country—has been shattered and destroyed by war and by German occupation. The states of Central and Southern Europe are working as hard as they can to renew their economy but, having as yet very little themselves, they can export but little, while they must also limit their imports strictly to the most urgently necessary goods, principally to capital investment goods, which will assist them in the reconstruction of their own shattered economy. Czechoslovakia must of necessity be interested in the rapid economic recovery of Central Europe, since she is herself part thereof, and the prosperity of Central Europe fundamentally contributes to that of Czechoslovakia. The countries of Central Europe are for the most part our closest neighbors, they have good communications linking them to us, and for that very reason they were important trade partners of ours before the war. Before the war the states of Central Europe were largely dependent upon Germany for their requirements in the way of industrial products, and, naturally, we are now trying on the one hand to resume our prewar connections with our neighbors and, on the other, to place our own industrial products in the markets once monopolized by Germany. In doing this we are working for the increased safety of Central Europe, since economic dependence upon Germany always leads sooner or later to political dependence, and German intervention.

Abnormal Trade Relationships

In the present state of economic exhaustion of the states of Central and Southern Europe it is, of course, not possible to conduct trade on a normal peacetime basis, and accordingly we have to agree upon exchanges of goods under such conditions as shall fit the individual requirements of each country. It is for this reason that we are offering Yugoslavia and Bulgaria capital investment goods so far as we can within the limits of our own reduced resources, and we are negotiating for a similar agreement with Poland. For the same reason we are conducting barter trade with Hungary and Rumania, simply because normal trade relations are not at present possible. We believe that our cooperation with our neighbors in Central Europe will help to maintain peace in this part of Europe. Such arrangements are, of course, by no means ideal for either of the partners concerned; the most important point is that the individual states of Central Europe, which form a sort of economic unit, are assisting one another by their mutual exchanges of goods to speed up their mutual economic reconstruction. For this very reason there is a great effort being put forward in these countries to arrange commercial relations among themselves. Czechoslovakia occupies a special position among them in that she is the only state with a high industrial capacity, and her economy was relatively less upset by the war than that of her neighbors.

Our commercial relations with Russia are of an altogether different type. The most important circumstance in our economic relations with the Soviet Union is the fact that this, our neighbor, is a large country which has supplies of practically all raw materials within her own territories, and which is also a large and permanent customer for many of our products, including both capital investment and consumer goods. The Soviet Union supplies us with textile raw materials, hides, rubber, ores, chemicals and salt, all of the raw materials of the first importance, which are transported from the Soviet Union direct to our frontiers without passing through any other territory, and without our having to pay transit fees, which latter often has to be done in valuable foreign exchange. There is no doubt about it, that we must do all we can to ensure that our economy makes the best use possible of these advantages. Our total trade turnover with the Soviet Union amounts to just under 11% of our total foreign trade turnover; considering the importance of this connection this is a small percentage, and we shall try to increase it. The largest share in our foreign trade turnover is that of Switzerland with 13%, while the United States of America accounts for 8% thereof.

Our foreign trade seeks naturally for markets throughout the world; we have too great productive capacity, and too varied a number of production lines, to limit our export or import trade to any single territory. We must trade with the whole world, so far as that may be possible. Our attempts have brought us an apparent balance in our foreign trade during 1946, of 4.1 milliard Czechoslovak crowns ($82.0 million). This profit balance is, however, only apparent, since in considering it we must remember that in the course of 1946 UNRRA had supplied us with goods to the value of some 2 milliard Kcs. ($160 million) and, taking these into account we arrive at a debit balance of 3.9 milliard Kcs. ($178 million) as representing the actual balance for our foreign trade for 1946. The soundness of this method of calculation is confirmed when we remember that UNNRA delivered to Czechoslovakia goods of the greatest economic importance, especially raw materials as wool and cotton, as well as oil and mechanical equipment for industry and agriculture, i.e. for the most part essential requirements which we will have to import both this year and in future years, and whose purchase must be covered by increased exports of our own products.

Czechoslovak industry and agriculture are compulsorily dependent upon the import of various goods from abroad. We must, therefore, obtain foreign exchange by the sale of our goods since we have no other sources from which we can obtain it. From the supply of foreign exchange obtained from our export trade we must cover not only our purchases of imports but also such services as we are required to pay for in foreign currencies, more particularly transport costs, which have a great importance for our landlocked country. To these calls on our reserves of foreign exchange we shall have to add, in the near future, the compensation of foreign owners and shareholders for their holdings in our nationalized industries, since that portion of their investments which was made in foreign currency will also be paid off in foreign currency. All these liabilities lay a very heavy task upon Czechoslovakia's foreign trade. The most effective help we can get for its achievement is the widest degree possible of international cooperation and the return of economic and political peace to the world.

Warren Petroleum Preferred on Market

Merrill Lynch, Pierce, Fenner & Beane headed an underwriting group which on July 9 offered 100,000 shares of 3¾% cumulative convertible preferred stock of the Warren Petroleum Corp. The stock was priced at $102 per share.

Proceeds of the financing will be used by the company to reduce existing term bank loans by $7,625,000 and the balance will be added to the company's general funds.

The new preferred stock is entitled to dividends at the rate of 3¾% of the par per annum. It is convertible into common, at any time up to three days prior to the date, if any, which may be set for redemption, on the basis of 2½ shares of common stock for each share of convertible preferred stock held. It is subject to redemption at any time upon 30 days' notice at a price of $100 per share plus unpaid cumulative dividends.

The corporation was organized as a partnership in 1922 and the present company was incorporated in 1937 to acquire the properties and business of four corporations. Since its organization the company and its subsidiaries have been engaged in the business of manufacturing, marketing at wholesale, and transporting natural gasoline and liquefied petroleum gas. The company is engaged, to a minor extent, in the refinery business and the sale of surplus residue gas and it receives mileage and rental income from the use of its tank cars.

Upon completion of the present financing the company will have outstanding, in addition to the 100,000 shares of 3¾% cumulative convertible stock, 600,000 shares ($5 par) common stock, $9,000,000 in bank loans due 1957, $3,000,000 in bank loans due 1958 to 1962, and $195,000 in other long-term debt.

Joins Ketcham & Nongard

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Dan W. Eastwood has become affiliated with Ketcham & Nongard, 105 West Adams Street.

With Boettcher in Chicago

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Gordon T. Goethel has been added to the staff of Boettcher and Co., 135 South LaSalle Street.

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Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y. (7/14)
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.

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 of record June 18 on the basis of one share for each three shares held. Unsubscribed shares will be sold publicly. Price by amendment. **Proceeds**—To be added to capital funds.

Agricultural Advertising & Research, Inc., Ithaca, N. Y.
June 26 (letter of notification) 900 shares ($100 par) 5% non-cumulative preferred. **Price**—$100 a share. No underwriting. For working capital.

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, 1946, filed (by amendment June 23, 1947) 33,333 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 30,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31, 1946. The remainder (3,333 shares) will be offered publicly. Price by amendment.

● **American Lithofold Corp., St. Louis, Mo.**
July 7 (letter of notification) 1,750 shares (no par) common. To be offered to stockholders at $100 a share. Unsubscribed shares will be sold to the public. No underwriting. For working capital.

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 Vending Machine Corp., New York
June 30 filed 145,000 shares ($1 par) common. **Underwriter**—Reynolds & Co., New York. Price by amendment. **Proceeds**—Of the total, 120,000 shares are being sold by stockholders and the balance by the company. The company will use proceeds for organizational purposes, which includes the merger of Berlo Vending Co., Philadelphia, and Sanitary Automatic Candy Corp., New York.

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.

● **A. P. W. Products Co., Inc., Albany, N. Y. (7/11)**
July 2 (letter of notification) approximately $30,000 of first mortgage and collateral trust 20-year 5% sinking fund bonds, due 1966. Bonds are being issued in $50 and $100 denomination to holders of bonds of $450 and $900 denomination to facilitate sale of present issues on New York Stock Exchange. To be sold at market. **Underwriter**—Orvis Brothers & Co., Albany, N. Y. To be added to general corporate funds.

Corporate and Public Financing

The FIRST BOSTON CORPORATION

Boston New York Pittsburgh
Chicago and other cities

Arkansas Power & Light Co. (7/22-23)
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. **Bids**—Bidding expected July 22 or 23.

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.
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.

Atlas Plywood Corp., Boston (7/21-25)
June 27 filed 72,882 shares ($1 par) common. **Underwriting**—Van Alstyne, Noel Corp., New York. **Price**—By amendment. **Proceeds**—For additional working capital.

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.

Berg Plastics & Die Casting Co., Inc., N. Y.
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.

● **Black, Sivalls & Bryson, Inc., Kansas City, Mo.**
July 9 filed 27,000 shares ($1 par) common. **Underwriters**—The shares are being sold by stockholders, including F. S. Yantis & Co., Inc., who will manage the offering; H. M. Byllesby & Co., Cruttenden Co. and William R. Staats Co. also were named as selling stockholders. **Price**—By amendment. **Proceeds**—Go to the selling stockholders.

Bonanza Mines, Inc., San Francisco
June 17 (leter of notification) 65,000 shares (10¢ par) common. **Price**—$1.25 a share. **Underwriting**—A. L. Albee & Co., Inc., Boston. For exploration of mining claims.

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.

● **Brewster Aeronautical Corp., New York (7/15)**
July 7 (letter of notification) 10,000 shares of common stock. **Price**—$5. **Proceeds**—To James Work, a stockholder. Hirsch & Co., New York, will sell stock as brokers.

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, 1946, 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. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

California Electric Power Co. (7/15)
May 5 filed 80,000 shares ($50 par) cumulative preferred stock. Company asked for bids June 3 but sale postponed. Company now has negotiated the sale of 60,000 shares (dividend rate $2.50) with Shields & Co. and The First Boston Corp. as underwriters. (20,000 shares removed from registration.) Offering expected July 15. **Proceeds** — To reduce bank loans, balance for general corporate purposes, including development and expansion of properties.

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.

● **Cape Productions Co., Inc., Falmouth, Mass.**
July 11 (letter of notification) 250 shares each of $100 par 6% preferred and no par Class A common. **Price**—$100 per unit consisting of one share of each. **Underwriter**—Baldwin, White & Co., Boston. For operation of two summer theatres.

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.

Columbia Pictures Corp., New York
June 26 filed 24,832 shares (no par) common. The shares are being sold by stockholders and represent stock dividends on common stock held by the sellers. The registration also covered an additional indeterminate number of shares which may be issued to the selling stockholders as stock dividends or through stock split-ups on common stock. **Price**—$16 a share (estimated). **Proceeds**—Proceeds go to the selling stockholders.

● **Columbia Valley Lumber Co., Bellingham, Wash.**
June 30 (letter of notification) 3,000 shares ($100 par) cumulative preferred. **Price**—$100 a share. No underwriting contemplated at present. For general corporate purposes.

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.

Clary Multiplier Corp., Los Angeles (7/16)
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 226,454 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**—Towards cost of additional interests in oil leases.

(Continued on page 42)

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NEW ISSUE CALENDAR

(Showing probable date of offering)

July 11, 1947

A. P. W. Products Co.....Bonds
U. S. Vermouth Corp.....Common

July 14, 1947

Acme Electric Corp.....Common
Gotham Boat Corp.....Common
Iowa-Illinois Gas & Electric Co. 1:00 p.m. (CDT).....Bonds
Kentucky Utilities Co. 11:30 a.m. (CST).....Preferred
Utah Chemical & Carbon Co.....Debs. and Common

July 15, 1947

Brewster Aeronautical Corp.....Common
California Electric Power Co.....Preferred
Erie RR.....Conditional Sales Agreement
Hooker Electrochemical Co.....Preferred
Missouri Edison Co.....Common

July 16, 1947

Clary Multiplier Corp.....Debentures
Kimberly-Clark Corp.....Common
Port of New York Authority 11 a.m. (EDT).....Bonds

July 17, 1947

Coast Counties Gas & Electric Co.....Preferred
New York Chicago & St. Louis RR.....Notes
Van Norman Co.....Debentures

July 21, 1947

Atlas Plywood Corp.....Common
Pacific Power & Light Co.....Bonds

July 24, 1947

Dow Chemical Co.....2nd Preferred
Florida Power Corp.....Common

July 28, 1947

Seaboard Container Corp.....Preferred & Class A

July 29, 1947

Florida Power & Light Co.....Bond, Debs., Preferred

August 8, 1947

Rochester Telephone Corp.....Preferred

(Continued from page 41)

Coast Counties Gas & Electric Co. (7/17)

May 22 filed 75,000 shares series A 4% preferred (par $25). **Underwriter**—Dean Witter & Co., San Francisco. **Offering**—Shares are being offered in exchange for company's ($25 par) 5% first preferred stock on a share for share basis, plus accrued dividends on the old stock. Exchange privilege expires July 16. Unexchanged shares will be offered publicly. **Price**—$26 a share. **Proceeds**—To retire all unexchanged shares of 5% preferred.

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. Offering indefinitely postponed.

Consolidated Natural Gas Co., New York

May 15 filed 545,672 shares ($15 par) capital stock. **Underwriting**—None. **Offering**—The shares are 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. **Aug. 9 filed 300,000 shares ($5 par) common stock. Underwriters—First Boston Corp., New York. Price by amendment. Proceeds—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.**

Cyprus Mines, Ltd., Montreal, Canada

May 31, 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.

Detroit Edison Co., Detroit

June 27 filed $60,000,000 of general refunding mortgage bonds, series "I," due 1982. **Underwriting**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Coffin & Burr; Spencer Trask & Co.; Dillon, Read & Co. Inc. **Proceeds**—To redeem outstanding mortgage bonds, series "F," due 1965, to repay bank loans, and for property additions.

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.**

Dow Chemical Co., Midland, Mich. (7/24)

July 2 filed 400,000 shares (no par) second preferred stock. **Underwriter**—Smith, Barney & Co., New York. **Price**—Estimated to be $110 a share. **Proceeds**—For general expansion.

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 Akron Nash, Inc., Akron, Ohio**

July 2 (letter of notification) 126 shares (no par) common, to be sold to present stockholders at $100 a share. No underwriting. For additional working capital.

East Coast Electric Co.

Mar. 28 filed 60,000 shares of $10 par common. **Underwriters**—To be determined by competitive biding. Probable bidders include Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. The stock is being offered by East Coast Public Service Co., parent. Bids for purchase of the stock scheduled for May 19 has been postponed indefinitely.

• **Eastern Industries, Inc., New Haven, Conn.**

July 2 (letter of notification) 12,500 shares (50¢ par) common. To be sold at market through registered broker and dealers. The shares are being sold by Public Service Holding Corp., Wilmington, Del., which will receive proceeds.

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.**

• **Empire Projector Corp., New York**

July 1 (letter of notification) 20,000 shares ($10 par) 4½% cumulative convertible preferred and 20,000 shares ($1 par) common. **Price** — $10 a preferred share and $1.315 a common share. **Underwriter**—Philip L. Pritchard. For working capital.

• **Epicure Club, Elizabeth, N. J. (7/18)**

July 7 (letter of notification) 4,000 shares of 7½% cumulative preferred stock (par $10) and 4,000 shares of common stock (par 10¢). **Price**—$12.50 per unit of one share of preferred and one share of common. Underwriting, none. Furnish working capital, etc.

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.**

Fidelity Electric Co., Lancaster, Pa.

June 25 (letter of notification) 30,000 shares of class A common (par $1). **Price**—$4 per share. **Offering** is to enable holders of 30,000 warrants to subscribe to 30,000 shares class A stock as provided in the warrants. **Underwriters**—Any underwriters will be supplied by amendment. Working capital and general corporate purposes.

Florida Power Corp. (7/24)

June 4 filed 100,000 shares ($7.50 par) common. **Underwriters** — Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane. **Offering**—The shares will be offered for subscription to common stockholders of record July 9 in the ratio of one share for each 10 shares being held. Rights will expire July 23. **Price**—$14 per share. **Proceeds**—To be used in $9,450,000 construction program.

Florida Power & Light Co., Miami, Fla. (7/29)

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. Probable bidders: Halsey, Stuart & Co. Inc. (bonds); The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers (preferred); White, Weld & Co. (bonds); Central Republic Co. and Drexel & Co. (jointly). **Proceeds**—To redeem outstanding debentures, serial notes, and promissory notes, and for expansion of facilities. **Bids**—Bidding tentatively set for July 29.

• **Flowers With Wings, Inc., San Francisco**

June 30 (letter of notification) 60,000 shares of capital stock. **Price**—$1 a share. No underwriting. To build retail outlets which will receive orders for air shipments of Flowers With Wings.

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.

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.**

• **Gotham Boat Corp., New York (7/14)**

July 7 (letter of notification) 20 shares common stock (no par). **Price**—$500 per share. Underwriting, none. To pay balance due shipyard for alternations and repairs and equipment and for operating capital.

• **Great Western Oil Co., Denver, Colo.**

July 2 (letter of notification) 10,000 shares of ($10 par) common. **Price** — $10 a share. **Underwriter** — James Thomas Chiles, Denver. For drilling oil and gas wells and other expenses.

Grolier Society, Inc., New York

April 2, 1947 (by amendment) 170,000 shares of $1 par common stock. **Underwriters**—Riter & Co. and Hemphill, Noyes & Co. **Offering**—Underwriters will purchase from the company 70,000 shares and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. **Proceeds**—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.

• **Health Springs, Inc., Bell Island, Alaska**

June 30 (letter of notification) 140,000 shares ($1 par) capital stock. **Price**—$1 a share. No underwriting. For expansion and enlargement of resort facilities.

• **Helena Mines, Inc., Eugene, Ore.**

June 27 (letter of notification) 720,000 shares of common and $90,000 10-year 4% bonds. Bonds to be sold at face amount. Options to purchase 8 shares of common will be offered to purchasers of each $1 worth of bonds. To be sold through officers and directors of the company. For operation of company's mines.

Helicopter Air Transport, Inc., Camden, N. J.

March 14 filed 270,000 shares of capital stock. **Underwriter**—Strauss Bros., Inc., New York. Underwriters may withdraw as such. **Price**—$3.50 a share. **Proceeds**—Net proceeds will be used to pay obligations, purchase helicopters and equipment and for working capital.

Hooker Electrochemical Co. (7/15-16)

June 26 filed 110,000 shares (no par) cumulative preferred, series A. **Underwriting**—Smith, Barney & Co., New York. **Price**—By amendment. **Proceeds**—To redeem outstanding shares of $4.25 cumulative no par preferred at $104 a share and for construction expenditures. **Business**—Manufacture of chemical products.

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

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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.

International Bank for Reconstruction and Development

June 30 filed an aggregate of $250,000,000 of 10-year 2¼% bonds and 25-year 3% bonds. **Underwriting**—No underwriting. The offering will be made with the co-operation of securities dealers throughout the United States. Price by amendment. **Proceeds** — For general lending operations of the bank.

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.

Investors Mutual, Inc., Minneapolis, Minn.

June 26 filed 4,000,000 shares of capital stock. **Underwriting**—Investors Syndicate of Minneapolis. **Price**—Based on market price. **Proceeds** — For investment. **Business**—Investment business.

Iowa-Illinois Gas & Electric Co. (7/14)

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. **Bids**—Bids for the purchase of the bonds will be received at Room 2210, 105 West Adams St., Chicago, up to 1 p.m. (CDT) July 14.

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.

● **Jefferson (Iowa) Telephone Co.**

July 2 (letter of notification) $20,000 first mortgage 3¼% bonds, series B. **Price**—$102 per unit. **Underwriter**—Wachob-Bender Corp., Omaha. To provide funds for plant extensions and for additional working capital.

Kentucky Utilities Co., Lexington, Ky. (7/14)

May 9 filed 130,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include 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**—Bids for purchase of stock will be received up to 11:30 a.m. (CDT) July 14 at office of Middle West Service Co., N. Whacker Drive, Chicago.

Kimberly-Clark Corp., Neenah, Wis. (7/16)

June 27 filed 300,000 shares (no par) common. **Underwriting**—Blyth & Co., New York. **Price**—To be supplied by amendment. **Proceeds**—For construction of additional plants and facilities and for improvement of facilities.

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.

Legend Gold Mines, Ltd., Toronto, Canada

June 27 filed 300,000 shares ($1 par) common treasury stock. **Underwriting** — To be supplied by amendment. **Price**—50 cents a share. **Proceeds**—To develop mining properties. **Business**—Mining.

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. Reported plan to offer preferred abandoned, with possibility of new issue of debentures being offered.

Libby, McNeill & Libby

April 30 filed 100,000 shares (no par) preferred stock. **Underwriter** — Glore, Forgan & Co. **Offering** — Stockholders 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. **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**—F. H. Winter & Co. **Price**—40 cents a share. **Proceeds**—For exploration and development of mining claims. **Business**—Mining.

● **Marsh Laboratories, Inc., Baltimore, Md.**

June 27 (letter of notification) 300,000 shares (10¢ par) capital stock. **Price**—$1 a share. **Underwriter**—William G. Moore, Baltimore. For working capital.

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.

Mill Reef Properties, Ltd., Antigua, Leeward Islands, British West Indies

June 26 filed $780,000 (B. W. I.) of unsecured debentures, due 1977, 3% interest after Jan. 1, 1950; and 8,500 shares of $1 (B. W. I.) par capital stock. **Underwriting**—The shares may be sold through officers and directors of the company. **Price**—Per unit: $6,000 B. W. I. ($5,100 U. S.) debentures and 60 capital shares. The company will issue an additional 700 shares of capital stock to Robertson Ward, President, as compensation for services. **Proceeds**—To acquire property and construction of club facilities.

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.

Mississippi Power (7/18)

June 27 filed $2,500,000 of first mortgage bonds, due 1977, and 20,099 shares (no par) preferred. **Underwriting**—Bonds will be sold at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co., and White, Weld & Co. (jointly); Glore, Forgan & Co., and W. C. Langley & Co. (jointly). **Offering**—The bonds will be offered publicly while the preferred will be offered to the company's $6 preferred stockholders in exchange for their present holdings on a share for share basis, plus cash. Shares of new preferred not issued in exchange will be offered publicly through underwriters. **Price**—Price of bonds will be determined by competitive bidding. Price of preferred will be supplied by amendment. **Proceeds**—To finance new construction. **Bids**—Bidding tentatively set for July 18.

Missouri Edison Co., Louisiana, Mo. (7/15-25)

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.

● **Mutual Ventures Syndicate, Salt Lake City**

July 2 (letter of notification) 900 shares ($100 par) common. **Price**—$300 a share. Name of underwriter, if any, will be filed by amendment. For exploration and development of mining, oil, timber and other claims.

Nickel Cadmium Battery Corp., Easthampton, Mass.

June 2 (letter of notification) 30,000 shares ($10 par) 6% cumulative convertible preferred. **Price**—$10 a share. **Underwriter**—Harrison White, Inc., New York. **Proceeds**—To be added to general funds for general corporate purposes.

Old Poindexter Distillery, Inc., Louisville, Ky.

Mar. 31 filed 50,000 shares ($20 par) 5% convertible cumulative preferred and an unspecified number of ($1 par) common shares into which the preferred is convertible. **Underwriters**—F. S. Yantis & Co., and H. M. Byllesby & Co., both of Chicago. **Price**—At par. **Proceeds**—To be added to working capital.

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. (7/21-22)

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**—$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. **Bids**—Bidding tentatively set for July 21 or 22.

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 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.

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 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.. **Proceeds**—Will be added to general funds to be used for expansion program. **Bids Invited**—No bids received July 9 for the preferred stock.

● **Puget Sound Products Co., Seattle, Wash.**

July 3 (letter of notification) 274,250 shares ($1 par) common and 25,750 shares sold which will be reoffered as alternative to recission. **Price** — $1 a share. **Underwriters** — T. R. Thompson; A. L. Hemrich; Robert R. Manley; John D. Heffernan; A. J. Shapiro; and Fred S. Stevens, all of Seattle, and Ben F. Surber, of Port Orchard, Wash. For purchasing and construction of plant to manufacture hard board.

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.

● **Public Service Co. of Colorado, Denver, Colo.**

July 3 filed 160,000 shares ($100 par) cumulative preferred. **Underwriting**—To be determined by competitive bidding. Probable bidders include: The First Boston

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Corp.; Glore, Forgan & Co., and W. C. Langley & Co. (jointly); Blyth & Co., and Smith, Barney & Co. (jointly). **Offering** — Successful bidders will offer 62,199 shares of the total issue to present holders of company's 5, 6 and 7% preferred stocks for exchange on a share for share basis plus an undetermined amount of cash. Shares of new preferred not issued in exchange will be sold to the public. **Proceeds** — To finance new construction. **Business**—Public utility.

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. (8/5)

June 4 filed 67,500 shares ($100 par) cumulative preferred. **Underwriting**—By competitive bidding. Probable bidders—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; Glore, Forgan & Co.; Shields & 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. **Bids**—Bidding for securities tentatively set for Aug. 5.

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.

Sanitary Products Corp., Taneytown, Md.

June 25 (letter of notification) 1,420 shares ($50 par) cumulative convertible preferred. **Price**—$50 a share. **Underwriter**—Jackson and Co., Boston, will be underwriter for 1,300 shares. The remaining 120 shares will not be underwritten. For working capital and organization expenses.

Seaboard Container Corp. (7/28-31)

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.

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.

● South Fork Mining & Leasing Co., Inc., Spokane, Wash.

July 27 (letter of notification) 800,000 shares of common. **Price**—12½ cents a share. To be sold through directors of the company. To purchase equipment and to operate mines.

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.

● Strong, Cobb and Co., Inc., New York

July 3 (letter of notification) 10,000 shares ($1 par) common. **Price** — $1 a share. No underwriting. To acquire substantially all the assets of Strong, Cobb and Co., Inc., an Ohio Corp.

● Swain (R. L.) Tobacco Co., Inc., Danville, Va.

June 24 (letter of notification) 237,400 shares ($1 par) common, of which 196,983 shares will be offered to present common stockholders at $1 a share and 3,000 shares in exchange for $3,000 of outstanding notes. The balance 37,417 shares and any unsubscribed shares will be offered publicly at $1.25 a share. No underwriting. For payment of indebtedness and for working capital.

Sylvan Seal Milk, Inc., Philadelphia

July 1 (letter of notification) 4,000 shares of common stock (no par). **Price**—$8. **Underwriter**—Penington, Colket & Co., Philadelphia. Proceeds to go to selling stockholders.

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.

Thermoid Co., Trenton, N. J.

June 27 filed 161,626 shares ($1 par) common. **Underwriting**—Blyth & Co., Inc., New York. **Offering**—Of the total, 111,626 shares will be offered in exchange to stockholders of Asbestos Manufacturing Co. on the basis of two shares of Thermoid common for one share of Amco cumulative convertible preference stock and one share of Thermoid common for four shares of Amco common. The remaining 50,000 shares will be offered publicly. **Proceeds**—Proceeds from the public sale will be used to purchase 90,000 shares of Amco common for $225,000 which will assure it voting control of Amco. The balance of proceeds will be added to working capital.

● Thomascolor Inc., Los Angeles

July 9 filed 1,000,000 shares ($5 par) class A common. **Underwriter**—No underwriting. **Price**—$10 a share. **Proceeds**—To purchase production facilities and for working capital. **Business**—Manufacture of new lense for screening colored motion pictures.

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 offering of the stock is expected some time after the middle of July. It is understood that over 500 retail investment firms have indicated interest in this issue and a heavy oversubscription of the stock is expected by the underwriters.

● 12 Products Manufacturing Corp., New York

July 3 (letter of notification) 400 shares ($100 par) 5% preferred and 1,600 shares ($10 par) common. With each share of preferred the issuer will give 4 shares of common as a bonus. **Price**—$100 a preferred share. To be sold by officers of the company. To purchase machinery and equipment and for working capital.

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.

● U. S. Vermouth Corp., Brooklyn (7/11)

July 2 (letter of notification) 298,000 shares (25¢ par) common. **Price**—$1 a share. **Underwriter** — Amedeo D'Aureli, New York. For organization expenses and for working capital.

Utah Chemical & Carbon Co. (7/14-18)

Dec. 20 filed $700,000 5% 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.

Van Norman Co., Springfield, Mass. (7/17)

June 27 filed $2,500,000 15-year 3% sinking fund debentures. **Underwriting**—Paine, Webber, Jackson & Curtis, of Boston. Price by amendment. **Proceeds**—To repay bank loans, pay taxes, 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.

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 application covering 31,320 additional shares reserved for warrants exercisable through Dec. 31, 1948 at $10 per share became effective July 1, 1947.] **Proceeds**—To retire preferred stock and to reduce bank loans.

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.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

UNITED STATES GOVERNMENT, STATE, MUNICIPAL AND CORPORATE SECURITIES

BLAIR & CO.
INC.
NEW YORK

BOSTON • BUFFALO • CHICAGO • CLEVELAND
PHILADELPHIA • PITTSBURGH • ST. LOUIS • SAN FRANCISCO

● Camden (N. J.) Fire Insurance Association

Aug. 14 stockholders will vote to increase capital stock and issue 100,000 additional shares for subscription by stockholders at market on one for four basis.

● Carolina Power & Light Co.

July 8 the SEC granted Electric Bond & Share Co. an extension to Oct. 6 to sell under competitive bidding its holdings of common stock of Carolina Power & Light Co., consisting of 423,408 shares, representing 46.56% of the outstanding stock. The Electric Bond and Share has been granted permission to purchase on the New York Stock Exchange, for the purpose of stabilizing the Carolina common, up to 25,000 shares of such stock. These shares will be sold later to the successful bidders for the larger block. Probable bidders include: Morgan Stanley & Co; Dillon, Read & Co. Inc.; W. C. Langley & Co., and The First Boston Corp. (jointly); Smith, Barney & Co.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly).

● Equitable Office Building Corp.

Hearings on refinancing plans for the corporation were extended July 8 to July 22 by Federal Judge John C. Knox. The extension was made after the presentation of two alternate plans submitted by Herman E. Riddell, counsel for common stockholders committee, and Manufacturers Trust Co., acting, it is understood, for City Investing Co. and a group led by T. Roland Berner. The common stockholders' committee plan contemplates that the necessary cash would be raised by an underwriter offering of new stock, with Wertheim & Co., as underwriters.

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Erie RR. (7/15)

The company has issued invitations for bids to be received July 15 for a conditional sale agreement in the amount of $311,750. The proceeds from the sale will cover approximately 80% of the cost of three 660 h.p. and two 1,000 h.p. diesel-electric switching locomotives.

● **New York Chicago & St. Louis RR. (7/17)**

Company will receive bids up to July 17, noon (EST) at 2910 Terminal Tower, Cleveland, for the lowest interest rate at which bidders will loan company $6,000,000, to be repaid in semi-annual instalments of $375,000 each. Proceeds of loan will be used for purchase of 115,369 Wheeling & Lake Erie 4% prior lien stock and 1,658 shares of preferred owned by Chesapeake & Ohio and 54 shares of 4% prior lien stock owned by Alleghany Corp.

● **Otter Tail Power Co.**

July 9 company asked the Federal Power Commission for authorization to sell $3,000,000 30-year, 2¾% first mortgage bonds, dated June 1, 1947. May be placed privately.

● **Port of New York Authority (7/16)**

Proposals for all or none of $16,350,000 of Port of New York Authority Terminal Bonds, Series M, due serially in annual amounts of $1,090,000 each on June 15, 1948 and each June 15 thereafter to and including June 15, 1962, will be received by the Authority at 11 a.m. July 16, 1947, at its office, 111 Eighth Avenue, New York 11, N. Y. Each offer must be accompanied by a certified check or cashier's check in the amount of $327,000. The Authority will announce the acceptance or rejection of bids at or before 6.00 p.m. on that day.

● **Stevens (J. P.) & Co.**

July 9 reported company plans to file a registration statement with the SEC in next two weeks covering an undisclosed number of shares of capital stock now owned by the Estate of the late Nathaniel Stevens. Underwriters, it is expected will be Morgan Stanley & Co. and Harriman Ripley & Co.

Our Reporter's Report

The week ahead promises to be a period of relative quiet in the new issue market from a standpoint of corporate undertakings.

The underwriting bankers, however, probably will find little or no reason for grousing on that score, since there has been some backing up of recent offerings and the lull in new business will provide an opportunity for working off accumulated backlogs.

The latter are not burdensome by any means, judging from discussion in the trade, but like all other merchants investment bankers are not given to appreciating unnecessary stocking of their shelves.

Meanwhile, it is likely that they will be busy anyway in giving the International Bank for Reconstruction and Development an assist in that institution's first financing undertaking.

While it is a foregone conclusion that the market will absorb quickly the $250,000,000 of 10-year 2¼s and 25-year 3% bonds which the Bank plans to offer, the underwriters and dealers will naturally be burdened with the paper work involved in such a large undertaking.

From a standpoint of the number of banking firms and dealers participating in this operation, it will take on the dimensions of a Treasury bond drive.

Up for Bids

Coming up for bids next week are 130,000 shares of new $100 par cumulative preferred stock of the Kentucky Utilities Co.

A fortnight ago the company marketed $24,000,000 of new 1st mortgage bonds, and the preferred was due to be sold at that time. But the company withdrew the stock and limited the sale to the bonds.

Reports in investment circles indicated that at the time originally set for the sale, it was a question of whether bankers would have bid for the stock. Now, however, it appears the prospects are brighter.

New York Telephone

Bidding for Telephone issues shows a tendency to take on some of the characteristics of the municipal market. At any rate the successful group in the competition for New York Telephone Co.'s $125,000,000 of refunding mortgage bonds ran its bid out to the fifth decimal, 102.55199, for a 2¾% coupon.

The runner-up bid 102.229 for the same coupon, for an indicated spread of only about $3.23 for a $1,000 piece. The issue was priced for reoffering at 103 to yield an indicated return of around 2.62%.

While the bonds were reported moving fairly well, there still were indications that institutional buyers are not too keen for that type of yield, even recognizing the choice quality of the paper.

Cleveland Electric Stock

Finishing off another of those investment undertakings, North American Co. disposed of the balance of its holdings of Cleveland Electric Illuminating Co.'s common stock in competitive bidding.

The issue brought a price of 42.133 a share to the seller, with the bankers reoffering the issue publicly at 43¼. Other bids were close, ranging from 42.041 down to 41.25.

Here again, the reoffering brought reports of a fair demand, but nothing approaching an "out-the-window" performance.

Wheeling Steel 3¼s

Public offering yesterday of $20,000,000 of new series D first mortgage 3¼% 20-year bonds of Wheeling Steel Corp. at a price of 101¾ was reported to have attracted brisk demand.

Offering a yield of around 3.15%, the issue, being the first for a steel company in some time, also afforded the opportunity for diversification.

A new mony issue, it will provide funds for improvements and betterments being undertaken by the company at its Ohio and West Virginia plants and at its coal mine in Pennsylvania.

Solve Balkan Problem Or "Pack Up": Cadogan

(Continued from page 9)

the report, a single member of the Commission who does not recognize that the present situation is unsatisfactory to the point of danger to the maintenance of international peace and security.

"In the last paragraph of the Security Council's resolution of Dec. 19, last, the Commission was asked 'to make any proposals that it may deem wise for averting a repetition of border violations and disturbances in these areas.'

"The Commission has done so. Nine out of 11 members have made interesting and what look like hopeful proposals for the maintenance in the area in question of a Commissioner or Commission with certain definite functions of observation and conciliation.

"These are all before the Council, and have been resumed in the draft resolution submitted by the United States delegate.

"Two members of the Commission, representing the Soviet Union and Poland, opposed these recommendations. Let us look at their objections.

"The Soviet member said that they were based 'merely on unfounded assertions of the Greek Government regarding aid to the guerrillas.' But they are not. They are based on the admitted existence of a dangerous state of affairs. I have read them through again and again, and I have been unable to find one word that imputes blame to one side or the other. I challenge the Soviet and Polish delegates to point out to me one single passage that does so.

"The Soviet member's second objection was that 'the proposals admit the possibility of frontier incidents, etc., . . . although the Commission has no grounds whatever for proposals of such a nature.' If that assertion was based on the belief that on the departure of the Commission all trouble would die down, I am afraid it has been belied by events.

"Thirdly, the Soviet member objected that the disorders in Greece are due to internal causes. This point has already been dealt with.

"Finally, he said that the proposals were 'tantamount to a limitation of the sovereign rights of these States in setting their relations among themselves.'

"In these days, sovereign rights do not retain their pristine inviolability. In course of time many international conventions have been entered into, and each one of these detracts, in lesser or greater degree, from national sovereignity. The Charter itself makes very considerable inroads on the theory of national sovereignty. Article 36, and perhaps still more Article 25, are instances of this. If it was desired to maintain sovereign rights inviolate, that ought to have been thought of at San Francisco. If we cannot apply proposals such as those submitted by the Commission, and now in the United States resolution, we had better tear up the Charter—and pack up.

"The Polish member claimed that the proposals were 'ineffectual,' since they took into account only the symptoms of the disease, and not the causes. And he went on to say that the fact that the measures are ineffectual could easily prejudice the prestige of the United Nations. While not accepting his stricture on the ineffectiveness of the proposals, I cannot help deploring his timid solicitude for the United Nations. I always hope that my doctor is thinking more of me than of his prestige.

"The Polish member also argued that some of the measures proposed by the Commission do not take into account the fact that diplomatic relations do not exist between Greece on the one hand and Bulgaria and Albania on the other. Whatever may be the rights or wrongs of that situation, and whatever may be the technical result of it, we may hope that if the Commission's recommendations are adopted by the Council and implemented, that in itself will lead to the resumption of normal and friendly relations.

"As regards the proposal for a Commission, the Polish member was of opinion that it would be 'inadequate,' because it 'would prejudice sovereign rights.' I have already dealt with this latter argument, but even if it were valid, it would not render the proposals 'inadequate.' He further said that it would constitute a 'measure of coercion towards Albania, Bulgaria and Yugoslavia.' Not unless those States were guilty of aggression.

"The Security Council are greatly indebted to the Commission for the manner in which they have discharged their extremely difficult and laborious task.

"The most valuable part of their report is that which submits recommendations for the future, and I sincerely hope that the Council will adopt the United States resolution that would give effect to them.

"It seems to me that here we have a danger point. It is just such a case as the United Nations was designed to meet. We have practical proposals, which can perhaps be perfected and elaborated. We must try them. If they succeed, that will add enormously to the prestige of this body, which is the aim of all of us. Success might avert disaster, but I should dare to hope for even more—that success might show the way to a better order, of friendly cooperation between the four countries whose mutual relations are at present darkened and disturbed, but who might be able to look forward to an era of friendship and cooperation in which these bad times would be only an evil memory."

The Marshall Plan Problems: Einzig

(Continued from first page)

it would be unacceptable to the United States, and therefore impracticable. M. Molotov, on the other hand, argued that any attempt at elaborating a European reconstruction scheme would interfere with the sovereignty of the nations not represented at the conference.

It is unfortunate that Secretary Marshall or some other spokesman of the United States Administration did not see his way to define more clearly what is meant by a European reconstruction scheme. As it is, an opportunity has been provided for Soviet diplomacy to present it as an attempt at the curtailment of the sovereignty of the countries concerned. Many quarters imagine that what the United States Government has in mind is a policy of customs union to be forced upon the unwilling participants by majority decision, or even by the three Great Powers concerned. Or at any rate, it is supposed that the lesser countries would be simply told that they have been allotted so and so much of American assistance, in return for which they are ordered to supply to other European countries so and so much of their own goods.

It has not been made clear from the very outset that there is no question of any compulsion. Any agreement must be on a voluntary basis. Each country must be given an opportunity of negotiating freely, and if any of them should feel that the sacrifices involved are too heavy or the advantages gained inadequate, it would be at liberty to keep aloof without thereby exposing itself to any retaliatory economic measures.

The idea of a conference in which all countries would participate on an equal footing is, of course, impracticable. Such a conference would drag on for many months. It is doubtful whether any concrete plan could emerge from it before the end of this year. Allowing for the time required to come to an agreement with the United States Government on the plan thus presented, and especially for the ratification of such an agreement by Congress and by the various European Parliaments, it is by no means certain whether any concrete action could be taken before the middle of next year. Long before that many European countries would have spent their last dollar, and the proceeds of the British dollar loan would be exhausted.

To gain time, Mr. Bevin's plan of a small steering committee would be the only practicable solution. A committee, on which the three Great Powers and four smaller countries would be represented, would be in a position to proceed rapidly. Its task would be to scale down the claims for assistance put forward by all Governments, and to persuade them to make adequate contribution towards the scheme within the limits of their resources. This task would be difficult enough, but no time would be wasted by endless speeches by delegates of two dozen countries, each one of whom would be anxious to satisfy the public of his respective country that he is doing his utmost to safeguard national interests.

This does not mean that, even with the small committee proposed by Mr. Bevin, the task would be simple. The Soviet Government and any government of Russian-controlled countries that would be elected on the Committee would hold out for the maximum of assistance for, and minimum of contribution by, the countries east of the "iron curtain." Judging by past experience, it will be difficult to induce the Russian delegates to accept less than 100% of the demand put forward. In a way, the formula put forward by M. Molotov is, from this point of view, more realistic. Let the European Committee confine its role to collecting data from the European countries and submitting the material thus collected to the United States Government. It would be then for the latter to decide how to scale down the claims, and to stipulate certain contributions in return for American assistance. M. Molotov's idea is, of course, for the United States simply to supply the requirements put forward by Europe. But any European with the vaguest idea of American domestic politics is aware that the Administration would have to revise thoroughly any European scheme before being able to submit it to Congress with any chance of obtaining its ratification.

The process will be at best a very lengthy one. Hence the British Government's decision not to bank on the assistance to be received through the Marshall Plan, but to proceed without delay with cutting down dollar expenditure on oil, tobacco and possibly films. Further cuts will have to follow if the Marshall Plan should fall through, and even if, as is feared, its adoption should be delayed for many months.

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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)	July 12	78.9	72.0	96.9	87.8
Equivalent to—					
Steel ingots and castings produced (net tons)	July 12	1,380,700	1,259,900	1,695,700	1,547,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	June 28	5,109,100	5,114,500	5,024,350	4,957,050
Crude runs to stills—daily average (bbls.)	June 28	5,093,000	5,078,000	5,000,000	4,857,000
Gasoline output (bbls.)	June 28	16,070,000	15,682,000	14,703,000	14,620,000
Kerosine output (bbls.)	June 28	1,969,000	2,163,000	2,002,000	2,043,000
Gas oil and distillate fuel oil output (bbls.)	June 28	5,606,000	5,942,000	5,732,000	5,321,000
Residual fuel oil output (bbls.)	June 28	8,298,000	8,598,000	8,010,000	8,537,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 28	91,806,000	91,877,000	95,876,000	92,072,000
Kerosine (bbls.) at	June 28	14,369,000	14,041,000	12,066,000	14,216,000
Gas oil and distillate fuel oil (bbls.) at	June 28	41,721,000	40,835,000	36,032,000	38,343,000
Residual fuel oil (bbls.) at	June 28	48,490,000	48,766,000	45,224,000	46,028,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 28	846,141	901,296	830,383	879,544
Revenue freight rec'd from connections (number of cars)	June 28	682,258	715,343	690,912	691,008
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	July 3	$1,055,599,000	$143,470,000	$121,077,000	$123,512,000
Private construction	July 3	30,372,000	69,090,000	48,970,000	55,656,000
Public construction	July 3	75,227,000	74,380,000	72,107,000	67,856,000
State and municipal	July 3	45,190,000	33,488,000	39,297,000	31,021,000
Federal	July 3	30,037,000	40,892,000	32,810,000	36,835,000
COAL OUTPUT (U. S. BUREAU OF MINES AND NATIONAL COAL ASSOCIATION):					
Bituminous coal and lignite (tons)	June 28	‡8,000,000	12,900,000	12,050,000	12,323,000
Pennsylvania anthracite (tons)	June 28	1,105,000	1,221,000	835,000	1,261,000
Beehive coke (tons)	June 28	82,500	123,200	124,500	112,700
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 28	245	256	250	239
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 5	§4,150,000	4,674,748	4,635,218	3,741,006
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 1	2.85664c	2.85664c	2.85664c	2.73011c
Pig iron (per gross ton)	July 1	$33.15	$33.15	$33.15	$26.12
Scrap steel (per gross ton)	July 1	$35.58	$34.75	$31.17	$19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 2	21.225c	21.225c	21.800c	†
Export refinery at	July 2	21.425c	21.425c	23.000c	14.550c
Straits tin (New York) at	July 2	80.000c	80.000c	80.000c	†
Lead (New York) at	July 2	15.000c	15.000c	15.000c	8.250c
Lead (St. Louis) at	July 2	14.800c	14.800c	14.800c	8.100c
Zinc (East St. Louis) at	July 2	10.500c	10.500c	10.500c	†
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	July 8	121.42	121.36	121.64	124.24
Average corporate	July 8	117.00	116.80	116.80	119.60
Aaa	July 8	122.09	121.88	122.29	123.56
Aa	July 8	120.22	120.02	120.22	121.46
A	July 8	116.61	116.41	116.41	118.60
Baa	July 8	109.79	109.42	103.24	112.56
Railroad Group	July 8	112.00	111.44	111.44	115.82
Public Utilities Group	July 8	118.40	118.40	118.60	119.20
Industrials Group	July 8	120.84	120.84	120.84	121.67
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	July 8	1.59	1.59	1.57	1.60
Average corporate	July 8	2.80	2.81	2.81	2.85
Aaa	July 8	2.55	2.56	2.54	2.60
Aa	July 8	2.64	2.65	2.64	2.68
A	July 8	2.82	2.83	2.83	2.85
Baa	July 8	3.18	3.20	3.21	3.27
Railroad Group	July 8	3.06	3.09	3.09	3.01
Public Utilities Group	July 8	2.73	2.73	2.72	2.87
Industrials Group	July 8	2.61	2.61	2.61	2.67
MOODY'S COMMODITY INDEX	July 8	404.2	403.4	398.3	311.1
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	July 5	219.6	217.4	216.3	161.1
Fats and oils	July 5	208.2	207.3	214.6	176.4
Farm products	July 5	249.5	249.4	245.4	196.9
Cotton	July 5	351.1	356.1	347.7	294.5
Grains	July 5	256.7	256.1	259.2	231.3
Livestock	July 5	234.0	233.1	227.6	172.9
Fuels	July 5	172.2	172.2	172.2	138.6
Miscellaneous commodities	July 5	159.6	161.1	158.4	140.7
Textiles	July 5	219.7	218.6	216.4	172.4
Metals	July 5	148.7	148.7	150.6	123.5
Building materials	July 5	185.7	*185.7	187.2	168.3
Chemical and drugs	July 5	155.3	*155.3	154.7	127.5
Fertilizer materials	July 5	128.3	*127.1	125.8	116.6
Fertilizers	July 5	134.6	134.6	134.6	119.8
Farm machinery	July 5	126.6	126.6	125.3	109.0
All groups combined	July 5	198.3	197.9	196.7	157.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 28	152,741	166,639	181,398	166,050
Production (tons)	June 28	176,814	182,909	177,998	166,841
Percentage of activity	June 28	102	102	98	98
Unfilled orders (tons) at	June 28	461,226	487,877	511,918	558,129
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 3	143.2	142.7	144.6	136 4
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	June 28	147.6	147.8	147.4	112.7
Farm products	June 28	179.0	178.7	178.4	140.3
Foods	June 28	162.2	162.6	161.6	113.4
Hides and leather products	June 28	170.0	169.4	166.5	123.8
Textile products	June 28	138.4	138.4	138.5	108.5
Fuel and lighting materials	June 28	104.5	104.5	104.1	87.5
Metal and metal products	June 28	141.4	141.5	142.3	111.6
Building materials	June 28	175.4	176.3	178.0	130.3
Chemicals and allied products	June 28	123.2	124.3	126.4	96.9
Housefurnishing goods	June 28	131.0	131.0	129.5	110.7
Miscellaneous commodities	June 28	115.8	115.8	116.1	97.9
Special groups—					
Raw materials	June 28	161.6	161.5	161.1	126.7
Semi-manufactured articles	June 28	142.1	142.7	143.1	104.4
Manufactured products	June 28	142.7	142.9	142.5	107.8
All commodities other than farm products	June 28	140.8	141.1	140.7	106.6
All commodities other than farm products and foods	June 28	132.0	132.1	132.3	105.4

*Revised figure. †No market. ‡Approximate figure. §Preliminary figure.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of April:			
Total domestic production (bbls. of 42 gallons each)	160,031,000	163,193,000	149,419,000
Domestic crude oil output (bbls.)	149,228,000	152,160,000	140,196,000
Natural gasoline output (bbls.)	10,753,000	10,953,000	9,073,000
Benzol output (bbls.)	50,000	80,000	150,000
Crude oil imports (bbls.)	7,276,000	9,263,000	7,466,000
Refined products imports (bbls.)	5,913,000	6,146,000	2,299,000
Indicated consumption—domestic and export (bbls.)	171,918,000	*179,891,000	156,751,000
Increase or decrease—all stocks (bbls.)	+1,302,000	—*1,289,000	+2,433,000
AMERICAN ZINC INSTITUTE, INC.—Month of June:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	70,990	73,970	58,812
Shipments (tons of 2,000 lbs.)	63,527	70,803	60,492
Stock at end of period (tons)	174,327	166,864	239,953
Unfilled orders at end of period (tons)	46,029	51,418	38,230
CLASS I RRs. (ASSOC. OF AMER. RRs.)—Month of May:			
Number of miles represented	227,386	227,038	227,386
Total operating revenues	$724,432,209	$689,456,229	$532,619,164
Total operating expenses	557,318,292	543,301,248	492,359,921
Operating ratio—percent	76.93	78.80	92.44
Taxes	77,345,314	73,195,340	32,635,801
Net railway operating income before charges	75,728,895	58,409,688	§4,553,088
Net income after charges (est.)	46,600,000	¶32,600,000	§36,300,000
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS RECORD—Month of June:			
Total U. S. Construction	$517,175,000	$514,343,000	$555,469,000
Private Construction	251,909,000	282,328,000	349,189,000
Public Construction	265,266,000	232,328,000	206,280,000
State and Municipal	159,445,000	159,373,000	141,348,000
Federal	105,821,000	72,642,000	64,932,000
COAL OUTPUT (BUREAU OF MINES)—			
Pennsylvania Anthracite (net tons)—Month of June	4,597,000	4,549,000	3,636,000
Beehive Coke (net tons)—Month of June	450,000	*593,224	377,900
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of June:			
Industrials (125)	5.0	5.3	3.4
Railroads (25)	7.3	7.5	4.8
Utilities (25)	5.1	5.0	3.9
Banks (15)	4.6	4.6	3.7
Insurance (10)	3.5	3.7	3.1
Average yield (200)	5.1	5.3	3.5
NON-FARM REAL ESTATE FORECLOSURES—FEDERAL HOME LOAN BANK ADMINISTRATION—INDEX FOR ESTIMATE AS ADJUSTED (1935-39=100)—Month of March	9.3	8.5	8.3
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100 — Month of June	143.9	145.9	135.4
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S.—NATIONAL HOUSING AGENCY—Month of May:			
Savings and Loan Associations	$304,994,000	$299,690,000	-----
Insurance A	65,511,000	58,912,000	-----
Bank and Trust companies	255,962,000	248,907,000	-----
Mutual Savings banks	46,353,000	44,890,000	-----
Industrials	164,808,000	166,094,000	-----
Miscellaneous lending institutions	128,105,000	122,527,000	-----
Total	$965,733,000	$941,020,000	-----

STATUTORY DEBT LIMITATION U. S. GOVT.—As of June 30:	Latest Month	Previous Month	Year Ago
Total face amount that may be outstanding at any one time	$275,000,000,000	$275,000,000,000	$275,000,000,000
Outstanding—			
Total gross public debt	258,286,383,109	258,343,439,566	269,422,099,173
Guaranteed obligations not owned by the Treasury	89,520,185	177,295,464	476,384,852
Total gross public debt and guaranteed obligations	$258,375,903,294	$258,520,735,030	$269,898,484,032
Deduct—Other outstanding public debt obligations not subject to debt limitation	884,487,234	892,349,564	966,128,730
	$257,491,416,060	$257,628,385,466	$269,932,355,302
Balance face amount of obligations issuable under above authority	$17,508,583,940	$17,371,614,534	$6,067,644,698

*Revised figure. §Deficit. ¶Corresponding figure for 1946 is a deficit of $19,320,000.

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The "Vassar Plan" For Stock Investments

(Continued from page 3)

the Average reached 160, at which time the percentage in stocks would be reduced as follows:

Dow-Jones Industrial Average

	Stocks	Bonds
160	2/3	1/3
176	1/3	2/3
194	--	100%

Under the present formula plan the Stock Fund is entirely out of common stocks unless—or until—the Dow-Jones Industrial Average reaches 145 and it would not become 100% invested in common stocks unless the Average reached 105. Common stock investments are confined to carefully selected and representative investment-type issues.

It should be noted that the Vassar Plan does not dispense entirely with the need for forecasting since the Committee must make two determinations each year: first, the median line, and second, a scale of purchase and sale points above and below this line. In making these determinations, a considerable measure of judgment enters in, although it is safe to say that the record of the past is given great weight in establishing these points.

The Record of Changes

The following table shows the actual shifts in the Stock Fund from bonds to stocks and from stocks to bonds since the Fund was started in 1938. As soon as the action point is reached, the shifts are carried through as promptly as market conditions warrant.

1938	Oct. 8 (149.75)—Nov. 30 (149.82)	Stocks to Bonds
1939	Mar. 1 (147.15)—Apr. 25 (127.36)	Bonds to Stocks
	Sept. 8 (150.04)—Sept. 22 (152.57)	Stocks to Bonds
1940	May 4 (123.27)—May 24 (113.94)	Bonds to Stocks
1941	None	
1942	Feb. 18 (105.35)—Mar. 18 (101.64)	Bonds to Stocks
1943	May 29 (142.06)—July 6 (143.76)	Stocks to Bonds
	Nov. 18 (130.79)—Dec. 1 (130.68)	Bonds to Stocks
1944	June 12 (144.08)—June 28 (147.93)	Stocks to Bonds
1945	Apr. 19 (163.18)—May 28 (165.12)	Stocks to Bonds
	Sept. 21 (179.69)—Sept. 29 (186.71)	Stocks to Bonds
1946	None	
1947—to June 1	None	

NOTE—The figures in parenthesis are the closing Dow-Jones Industrial Averages on those dates.

In no year since the plan was started in 1938 has there been more than two shifts in any one year and, in two years, 1941 and 1946, no action point was reached.

SEC Reports Reduced Rate of Savings

Individuals saved $1.4 billion in liquid form during the first quarter of 1947, according to the quarterly analysis of saving by individuals in the United States made public today by the Securities and Exchange Commission. This rate of saving was less than half that in the last quarter of 1946 and the lowest since 1940. The sharp decline in saving is partly attributable to the drop in disposable income and to seasonal influences, but also reflects a decrease in the proportion of income saved.

During the first three months of 1947, for the first time since before the war, individuals reduced their holdings of cash and deposits. This decline amounted to $1.8 billion. However, during the same quarter, they added $1.9 billion to their holdings of U. S. Government securities. Individuals also added $900 million to their equity in Government insurance, $800 million to their equity in private insurance, and $300 million to their investment in savings and loan associations. At the same time they increased their mortgage indebtedness by $600 million and reduced their investment in securities other than U. S. Government by $100 million. There was little change in consumer indebtedness other than mortgages.

The unusual decrease of $1.8 billion in individuals' cash and deposits was more than accounted for by the $2.2 billion drop in checking accounts. There was also a $600 million reduction in individuals' holdings of currency. These declines may be compared with increases of $900 million and $200 million, respectively, during the last quarter of 1946. Time and savings deposits, on the other hand, increased by $1.0 billion during the first quarter of this year, about $300 million less than in the previous quarter.

There was a substantial net increase in individuals' holdings of U. S. savings bonds amounting to $900 million. This reflected net purchases of $700 million of Series F and G bonds and $200 million of Series A-E bonds. The rather large net increase in savings bonds was explained, for the most part, by individuals' purchases of the larger denomination bonds at the beginning of the year to make up their 1947 allotments. Individuals' equity in U. S. Government securities other than savings bonds increased by $1.0 billion. This increase resulted from repayments of bank loans of $700 million and $300 million of market purchases in excess of retirements. It should be pointed out that the $800 million of armed forces leave bonds issued in the first quarter of 1947 to discharged veterans has been excluded from saving.

Of the remaining components of individuals' saving during the first quarter of 1947, there was an increase of $100 million in individuals' investment in State and local government securities, while their investment in corporate and other securities declined by $200 million.

Halsey, Stuart Offers C. & O. Equipments

A group headed by Halsey, Stuart & Co., Inc. was awarded June 8 $3,150,000 Chesapeake and Ohio Railway fourth equipment trust of 1947 1¾% serial equipment trust certificates, maturing $315,000 annually July 15, 1948 to 1957, inclusive. The certificates, issued under the Philadelphia plan, were immediately reoffered by the group, subject to Interstate Commerce Commission authorization, at prices to yield from 1.10% to 1.875%, according to maturity.

Other members of the group include R. W. Pressprich & Co.; First of Michigan Corp.; Freeman & Co.; The Milwaukee Co.; Mullaney, Ross & Co.; Julien Collins & Co.; The First Cleveland Corp.; Mason, Moran & Co.; Alfred O'Gara & Co.; Thomas & Co.; and F. S. Yantis & Co., Inc.

The certificates will be unconditionally guaranteed as to par value and dividends by endorsement by The Chesapeake and Ohio Railway.

Proceeds of the issue will be used to provide for not exceeding 80% of the cost, estimated at $3,973,920, of the following new standard-gauge railroad equipment: five 4-6-4 passenger locomotives; five 4-8-4 passenger locomotives; and two 2,000 h.p. Diesel electric passenger locomotives.

DIVIDEND NOTICE

COLUMBIAN CARBON COMPANY

One-Hundred and Third Consecutive Quarterly Dividend

A quarterly dividend of 50 cents per share will be paid September 10, 1947 to stockholders of record August 12, 1947, at 3 P.M.

GEORGE L. BUBB
Treasurer

DIVIDEND NOTICE

Robbins Fabrics

Colonial Mills, Inc.
498 Seventh Avenue
NEW YORK 18, N.Y.

The Board of Directors of this Corporation has declared a regular quarterly dividend of 25 cents per share on the capital stock outstanding, payable July 21, 1947 to stockholders of record July 14, 1947.

COLONIAL MILLS, Inc.
EDWARD A. WERNER, *Treasurer*
July 7, 1947

SITUATIONS WANTED

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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.

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Washington . . . And You

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

Federal Reserve Board is making—and will make—little headway in its upstream struggle against credit inflation. That's obvious with Congress on the brink of adjournment. Best the Board can now hope for is to see Federal lending bridled around present levels or a little lower and watch industrial and commercial loans continue to crawl upward at current rate.

* * *

You'll remember that Federal Reserve Chairman Eccles wanted three major concessions from Congress: (1) continuation of Regulation W; (2) trimming of RFC powers and transfer of business loans from that agency to the Federal Reserve Board; (3) withdrawal of lending authority from major government agencies and liquidation of their assets. He got none of these in entirety, won't get any this year.

* * *

Regulation W is to be erased shortly, probably by Presidential edict. Probably Congress won't vote either way on the issue. That means W will be withdrawn by the White House.

* * *

Actually, lending powers of Federal agencies have been curtailed but little, excluding RFC. Reduced appropriations will hamper their operations to a degree, but not enough to satisfy Mr. Eccles. All major lending bureaus are going ahead with Congressional sanction. None has been condemned to liquidate its assets.

* * *

Sole solace Mr. Eccles can derive from Congress reposes in the hobbles welded on RFC. But even in that direction the lawmakers went only half way with the Board Chairman, declined to transfer business loan guarantee jurisdiction from RFC to the Reserve Governors.

* * *

You can reach but one conclusion from rejection of the Eccles agenda—Congress just doesn't agree with the Reserve Board on the need for inflation fetters. You see added evidence of that in Congressional freezing of the Social Security old-age assistance tax at 1%, an inflationary influence. You'll see more evidence when Congress authorizes cash payments of terminal leave bonds.

* * *

And if our economists know their crystal ball, you can look for prices to be bolstered at inflated levels by Congressional action and inaction.

* * *

Interesting hindsight on operations of 14 major Federal lending agencies from date of inception to June 30, 1946, is supplied by a compilation of Congressional researchers. Here are three glimpses: (1) they had lent $41.2 billions; (2) they had written off or collected all but $6 billion; (3) they had combined assets of $42.3 billion and liabilities of $20 billion.

* * *

Of the $41.2 billion in loans, $24.2 billion had been advanced to agriculture; $8.9 billion to private enterprise, and $7.1 billion in the interest of public and private housing.

* * *

You bankers, by the way, will be interested in the legislation authorizing veterans to exchange their terminal leave bonds for cash. It's through the House, will shortly be OK'd by the Senate. Don't forget the Treasury said last year that if cash payment were granted, banks would be asked to handle the conversion.

The insurance business is to have an added six-month holiday from Federal regulation. Senate has passed, House will do likewise, a bill extending the moratorium from Jan. 1 to June 30, 1948.

* * *

Foreign nations during this year's first quarter financed about half their cash deficit from current transactions with U. S. by liquidating $1.2 billion of their gold and dollar holdings. That means they dipped into their cash balances more heavily than during any three-month period in recent years, not excluding the early war phase before lend-lease began to function. This points up the question—how long can they and how long will they be willing to buy our goods by liquidating their gold and dollars?

* * *

Don't bet yet that the minimum hourly wage will be lifted before adjournment. Hiking the floor to 60 or 65 cents an hour will promptly get the nod from the House. Senate Republicans have marked the bill "must," hope to offset Southern opposition by dickering on the cotton and farm wages, but may be stymied until next session.

* * *

Revival of Federal subsidies for marginal copper, zinc and lead mining looks likely. Legislation continuing the payments two years from last June 30—when the old law expired—is apt to be OK'd before adjournment.

* * *

Memo for Federal Power Commission: better get set for a Congressional inquiry into your propaganda to defeat legislation telling you to limit your jurisdiction to utilities actually transmitting or selling power for transmission across State lines and to renounce your avowed intent of licensing manufacturers generating power for their own consumption. There's a law which says Federal funds can't be used to influence legislation. A House Expenditure subcommittee will find out if FPC has violated that statute by peddling to Washington columnists untruths about the pending legislation.

* * *

Republican Representative Miller of Connecticut, author of the bills to shrink FPC and return to the States control over intrastate matters, remains confident of a favorable report from the House Commerce Committee before adjournment. He's agreeable to postpone a House vote until next year.

* * *

It's notable that FPC policy fixers have offered to dicker with Congressman Miller. They'll agree to refrain from imposing a Federal license on small manufacturers generating electricity for their own use if he withdraws his other proposals. The Congressman won't dicker.

* * *

Republican Representative Roy Woodruff of Michigan claims what this country needs is a good 10-cent cigarette. So he has introduced a bill lowering the $3 per thousand Federal excise tax on cigarettes to $1.75 on economy brands and hiking it to $3.50 on entrenched brands. The big fellows in the industry will elbow that one when it comes up for Ways and Means Committee hearings this summer or fall.

* * *

It now looks as though railroad reorganization legislation this session will be restricted to carriers facing insolvency in the future. Reed bill, applicable to carriers already insolvent as well as those riding into financial troubles hereafter, has been initialed by the House but may bog down in the Senate. Mahaffie bill, dealing only with future insolvencies, also carries House approval and has a better chance of reaching the White House than the Reed formula.

* * *

The House is set to relay to the President the Senate-approved Bulwinkle bill sanctioning rate fixing by railroads in conference with the Interstate Commerce Commission. The news-hounds scent a Presidential veto.

Unrealistic and Dangerous!

"I am conscious of the fact that free peoples are not the enemy of other free peoples, and the only potential enemies in the world are those who are ruled by dictatorships.

"If these dictatorships, or any one of them, desire to impose an iron curtain and refuse to raise that curtain, I think we have to accept it and do business on our side of the curtain with those people who are, or desire to be, free.

"I would not exchange ideas beyond that curtain, I would not exchange goods, I would not do business in any way, shape, form or manner.

"But I should let them constantly know that when they want to become adult and raise the curtain, we are willing to accept them into the group of free peoples that we have organized. . . .

"I am concerned with the freedom of mankind. To explain what I mean by freedom, I would say that a country is free where its citizens have the right to oppose the government, to vote for another party than the one which is in power, where a man has freedom of speech, freedom of the press exists and where, if a man gets into jail, he can invoke the right of habeas corpus. . . .

"I do not believe the United States can stay strong and can stay free if it permits the type of freedom that I have described to disappear in countries which have previously enjoyed it.

"I believe that freedom is indivisible and that the destruction of it anywhere is an assault upon the free world."—Arthur Hays Sulzberger.

To us it is almost incredible that so many men of indisputable sincerity and intelligence can hold to this unrealistic view of world affairs.

Thoughts of where it may lead are deeply disturbing in our view.

At Robert McMaster

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Harry H. Gibson has joined the staff of Robert F. McMaster & Co., 105 South La Salle Street, members of the Chicago Exchange.

Perry Dryden Joins Paul H. Davis & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Perry Dryden has become associated with Paul H. Davis & Co., 10 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Dryden was formerly with Central Republic Co. and prior thereto was an officer of E. H. Rollins & Sons, Inc., with which he had been associated for many years.

Lambert Davis With Adams & Co., Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Lambert Davis has become associated with Adams & Co., 105 West Adams Street. Mr. Davis formerly did business as an individual dealer in Chicago and prior thereto for a number of years was with Adams & Co.

Kebbon, McCormick Adds 2

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Neil Johnson and Peter V. Reece have become associated with Kebbon, McCormick & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Reece was previously with Alfred O'Gara & Co.

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Saul R. Miller Joins Straus & Blosser

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Saul R. Miller has become associated with Straus & Blosser, 135 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Miller was formerly Vice-President of Edward J. Bourbeau & Co., of Los Angeles. Prior thereto he was with Swift, Henke & Co. and conducted his own investment business in Chicago.

Saul R. Miller

Delmasse, Manager of Halsey, Stuart, Balt.

BALTIMORE, MD.—Edward H. Delmasse has been appointed manager of the Baltimore office of Halsey, Stuart & Co., 207 East Redwood Street. Mr. Delmasse has been with the firm for about ten years.

The Baltimore office will operate under the jurisdiction of the Philadelphia office, of which J. Holzbaur, Jr., formerly of Baltimore, is manager.

John Alexander Now With Betts, Borland & Co.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—John T. Alexander has become associated with Betts, Borland & Co., 111 South LaSalle Street, members of the New York and Chicago Stock Exchanges. He was previously with Hirsch & Co.

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