Bus adm

JUL 18 1947

ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 166 Number 4612 New York, N. Y., Thursday, July 17, 1947 Price 30 Cents a Copy

Does the Bear Walk Like a Man?

By. H. BERTRAM SMITH
Partner, Newburger & Hano
Members N. Y. Stock Exchange

Investment broker, in commenting on foreign situation which is causing a fog of uncertainty in business outlook, holds fear of Russian war is unjustified and that Soviet recalcitrance is merely case of rabbit spitting in the bulldog's eye.

Since I ridiculed the self induced depression a few weeks ago that to me seemed to be nonexistant, rifts have begun to appear in the ebon clouds of fear and foreboding that have obscured the business vision of a great number of our less astute industrialists, merchants and investors. Such outstandingly successful exponents of democratic capitalism as Mr. Sloan of General Motors and Mr. Colt of the Bankers Trust have issued statements casting grave doubts on the chart-begotten predictions of doom. Various commercial associations have in a somewhat surprised manner admitted that their industries are in good health and bid fair to remain so, and last but certainly least Washington has propounded the highly illogical thesis that the depression that was predicted can't possibly arrive.

So that if one tries to penetrate the remaining fog of uncertainty

(Continued on page 25)

See **PICTORIAL SECTION** for **pictures taken at recent outings of Columbus Stock and Bond Club; Los Angeles Traders and Security Traders Association of Los Angeles.**

Stable Money a Prerequisite To European Recovery

William Chamberlain states that without honest monetary systems, honestly administered, economic recovery in Europe is impossible, even though intercontinental trade barriers are removed and American subsidies granted. Says subsidization of governments engaged in paper money inflation is senseless because useless and illustrates futility of price manipulation of foreign paper money.

William Chamberlain, former President of the United Light & Power Co., has furnished the "Chronicle" with a copy of a letter he wrote on June 28 to Congressman J. Z. Anderson (R.-Cal.), which supplements a previous letter dated April 25, and published in the "Chronicle" of May 15, (p. 2). In the first letter Mr. Chamberlain analyzed the financial, economic and political effects of the International Monetary Fund and the World Bank. In the following letter, Mr. Chamberlain stresses the fundamental need for monetary stabilization in order to make American aid in European reconstruction effective:

William Chamberlain

My dear Congressman:

An interested reader of the "Commercial & Financial Chronicle," in which my letter to you of April 25 was published, has requested that I indicate such conditions as I believe ought to be attached to proposed Loans and Grants to foreign states should the new program now being formulated in the State Department be approved by Congress.

In my letter to which reference has been made, I called attention

(Continued on page 28)

U. S. vs. Communism in One World

By HAROLD E. STASSEN*
Former Governor of Minnesota

Republican Presidential aspirant, asserting Russian political leaders must be convinced they cannot sabotage our economic system, urges: (1) prompt action to make Paris program success; (2) no abandonment of eight nations not participating in conference; and (3) stern measures to clear out Communist infiltration in U. S. Says nations bordering Russia desire individual freedom, but cannot risk defying Soviet. Outlines 12 steps for clearing out Communist infiltration.

Today in Paris 16 of the nations of Europe are meeting at an economic conference. Eight of the nations of Europe, all located on Russia's door-step, turned down the invitation to the conference. Russia rejected the request of England and France that she join in calling the conference.

Harold E. Stassen

Obviously this development is of major and grave postwar significance. The conference is being held as a direct result of an address by Secretary of State Marshall on June 6 at Harvard University. He stated that America would continue to assist in rebuilding Europe but that Europe itself must get together and agree on a plan, including their own self-help, and present a proposal and statement of needs to the United States.

(Continued on page 38)

*An address by Mr. Stassen over the National Broadcasting System, July 14, 1947.

EDITORIAL

As We See It

Two Worlds?

As "The Conference for European Economic Cooperation" gets under way in business-like fashion, "One World," at first glance at any rate, appears to have become "Two Worlds." Sixteen of the 27 countries which constitute Europe are represented at Paris, and are apparently going to work with a right good will. Russia has, of course, excluded herself, and is now boasting that she was able to keep eight of her neighbors from going to the French capital. Meanwhile this former ally of ours is said to be busily engaged in working out a new "orientation" for these satellite nations around her, which would ally them more closely in an economic sense with the Soviet Union than they have been in past years. The terms, or at least some of them, of an understanding with Czechoslovakia have been announced to the world, and the favor of all of those lands under Russian dominance is being sedulously cultivated—at least in the press.

Meanwhile, of course, the nations whose representatives are gathered in Paris are without the heretofore quite ubiquitous handicap imposed by the obstructionist tactics of Russia and the regimes in Eastern Europe which have regularly been doing her bidding apparently without asking why. Spain, which is not

(Continued on page 29)

A Technical Stock Market Forecast

By EDMUND W. TABELL*
Shields & Co.

Market technician holds statistical background should be used as check on market's technical pattern because of investors' psychological changes. These combined factors lead Mr. Tabell to advise buying at this time on dips and holding for ultimate doubling of the current price level.

Attempting to forecast the fluctuations of the market is a hazardous occupation at best. It is doubly hazardous when you are forced to put your opinions in writing in a bi-weekly market letter and triply hazardous when you attempt to make predictions before a group of security analysts, all of whom have informed and definite opinions of their own. However, here goes. As I told you last year, any opinions expressed will be based not on the fundamental or statistical outlook for the securities mentioned, but simply on my interpretation of their technical market action, as shown on charts and graphs of the market averages and individual securities.

Edmund W. Tabell

When I started in this business some 15 years ago, I had a portfolio of 20 or 30 charts of market leaders. The whole idea of the technical approach to market interpretation became a sort of hobby with me and my original list of 20 or 30 charts has grown to quite sizeable proportions. My original charts were point and figure charts and I have continued to concentrate on this type of graph. They are quite simple and depict, instead of the daily price range, only the full one-point changes in individual securities and the various market averages regardless of the time element. I believe, at the moment, I have one of the most complete collections of point and figure charts available. I have one-point figure charts of almost every issue listed on the New York Stock Exchange, the only exceptions being some extremely inactive 10-share units of trading issues. I also have some 200 of the more active New York Curb issues and also some 50 or more speculative bonds. In addition, there are charts of the market averages including the various Dow-Jones, New York "Herald Tribune," New York "Times" and Standard Statistics averages. While I have one-point charts on all of these individual securities and averages, in addition, there are also graphs of every half-point change in some of the lower priced issues and three-and-five-point changes in some of the higher priced issues. In all, my library consists of almost 2,500 graphs. While these point and figure charts comprise the major part of my technical work, I also have various other indicators such as moving averages and oscillators of the 21-hour range of the various averages for shorter term trading, of the 28-day range for the intermediate term trend and the 200-day range for the longer term. Also, there are other indicators of buying power and selling pressure and gauges of the short interest compared to the average volume of trading, along with breadth of the market studies. I, also, have a few daily vertical line charts in issues which I am particularly interested at the moment. Also, there are over 900 monthly range charts going back to 1936. All of this requires a great deal of work. Today, it is necessary to have a staff of two or three helpers, including a capable assistant, to keep these charts up to date

(Continued on page 30)

*A talk by Mr. Tabell before New York Society of Security Analysts, July 9, 1947.

An Illegitimate Bear Market

By RALPH ROTNEM*
Market Analyst, Harris, Upham & Co.

Analyst points out market's logical action in switching strength from war to peace industries. In view of prosperity outlook and market's sound technical position, Mr. Rotnem regards as possible a 100-point rise in the D-J average.

During the last year we have had an illegitimate and premature bear market. Premature because it has been the longest anticipatory decline in the history of the stock market. Illegitimate because we have had a sharp decline in stock prices without a decline in earnings, dividends or business activity. During the last year we saw the Dow Jones industrial average decline 24% in value but in the same period the earnings on those stocks have gone up 70%, yields are up 54%, and business activity increased 17%.

Ralph A. Rotnem

In such a dilemma, the pessimists search for other explanations of the decline in stock prices. These include:

(1) The dire predictions of the government economist who perhaps remembered the way the Administration "planned things that way" in 1937 and 1938. If adjustments had to be made in our economy it would be better for political reasons to have them out of the way before an election year. The government also retired $5 billion of marketable government debt during the first half of the year.

(2) The studies of the market historians that showed we had a severe decline in business activity, earnings, dividends, and commodity prices after the last war. The industrial average of stock prices declined 45½% from November 1919 to August 1921. The difference in the two periods is shown in the following figures of the earnings on the stocks used in the Dow Jones industrial average:

	After the First World War		After the Second World War	
Year war ended	1918	$16.18	1945	$10.56
First peace year	1919	13.77	1946	13.64
Second peace year	1920	6.74	1947	16.50 est.
Third peace year	1921	0.00	1948	?

But too many people expected the market and business to follow the same pattern and perhaps there was too much stress put on the similarities of the two periods and too little emphasis placed on the many significant differences. Seldom does the market do what is generally expected. In 1939 when World War II broke out many market historians anticipated a sharp decline because that had happened in 1914 when the first war started. Instead of going down, however, the market had a particularly sharp advance.

(3) Most Dow theorists interpreted the setback last fall as the start of a bear market. Even the optimists rushed to sell stocks because there usually is a wave of selling from the thousands of people who follow this theory when a bear market is indicated. We all remember the sharp declines that followed the bear market signals in 1929, 1937 and 1940.

(4) The government regulation of security markets resulted in thin markets and the selling by a

(Continued on page 26)

*Based on an address by Mr. Rotnem before Security Analysts' Society of New York City, July 9, 1947.

INDEX

Articles and News Page

U. S. vs. Communism in One World—Harold E. Stassen...Cover
Does the Bear Walk Like a Man?—H. Bertram Smith...Cover
A Technical Stock Market Forecast—Edmund W. Tabell... 2
An Illegitimate Bear Market—Ralph Rotnem... 2
Outlook for the Stock Market—James F. Hughes... 3
The "Dollar Crisis" and Foreign Trade—Franklin Prager... 4
Export Boom Collapse Threatens Business Outlook —Clinton Davidson, Jr... 4
Accomplishing Economic Stability—Emerson P. Schmidt... 6
No Famine Ahead in Building!—Bror Dahlberg... 7
Europe in Climax—A. W. Zelomek... 9
Flexible Public Debt Policy—Daniel W. Bell... 9
Our Neglected Sea-Air Opportunities—Richard H. Wels... 12
Economic Observations Abroad—N. S. W. Vanderhoef... 14
Stock Market Lethargy—Roger W. Babson... 15
Opening of Private Trade With Japan—Thomas R. Wilson... 16
Economic Instability: Causes and Remedies —Paul G. Hoffman... 18
World-Wide Better Living Standards Is Road to Peace —William L. Batt... 19
Economic Problems of Postwar France—Rene Mayer... 20
Popular Economic Misconceptions—Frank M. Surface... 23

* * *

Stable Money a Prerequisite to European Recovery —William Chamberlain...Cover
New Distilling Process Eliminates Aging... 8
Convertibility of Sterling Postponed for 14 Countries, Reports Secretary Snyder... 10
Peru's Latest Offer to American Investors Not Meeting With Acceptance... 10
J. Cheever Cowdin Sees Leveling Off of Prices, Costs and Income as Major Problem... 13
Production and Movements of Gold, Survey by Bank for International Settlements... 17
Delay Coal Price Increase, Urges Truman... 19
Gen. Marshall Sees Turning Point in Foreign Relations... 20
Sterling Convertibility Problem Discussed by British Information Services... 20
Sales of World Bank Bonds Begin... 21
The Petroleum Industry Analyzed by Wm. R. Boyd, Jr... 22
Lehman Plummer Warns of High Price Effects on Consumer Credit Financing... 22
Aubrey G. Lanston Predicts Early Unpegging of Treasury Certificates... 24
NICB Says Unit Labor Costs Still Rising... 47
Henry Ford Named Man-of-the-Year... 48

Regular Features

	Page		Page
As We See It (Editorial)	Cover	Observations—A. Wilfred May	5
Bank and Insurance Stocks	24	Our Reporter on Governments	40
Business Man's Bookshelf	10	Our Reporter's Report	45
Canadian Securities	16	Prospective Security Offerings	44
Coming Events in the Investment Field	8	Public Utility Securities	8
Dealer-Broker Investment Recommendations	8	Railroad Securities	14
Einzig—Sterling Diplomacy	15	Real Estate Securities	*
From Washington Ahead of the News—Carlisle Bargeron	7	Securities Salesman's Corner	22
Indications of Business Activity	46	Securities Now in Registration	41
Mutual Funds	12	The State of Trade and Industry	5
News About Bank and Trust Cos.	39	Tomorrow's Markets (Walter Whyte Says)	39
NSTA Notes	10	Washington and You	48

*See article on page 7.

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, July 17, 1947

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $25.00 per year. (Foreign postage extra.)

Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)

Note—On account of the fluctutations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Outlook for the Stock Market

By JAMES F. HUGHES*

Market Analyst, Auchinloss, Parker & Redpath

Mr. Hughes asserts SEC regulation and Treasury expansion of bank credit have upset traditional stock market patterns. Holds European rehabilitation and other inflationary factors may keep stock prices high for several years.

James F. Hughes

As a member of this Society I have developed the bad habit of allowing some humor to creep into my occasional appearances at these luncheon forums. I realize that in dealing with so serious a subject as the outlook for the stock market there is no time for comedy. Despite this realization, I am forced to plead guilty. I insist, however, that there are extenuating circumstances. The most important of these extenuating circumstances is that if one did not cultivate an ability to view with humor the bewildering gyrations of the stock market, one could be driven beyond the realm of sanity by these gyrations.

Humorous appreciation of the antics of the stock market is heightened by knowledge of the fact that it is regulated by legislation primarily designed to prevent "sudden and unreasonable fluctuations in the price of securities." When it is realized that under what might justifiably be called fairly normal conditions, there have been more "sudden and unreasonable fluctuations in the prices of securities" than there were before regulation, one has to laugh in order to avoid going mad.

In all seriousness, I would like to ask what one should do about the "sudden and unreasonable fluctuation in the price of securities" that occurred during the ten market sessions between Aug. 27 and Sept. 10 last year. To anybody having even a slight bowing acquaintance with technical market theory, it was obvious that these ten days which carried the Dow-Jones industrial averages from a high of 197 to a low of 166 represented the first important technical bear market in history.

There were a number of critical technical points between the 200 level and 186 in the industrial average. For example, 195 was important for a variety of reasons including the fact that one group of Dow theorists firmly believed that this level, rather than 186, would signal a reversal in its major trend if it were violated. Well, it was violated and four days later so was 186 and five days later, on September 10, this particular "sudden and unreasonable fructuation" reached its effective climax at a low of 166.64.

There was sufficient ironic humor in the realization of the fact that the elimination of professional speculation by law had resulted in a situation where a moderate but concentrated increase in selling based largely on technical factors resulted in one of the four worst breaks, considering the time involved, in the history of the market. As things developed, however, the really crowning humorous touch came with the fairly general discovery that the technical bear market of 1946 was discounting an economic business recession that could appear by the spring, summer, autumn or early winter of 1947.

What do you do about a situation in which the overwhelming majority of people accept as the true gospel an economic sequence that was an accidental by-product of a rigid old-fashioned banking system, and which was dramatically revealed as such when a new scientific and elastic banking system enabled the stock market to run right over the high of industrial activity in 1929? And yet 17 years after the market proved that it had no ability whatsoever in forecasting the greatest depression in history, there was a general stampede in the autumn of 1946 to get abroad the business depression bandwagon because of a ten-day technical collapse in stock prices.

I asked, "What do you do about a situation like this?" My answer is that you take it pretty seriously and use the lessons learned from it when next faced with the problem of trying to appraise the outlook for the stock market.

Lessons From Last Year's Experience

There are two significant lessons that may be learned from the experience of the past year. First, market technicians are more important than ever before and it has become imperative, if one wishes to keep abreast of what is going on in the market, to know what the various schools of technical interpretation are thinking, saying and advising.

The second lesson is that for practical market operations what the great majority of people think is going to happen is more important that what actually does happen. This statement is supported by the history of the past decade during which time three simple slogans rather effectively controlled the major trends of the stock market.

Mass Thinking Deluded

From the time of the Czechoslovakian crisis in the autumn of 1938 until the spring of 1942 the major trend of the stock market was dominated by the slogan, "We are drifting into war and war is bearish." So effective was this simple concept that despite an advance in the Federal Reserve Board's index of industrial production from 100 in November, 1938 to 189 in April, 1942, and an increase in corporate earnings

(Continued on page 29)

*A talk by Mr. Hughes before New York Society of Security Analysts, July 9, 1947.

The "Dollar Crisis" and Foreign Trade

By FRANKLIN PRAGER

Executive Vice-President, Allied Metal Products and Supplies Corp.
Lecturer on Foreign Trade, College of City of New York

Export executive, while admitting dollar shortage is serious and may cause decline in U. S. exports, decries fears our export business will disappear. Says many foreign countries still have dollar reserves and even if exports decline, they will remain above prewar level. Foresees bartering expedients and high level of exports for 1949 and thereafter, and looks for implementation of Marshall Plan as leading to healthy world economy.

In a close parallel to the similar 1921 period, many exporters are pulling in their belts or closing their doors at the first pinches of the competitive postwar trading world are felt. The situation is admittedly serious. The actual excess of exports over imports for the first five months of this year was over $4 billions.


Franklin Prager

The immediate effects of this decided "favorable" balance of trade are a pronounced overseas gasp, a cry as if of strangulation, and a quick resort to exchange controls plus an embracing of bilateralism. The effect in turn upon the thousands of exporters who opportunely mushroomed up as the War ended has been a frightened squeal plus a hasty retreat back to the law practices, real estate offices and retail counters from whence they came.

We are witnessing the reversing in direction of an economic pendulum. Export trade can certainly not be maintained at its present fantastic level. But at one-third of current rate it will still be better than any prewar year, and provide employment directly and indirectly for 15 million persons. Since not price nor quality but dollar-shortage is the limiting factor, a decline from present high price levels would not reduce export dollar volume but will simply result in more goods going to the foreign buyer for the dollars he has available. Experienced exporters are familiar with this situation and are prepared to deal with it. Even at the low points of 1932 when dollars had become so scarce that the Brazilian Government declared that all importers could only pay off in 48 monthly dollar installments, so many time draft shipments were made that the action had to be duplicated in 1934 when another "dollar moratorium" was declared. It is interesting to note that these large-scale shipments were made without the benefit of bank discounting privileges; no bank in the United States was discounting four-year paper of this nature. All traders received all their dollars, in due course.

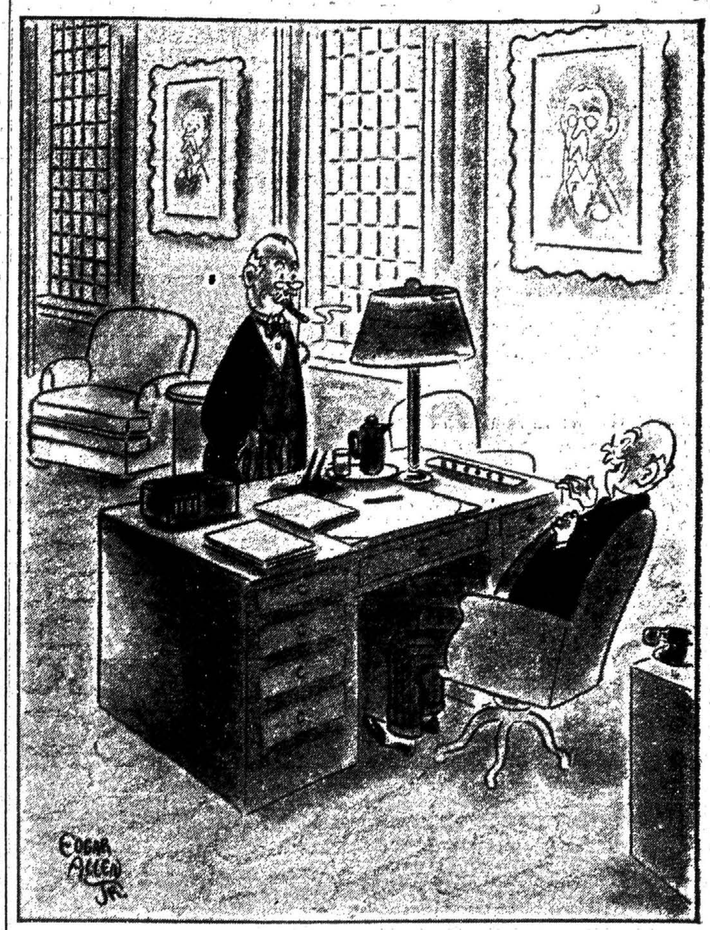
Still Have Dollar Reserves

This present situation is nowhere near as serious. Many foreign countries increased their reserves of dollars and gold during our wartime topheavy purchases and restricted commercial exports. Heavy loans for non-productive purposes, such as we witnessed during the early twenties, have not been duplicated. The horizon is bright for greatly increased imports to pay for a flourishing export trade: Wartorn Europe and Asia are rapidly recovering their industrial potential and reaching a position to fill orders from U. S. importers who are complaining about non-delivery; the high national income and increased leisure time in the U. S. bespeak greater raw material and consumer goods requirements; the Brookings Institute predicts a foreign travel expenditure exceeding a billion dollars—an invisible "import" which provides dollars just as well as does crude rubber.

As an interim measure many American manufacturers have already turned to barter trading. The Gillette Safety Razor Co. sends blades into Italy and takes fruits and vegetables in exchange, which it converts into dollars

(Continued on page 27)

BUSINESS BUZZ



"This was a very profitable week, B. L., I made almost as much as a bricklayer!"

Export Boom Collapse Threatens Business Outlook

By CLINTON DAVIDSON, JR.

Economist, Fiscal Counsel, Inc.

Predicting export boom collapse this year, Mr. Davidson says it will deepen business depression and cannot be entirely averted by U. S. foreign loans or aid. Cites dollar balances abroad as not covering to most countries one year's exports, and concludes a return to normal export situation will start continuous crushing of purchasing power that now props up our business boom.

Our bloated export boom will probably collapse this year regardless of how much we lend-grant Europe, because it has been pushed up largely by inflationary booms in countries enriched by the war. An export collapse will hasten and deepen the forthcoming business recession, because the excess of exports over imports has taken the place of inventory accumulation as the largest shaky prop supporting current business activity. The first signs of the impending collapse will not be discovered by watching Europe's


Clinton Davidson Jr.

hunger and reconstruction needs, or Congressional liberality to destitute nations, but rather by watching for ebbtides of abnormal spending in Latin America, Africa, India and Canada.

Export Increases

The primary cause of this year's export boom is revealed by Table I, which shows how much our exports to various countries in the first quarter of 1947 (on an annual basis) exceeded 1937—a year of world-wide prosperity. War-torn Europe accounts for only one-third of the increase, whereas countries suffering neither hunger nor destruction account for three-fifths.

The proposed lend-grant program of $5 billion a year to rehabilitate war-torn Europe may sustain our exports to that area somewhat near the current 250% increase over 1937. It should be remembered, however, that these countries have already been using gifts and long-term loans from us at the annual rate of $7 billion. The new program will be a tapering off, rather than a stepping up of European aid.

Yet our exports could still decline $6 billion a year, if our cash customers reduced their buying to 1937 level. The largest increases over 1937 are going to Canada and Central America. Brazil has increased her purchases from us

(Continued on page 45)

The State of Trade and Industry

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

Settlement of the soft coal stoppage by Northern and Southern operators with the United Mine Workers Union has been productive of insuring peace in the bituminous coal industry for at least one year, but it has at the same time provoked some concern over the future course of prices as a direct result of higher wages and other benefits that will accrue to the miners under the new contract.

Taking their cue from demands of fellow members in the soft coal pits, the anthracite or hard coal miners have obtained similar pay adjustments and other benefits in their contract which recently came up for renewal. All in all, wage scales at the moment are tending higher and the pattern established in the coal industry will encourage workers in other fields to seek higher scales which will affect the average consumer and his ability to buy in a great degree.

With regard to purchasing power, however, it is cheering to note that employment, an important factor in the Nation's buying power, has shown steady gains notwithstanding layoffs and a decrease in working hours in a number of places. The Census Bureau reports that in June, 1947, 60,055,000 persons were employed in contrast to 56,355,000 in June, 1946. It is also understood that the number of factory workers has increased almost as much as the gain in output.

With employment high, wage rates also have risen and they have had a more significant effect on consumer incomes than on making business operations more difficult through an advance in production costs, the June issue of the "Business Bulletin" of the La Salle Extension University states.

Supplementing the above remarks the Bulletin adds: "If worker productivity increases in the same ratio as the rise in wage rates, business will be stimulated. If it does not, the adverse effects of higher costs will in the long run be a factor in slowing down business activity. The recent increases in major industries have deferred any price reductions in those lines but in most cases they have not yet been followed by price increases."

It should be pointed out in the present instance, however, that with increased wages in both the steel and coal industry, the contrary effect will be found to be true, since higher prices are being forecast for steel products, and both soft and hard coal producers have already taken such action. According to reports two big Pittsburgh district soft coal producers on Friday, last, raised the price of bituminous coal at the mine with retail merchants following in line. In the case of the hard coal producers, a price increase is expected to go into effect on Aug. 1. The effects of these increases will in the natural course of things be felt throughout our whole economic structure.

In discussing the effects of increases in wage rates and weekly earnings on business activity, the "Bulletin" made the following observations:

"Wage rates and weekly earnings have increased in nearly every other field as well as in factories. In some fields the increases have scarcely offset the rise in the cost of living. They are reflected, however, in increased consumer purchasing, which is sustaining business activity at current levels and will do much to slow down any decline after more nearly normal relations between production and distribution have been established."

INDUSTRIAL PRODUCTION DECLINES SLIGHTLY IN WEEK

Independence Day closing of most plants coupled with the usual shutdown of many industries for a one or two week vacation period reduced the week's total industrial output.

After giving proper consideration to usual seasonal changes, overall production approximated the level of a week ago and was moderately above that of the corresponding week a year ago. Order volume moved ahead in many lines and employment levels were at record heights. The Census Bureau in its latest report for June, 1947, notes that there were 60,055,000 Americans in civilian employ and 1,400,000 more in the armed services. The June, 1947 figure was 1,730,000 higher than in the previous month and approximately 3,700,000 above the June, 1946 total. Thus the June, 1947 figure exceeded America's postwar full employment goal by 55,000 workers.

With the settlement of contracts in the coal industry, many of the steel workers resumed work and production moved ahead with output scheduled at 11% more than in the previous week. Although many steel consuming plants were closed for Summer vacations, pressure for steel deliveries increased.

Building construction displayed a noticeable improvement in activity with the lifting of government restrictions. The holiday cut into total volume of civil engineering construction by 26%, with a total of $78,690,000 in the week ended July 10, against $105,599,000 in the previous week.

Production and order volume for lumber continued slightly above levels a year ago. In the week ended June 28, shipments were 4% below production and new orders were fractionally above production.

Heavy household appliances sold well in the week, but such items as toasters, irons and other small appliances encountered sharp buying resistance. The supply of motors and small power tools as in the past continued scarce.

STEEL OUTPUT FIRST HALF OF 1947 SETS PEACETIME RECORD

Current Operations 16% Above Previous Week

In the first six months of 1947 the steel industry produced a larger total tonnage of ingots and steel for castings than ever before in any similar peacetime period, the American Iron and Steel Institute announced.

The 42,267,320 net tons of steel made in the first half of 1947 was almost 15,000,000 tons larger than the amount made in the

(Continued on page 33)

Observations . . . .

By A. WILFRED MAY

SECRETARY MARSHALL SETS OFF HIGH-STAKE GAMBLING

A. Wilfred May

The world's two Super-Powers, it should be realized, have become embroiled in a gigantic *gamble* with bigger and bigger bets. While the United States initiated a new diplomatic policy of non-appeasement in then-Secretary Byrnes' speech before the Overseas Press Club at the end of February, 1946; and what might be termed quasi-dollar diplomacy thereafter — through Export-Import and the British loans, surplus property, Lend-lease and stabilization credits, World Bank and Fund subscriptions, UNRRA and other relief—we have only begun laying down the chips in a real way toward affirmative aims since last March.

Recognizing the desperate plight of the non-Communist portion of the world and the traditional unwillingness of the American public to take definitive action before the actual start of the shooting—a situation met by Mr. Roosevelt a decade ago by his epochal proposal to *Quarantine the Fascist Aggressors*—President Truman last March 20 started a mild rolling-of-the-ball in setting forth his "Doctrine." In asking the Congress for only four hundred million dollars for this vital objective, after the twenty-three billions already made available through the other above-mentioned relief media, the President made a compromise between emergency political strategy against the aggressor abroad and the possibilities for action at home. Surely the amount gambled there is woefully small for an all-out effort to maintain a status quo of European peace.

Our next major step in European intervention is embodied in the pending so-called Marshall Plan. No one yet knows the amount of money for which we may become involved in making good the Secretary's suggestion advanced at Harvard, but there is no doubt that it will far exceed the Truman Doctrine's $400 million contribution to Greek and Turkish stability.

At any rate, apart from the financial elements involved, the United States as well as the Soviet Union is engaging in giant political gambles through the attitudes thereto which they are wholeheartedly embracing.

The U. S. Gambles

There are a number of such high gambles which the United States is taking. Foremost there is the risk that the Congress, in conformity with the temper of the American people, will refuse to appropriate the further financial wherewithals to be furnished by us. Secretary Marshall is necessarily gambling on the persuasiveness of the argument that credits operating under business-like systematic direction will eliminate the objections to the piecemeal manner in which we have already distributed $16 billion for post-war relief.

Then we are gambling on Great Britain's ability to survive and recover economically. This in the face of her mounting adverse trade balance, her renewed cutting-down of imports and her current monthly drawing-down of her Loan from us of double her scheduled amount. She, our strongest European "ally," must necessarily overcome the elevated level of U. S. prices, the great dollar-burden in her share of Germany's support, and the difficulties of maintaining the free convertibility of sterling from this week on.

Again, in going ahead affirmatively without Moscow and her satellites, the Western powers are taking it for granted that Russia will not in the early future be able to lift her industrial and agricultural production sufficiently to make of herself a potent military force or, in order to hold in line her satellites, to match American largesse; and that atomic-warfare is still safely beyond her grasp.

France also provides a focal point of risk for Marshall Plan operations. Indispensable is the ability of the Ramadier Government, with the aid of liberal credits and material support, to withstand the imminent continued onslaughts of the belligerent domestic Reds.

We must also gamble that we can free Germany from Russia's stranglehold on her productive capacity, so that, instead of "bleeding" the Western Powers, her enormous potential output can be used for mutual aid.

The Soviet's Risk?

The Russians, in walking out of the Paris Conference along with their regimented satellites, are taking their chance on the converse of the above factors, and additionally on affirmative ones. Chief of the latter is that the United States will soon run into a devastating "capitalist" depression which will both render us incapable of carrying through our commitments and discredit free enterprise with independent Western nations.

Moscow is relying on the failure of attempts at trade agreements; that the schism between the interests of American businessmen and Europe's need for tariff reduction will continue.

But Moscow's basic gamble is that America's material contribution will, in absolute size and in manner of distribution, be so disappointing to the "borderline" countries with strong Communist parties, as to shove them all the way into the Soviet column.

The stakes are high, and the "game" is nearing its final round!

With Reagan & Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CAL.—Jack M. Althouse is now with Reagan & Co., Inc., 575 East Green Street.

Bennett Heads Sales For J. M. Dain & Co.

MINNEAPOLIS, Minn.—Charles R. Bennett this week was named Manager of Sales for J. M. Dain & Co., Rand Tower. He has been a Vice-President of the firm since joining it in 1943, and prior to that was 25 years with the Wells-Dickey Co.

Kaufmann, Alsberg Co. To Admit Three

Richard K. Kaufmann, Alsberg & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Herbert C. Newman, member of the Exchange, Edward T. English and Irwin Guttag to partnership in the firm on Aug. 1. Mr. Newman formerly was with Ira Haupt & Co. and prior thereto was a partner in Newman Bros. & Worms. Mr. Guttag and Mr. English have been with the firm for some time, the latter as office manager.

Bernard J. Lasker, a member of the Stock Exchange, and Bertram E. Goodman will retire from the firm on July 31.

Donald N. Gilbert to Be Partner in Carter

Donald N. Gilbert will become a partner in Carter & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, as of Aug. 1. In the past he was a partner in Donald N. Gilbert & Co. of Syracuse.

Accomplishing Economic Stability

By EMERSON P. SCHMIDT*
Director, Economic Research Department,
Chamber of Commerce of the USA

Asserting we are still in a semi-war economy, Dr. Schmidt stresses need of international peace as force promoting economic stability. Points out U. S. standard of living must shrink if implementation of Marshall Plan requires heavy shipments abroad. Deplores deprecation of thrift and artificially low interest rates as impeding capital formation. Sees danger of successive wage jumps entailing mass unemployment, and holds costs, prices and output must be kept in balance. Warns against use of averages in judging profits and wages.

The Chamber of Commerce of the United States welcomes the opportunity to cooperate with the Joint Committee on the problems of maintaining enduring prosperity. Next to the problem of durable peace, this is the most important problem to every American. Indeed world peace and enduring prosperity are indivisible.

Dr. E. P. Schmidt

Semi-War Economy

To some people postwar reconversion appears complete. It is doubtful, however, that we have reconverted the economy in the brief two-year period to anything like normal peacetime conditions. Actually we remain on a quasi-war footing which has not permitted return to a normal civilian exchange economy.

Unless we can establish international peace, there may be little purpose in talking about domestic economy stability. Wars grossly distort the economy, expanding different parts unequally. Production and price distortions, including wage distortions, abound everywhere. The money supply is multiplied and seeks to express itself in higher prices. Because of the war-induced conditions we are experiencing a kind of prosperity, but it is doubtful that it rests on a secure foundation.

Since the war's beginning some prices and some wages have increased several times as rapidly as others. While a restoration to prewar relations might not be ideal, few would argue that the present wage pattern, the price pattern or the production pattern, will endure, or that the existing relationships can be permanent—patterns and relationships which are the by-products of war.

We are exporting nearly $3 of goods for every dollar of imports. Dollar exchange is shrinking and already a number of foreign nations have placed restrictions on our exports to them merely to conserve their foreign exchange. This type of interference can accumulate very rapidly and lead to further trouble.

If the Marshall Program, supplementing the Truman Doctrine, is put into effect in the next months, it may cost this country many billions of dollars over the next few years. This may mean an additional drain on the products of our man-hours. We may unconcernedly extend "foreign credits" but in practice this means that we are making available services, goods and raw materials to foreign lands. This will mean that we will have less to consume here, with additional upward pressure on our price structure. It has been estimated that every 5% increase in the demand for agricultural products means approximately a 10 to 20% increase in their prices. The Marshall plan is likely to involve very considerable upward price pressure on many commodities.

This in turn will set in motion a generalized union wage demand across the economy, because the public is so readily disposed to accept as just, the notion that wage increases must at least keep pace with price increases, like the opera company which sold more tickets than it had seats, and then to correct the unbalance it sold some more tickets. It is doubtful that we have learned even yet that further wage increases, when the cost of living is pressing against the wage structure, merely permits the consumers to bid more fiercely against the scarce supply of goods. If the Marshall program calls for several billion dollars worth of goods per year, the American people will have to recognize that through one means or another their standard of living must shrink. Such shrinkage can be made effective in several ways, or a combination of these ways:

1—Rationing, price and wage control.

2—Exceedingly heavy taxation to drain off excess money demand.

3—Government borrowing out of savings.

4—Inflation.

This matter is mentioned because we appear to be moving toward expanded programs of foreign aid and reconstruction, if not something of a much more ominous nature. If this is correct, it will be incumbent upon the government of the United States to make clear in advance the cost *in real terms*, and not simply in the euphonious "foreign credit," what this program will involve in terms of belt tightening.

Is the foregoing not the crucial issue at this moment before your Committee in terms of the problem of domestic stability?

Real Capital Supply

For more than a decade and a half we have experienced a subnormal rate of capital formation, first due to the depression and then due to the war experience. Some war assets are being put to civilian use, but by and large we are grossly short of productive capital as well as certain specialized labor. Our basic capital supply, prewar, was designed to produce an annual national income of about $90 billions. Our income has doubled. But, even after allowing for price inflation, we are today with our large monetary national income making an impossible demand upon our economy. Since 1929 we have added to our population the equivalent of two Canadas and yet we have had relatively little net capital formation in this period. Electric power shortages are widely predicted for next Winter, as are fuel shortages. We already have gasoline shortages. In Chicago newly constructed houses cannot install gas furnaces due to a lack of gas pipe line capacity. Our government has just placed a restriction on the export of rolling stock. We have a shortage of paper, steel, lumber, many metal alloy products; we are grossly short of commercial, recreational, and many other types of establishments. Hotel rentals are being bid up 15, 30, 50 and over 100%. Our roads have been neglected; public works in general have been neglected.

If this is a fair picture, your Committee and its staff would be well advised to take a look critically into the general problem of capital formation and what conditions are essential to foster a vast increase in productive capital. Some take the view that our price and wage structure is diverting an unduly large portion of our productive effort to producing consumer goods and retarding the expansion of our capital supply. If this viewpoint has any validity it means that we must divert more machines and labor power to produce producer's goods, other durables and permanent installations.

Normally the free market would automatically make corrections of such a distortion by encouraging re-investment of profits, the issue of new stocks and bonds, and in general encouraging thrift, which is the only way any society can raise its standard of living.

For years thrift has been deprecated. Interest rates have been driven down to a point where there may be insufficient incentive, to shrink current consumption, which is necessary if we are to divert a greater part of our manpower and other resources to capital formation. We have cast aspersions upon the investor, the landlord, the enterpriser and risk-taker, whose talents and drives are so essential in creating a dynamic expanding economy.

Deficit spending in the 1930's having failed to solve the employment problem, in more recent years the same groups have now turned to the labor movement to accomplish the ends of deficit spending by increasing the share of the national income going to the wage worker. Before war's end, powerful movements, supported by government bureaus, were set in motion to raise wages

(Continued on page 30)

*Statement by Dr. Schmidt, before the Joint Committee on the Economic Report, Washington, D. C., on July 9, 1947.

From Washington Ahead of the News

By CARLISLE BARGERON

Your correspondent had dinner a few nights ago with one of the "slave laborers" we have been hearing so much about, more specifically one of the $10,000 a year labor editors. A fellow with a sense of humor, he couldn't help laughing about the ruckus the labor leaders are trying to stir up.

They are working mightily to get the workers politically conscious again. The labor bill is their best hope. Ever since Roosevelt's death these workers have been becoming increasingly apathetic towards politics; of those who were politically conscious in the 1946 Congressional campaigns the Republicans seem to have got their share.

Carlisle Bargeron

As long as they are politically het up as they were in the Roosevelt regime, their leaders enjoy a tremendous sense of power. They got credit for delivering a vote which they never delivered. It was Roosevelt himself who had the workers' allegiance; the leaders, as was proven in the case of John L. Lewis, could not possibly have diverted them from him. Roosevelt knew this and he looked upon the leaders as simply henchmen who did the chores. But they nevertheless enjoyed a prominence and a place in the sun which they would not otherwise have enjoyed.

They have felt themselves slipping. The good old days, they have felt, are going, not to return for a long, long time. So they are struggling frantically to convince the workers that slaves have been made of them; they are trying to do this to the very workers who besought the bill that was passed.

My editor friend admitted ruefully that the leaders aren't getting very far. Shout as they may about the vicious thing that has been done to the workers, they are getting little or no response. These workers are in a state of contentment that good wages bring; they see a future of fewer strikes and less strife.

This state of affairs strikes particularly at the CIO. Because the intellectuals, the college professors and the like, who rule the roost here have not been content with running a labor organization designed to raise the wages and living standards of the workers. This has been secondary to them. The union has been but their vehicle for power in the whole range of human affairs—from the morals of men to the control of atomic energy. Scarcely a controversy has arisen that they didn't project their voice. With their legions becoming politically apathetic they lose this. They will have to content themselves with matters of peculiar interest to labor and they have little or no taste for such commonplace matters. If they can't now make the workers feel that they are slaves, they are lost.

It will be interesting to see how far the movement among the unions not to have anything to do with the National Labor Relations Board goes. There are matters of definite law in the act, of course, with which they will have to comply. The closed shop, for example, is against the law, NLRB or no NLRB. On the other hand, there are provisions which simply remove the protection of the Wagner Act from a union which engages in certain conduct. If a union doesn't have this protection, there would be no recourse in law against an employer who fired a man for union activity. Presumably an employer could recognize a union without NLRB sanction provided another union did not contest his action. In this event there would have to be an election under NLRB auspices.

All things considered, our editor friend doubts that any appreciable number of unions will long continue to struggle without the NLRB.

There seems to be a disposition in Congress, in the meantime, to rewrite, at its convenience, the provisions prohibiting union publications from criticizing members of Congress or in anyway engaging in political activity. There seems to be considerable doubt about its constitutionality.

The provision was intended in the first place to apply the same prohibition against unions contributing to political campaigns as there is against corporations. Also, against the CIO type of editors who ride high, wide and handsome on funds taken from the members who have no voice in the management of the paper. The CIO "News," which is not the slightest bit different in content from the "Daily Worker," is a particular case in point.

A loud cry about freedom of the press is being raised, but it is not a case here of a man using his own funds to publish a pamphlet, hiring himself a hall, or publishing a newspaper. These fellows have simply moved in on the workers and operate freely, mostly with a subversive slant, on money taken from the workers.

Certainly no house organ of an industry would be used to influence a political campaign.

But the provision seems to have been badly botched up. For one thing, the members of Congress have put themselves in the light of trying to stifle criticism against them.

Until the provision is straightened out, there seems little disposition here to attempt to enforce it. Therefore, those union leaders who are defying it are going in for some unnecessary theatricals. And they know it.

Merrill Lynch, Pierce Adds To N. Y. Sales Staff

Merrill Lynch, Pierce, Fenner & Beane, 20 Pine Street, New York City, members of the New York Stock Exchange, have announced the appointment of six new account executives to its New York offices. John J. Gallagher, Jr., Jerome B. Gross, Edward Gordon Hooker and Richard M. Kimball have been assigned to the main office at 70 Pine Street. Roy A. Lange and Robert C. Leverich have been assigned to the uptown office at 730 Fifth Avenue. All of the new account executives are recent graduates of the MLPF&B Investment Training School.

No Famine Ahead in Building!

By BROR DAHLBERG*
President, Celotex Corporation

Materials manufacturer asserts millions of housing units as well as new factories and industrial plants are needed, indicating a "terrifying avalance" of construction requirements. Says there is nothing wrong with building industry and costs are not abnormally high and houses today are a "good buy."

It would be an imposition for me to take your time to tell you about current building shortages and bottle-necks. Millions of housing units are needed to house our people. We also must have new factories and industrial plants—old ones to be replaced, reconstructed, modernized; hotels, theatres, apartment and office buildings, stores; railroad, airline and bus terminals and equipment; bridges and highways. We talk much of American progress and our high standard of living, yet a great many of our people are living in want and squalor.

Bror Dahlberg

Measured in terms of modern needs, we have staring us in the face construction requirements that stagger the imagination. Everywhere around you, practically everything you see is proof that tremendous reconstruction is needed to bring about modern efficiency. Those who do not progress will fast fall behind and inevitably be simply pushed out of business.

Tomorrow—and that tomorrow is galloping toward us with increasing speed—no one will want to operate, live or work in old-fashioned, inefficient, ill-ventilated, noisy, nerve-racking factories, hotels, stores, offices, apartments, or anything.

Now, with all this terrifying avalanche of construction requirements before us, we are told that there is a famine in the building industry; that an immediate recession and finally a deadly depression, is going to lay us all by the heels. Let me emphasize that this croaking is not about some worn-out country—but about America—powerful, resourceful, vibrant, young America, an America which has the materials, the power, the scientific and practical knowledge, the energy, the people who can do anything—anything—they determine to do. A Don Quixote fighting imaginary windmills could not possibly express a greater bit of childish buffooonery.

Whatever famine there might be in the building industry is a famine amidst plenty — a self-made phony famine.

I am wondering if we have not begun to stumble into a pattern made famous by the German Fuehrer—repeat an untruth long enough and loud enough and pretty soon it will be taken as the truth.

Outside of a few maladjustments that are temporary and easy to correct there is nothing wrong with the building industry. Here and there we hear some frightening words—hollow words, but repeated over and over until they finally seem to have the appearance of substance. Inexperienced planners, statisticians and forecasters, peering into the future and repeating ghost stories to each other, frighten themselves and in turn try to scare the hell out of us.

Let us reverse the process—instead of running, let us turn around and say "BOO!"

There is no famine in the building industry! Instead of a famine, we are on the threshold of one of the greatest opportunities the world has ever faced.

Many people thought that Victory Day would signal an immediate surge of building to unprecedented heights. When that did not happen, pessimism began to set in. They did not realize what a task it is to reconstruct, from War to Peace, an industry as basic and tremendous as the construction industry. Even now, after two years, it is becoming evident that we have traveled only the first few yards in a mile long trip.

Someone says that building costs are too high. It is true that costs are higher than pre-war normals — but the cost of everything else has increased—and we may as well understand that this basic condition is indicative of progress. A return to pre-war wages and costs would be disastrous.

Every great war in recent times has been followed by increased productivity—increased consumer demands — a higher standard of living. After World War I, the general price level finally stabilized at about 50% above 1913. The present cost-of-living index is about 55% above 1939. While some things will come down, others will probably rise. It is not unreasonable to assume a postwar level stabilizing at a range of somewhere around 50% over pre-war.

Even at today's prices housing is a good buy. It is not beyond the realm of possibility that a year from now they may seem low. A recent survey showed that in crowded Washington, D. C., the price of a new 1947 house had not advanced in proportion to the advance in wages of the average worker. The average worker can buy a house in 1947 by working 302 hours less than he would have had to work in 1940 to buy that same house.

I do not argue that construction costs should not come down to the lowest possible level, but let us be realistic. Stringent as the situation is, I wonder if a lot of people have not been misled into assuming that things are at an impossible dead center—and that there is only one thing to do—wait until prices and conditions come down to "normal." If by "normal" is meant 1939—they are doomed to disappointment.

Forces are already beginning to develop that will mean a healthy overall trend for the building business:

(a) A constant and regular flow of materials.

(b) Better scheduling and increased productivity of construction labor.

(c) Better managerial efficiency.

(d) Increased use of machines and mass production.

(e) The use of new and better materials, and

(f) As important as any—the modernizing of building codes and regulations.

The temporary hesitation in the building business from the first heedless and headlong burst of speed after the war is healthy. It gives us time to get our breath, take our bearings, coordinate our efforts, and finally, to let Old Man Competition once more climb back onto the driver's seat.

Governments and industries may plan and propose—but it is the spirit of enterprise that finally disposes. Peoples, empires, governments, rise and fall, but Old Man Competition eventually gets the final grip on the reins. Countless countries throughout the ages have desperately tried controlled production and planned economy, but always the competitive spirit has survived, and so the world has moved forward. **Thank Providence, competition is still with us in America!**

The men brought up on construction are in their souls builders; builders—strong, courageous, resoruceful. If left alone, they know their way about.

It is only for the moment that some of them are faltering—hesitating. They have simply been talked into half-believing something that is not so.

There is no famine in the building industry. The little breather space has been long enough. Let us get back to our regular business of building — not only the building of houses but the building of courage and strength—the spirit of optimism and determination.

There is no famine in the building industry.

*Speech by Mr. Dahlberg before the Building Officials Conference of America, New York City, July 2, 1947.

Public Utility Securities

Indiana Gas & Water

Indiana Gas & Water was incorporated in July, 1945, acquiring the gas and water properties of Public Service Company of Indiana together with Sheridan ice properties. Segregation of the business did not represent any necessary step under the Holding Company Act but rather the conclusion of the management that greater efficiency could result if the gas business was separated from the electric. In order to avoid payment of a capital gains tax (which might have been rather heavy if the stock had been sold by public offering) the management decided to distribute the gas company stock to its own stockholders as dividends. Accordingly, quarterly distributions at the rate of 1/20 of a share (or 1/5 share per annum) were initiated March 1 and are expected to continue at that rate in lieu of the former cash payments. With the gas stock quoted at 15-16½, this means an indicated return of about $3 in market value per annum to holders of P. S. of Indiana, or a return of about 7% if present prices of both stocks remain at present levels.

Indiana Gas & Water Co. as of Dec. 31, 1946 had plant value (based on original cost) of $15,308,515, less depreciation of reserve of $2,024,663. Acquisition adjustments had been completely written off. As of Jan. 28, 1947, funded debt was approximately $7,000,000 and common stock equity about $6,654,000. Thus common stock equity was about 48%, usually considered a conservative ratio. The company's business is growing, and in January this year the company issued nearly $1,000,000 1st 3s due 1972, about half the proceeds being used to pay off a bank loan, and half for new construction.

Since Indiana Gas & Water was a constituent part of the parent company until two years ago, the complete earnings record is not available prior to 1945. In the 12 months ended June 30, 1945 pro forma figures indicated share earnings of $1.28, and in the four months ended Dec. 31, 51 cents was reported. For the calendar year 1946 earnings were $1.14. However, earnings for 1947 have shown surprising gains over last year. For the five months ended May 31 gross revenues were up nearly 40% and net income gained about 50%. For the 12 months ended May 31 share earnings were $1.42. If the rate of gain for the first five months should carry through the balance of the year, earnings would approximate $1.71 a share. However, in view of currently rising costs, such a figure is probably on the high side.

Dividends on the new stock have been inaugurated at the rate of $1 per annum, making the current yield about 6%. The price earnings ratio based on earnings for the calendar year 1946 would be about 13, based on the 12 months ended May 31 about 11, and based on the "projected" earnings for the calendar year about 9.

The company serves natural (or mixed) gas to about 55,000 consumers in 36 communities of Indiana. Manufactured gas is served to 5,000 customers in six communities, water service to 29,000 customers in 19 communities, and the ice plant at Sheridan is also operated. 1946 revenues were 83% gas and 17% water (with ice a negligible item). Natural gas is purchased principally from Panhandle Eastern Pipeline, Kentucky Natural Gas and Louisville Gas & Electric.

Judging from 1945 figures (1946 data is not available), some 94% of gas requirements are purchased and 6% produced. In 1945 residential revenues were about 45% of total gas revenues, house-heating 11%, commercial 12%, industrial 28% and miscellaneous 4%. It appears likely that recent gains have been largely in the residential and house-heating field, as industrial use of gas did not show much change in 1945 and 1944.

P. S. of Colorado Debs. Oversubscribed

It was announced July 14 that of the $7,000,000 3% convertible debentures, due 1962, of the Public Service Co. of Colorado, offered for subscription to stockholders, the company accepted subscriptions for an aggregate of $6,481,100, leaving $518,900 of debentures to be purchased from the company by the several debenture purchasers. Halsey, Stuart & Co. Inc., for the account of the several debenture purchasers, sold the entire block to one purchaser at 113.07.

Dealer-Broker Investment Recommendations and Literature

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

Bank and Insurance Stocks—List of circulars available—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

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.

Investment Issues With 50-Year Dividend Records—A list of 25 issues—Bond & Goodwin, Inc., 63 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.

Railroad Reorganization—Bulletin discussing current situation in several issues—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is the **"Fortnightly Investment Letter"** containing a discussion of the utility situation; and an analysis of **Crown Cork & Seal Company, Inc.**

"Stern Facts and Figures" — A semi-monthly report containing discussion of the market—Stern & Co., 25 Broad Street, New York 4, N. Y.

Wayne's Mining Atlas for 1947—Features 36 completely revised and redrawn maps of the important mining areas of Canada and shows the location of over 3,000 mines—Wayne Map Co., 30 Wellington, W., Toronto, Ont., Canada—$1.00.

* * *

American Woolen Company—Memorandum—Otto Fuerst & Co., 57 William Street, New York 5, N. Y.

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

Buda Company—Memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Central Vermont Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Cleveland Cliffs Iron Company—Analysis — Gottron-Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

Disticraft—Brochure—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Electric Bond & Share Company — Memorandum — Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

El Paso Electric Company and Virginia Electric and Power Company—Discussion in view of distribution of common stocks to the common stockholders of Engineers Public Service — Bear, Stearns & Co., 135 South La Salle Street, Chicago 3, Ill.

Fairbanks Co.—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; Fleetwood Air Flow; Lanova Corp.; Lawrence Portland Cement; Sterling Motors.**

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

Huttig Sash & Door Co.—Report and outlook—Stifel, Nicolaus & Company, Inc., 314 North Broadway, St. Louis 2, Mo.

Kern County Land Company—Analysis and field investigation conclusions—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Lehman Corporation—Changes in portfolio—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available is an analysis of **Railroad Income Bonds.**

Long Bell Lumber Company—Detailed analysis — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Parker Pen Co.—Timely background story in the July issue of **"Business and Financial Digest"**—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

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.**

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.**

Transamerica Corporation — Memorandum — A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

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

Youngstown Sheet & Tube Company—Analysis—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

COMING EVENTS
In Investment Field

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.

New Distilling Process Eliminates Aging

CHICAGO — Since the first whiskey was distilled by the Arabic Tribes of the Middle East, long before the dawn of the Christian era, the traditional method of finishing fine whiskey has been to age it in charred barrels for a period up to eight years.

Liquor in warehouses represents the major part of the investment of any distiller. This investment increases with each separate run of liquor and it can be redeemed only by sale of the product at the end of the aging period. Inventory figures at the end of 1946 showed a total of 327,000,000 gallons of whiskey in storage in the United States in various degrees of the old fashioned aging process. Its actual value is completely dependent on the state of the market at the time it is withdrawn and sold as mature whiskey. In many cases, because of the currently inflated cost of grain, cooperage, and other costs at the time of processing, an inordinately low profit or even a big loss may be sustained. The distiller is thus at the mercy of the fluctuations in the market for the completed product.

The aging of new whiskey is practically eliminated in new processes developed by Disticraft, Inc., 209 West Jackson Boulevard, Chicago 6, Illinois. Disticraft claims that its process, in only 72 hours, accomplishes the same result as years of costly aging in the wood. The first commercial run of whiskey, produced by this process, came out of the Louisville Distillers, Inc., Louisville, Ky., in the latter part of June, 1947. This liquor will be marketed under the label of Foure Score, and should be available in commercial quantities within the next 30 days.

Since that time, this process has been adopted by several other distillers and the product is said to be satisfactory.

Many quick maturing processes have been heralded in recent years, only to prove inadequate, for one reason or another. The distilling industry is inclined to take the new process seriously. One reason for which is that several contracts, with old time whiskey makers, with a reputation of successful operation in the past, have been negotiated. The second installation of Districraft equipment should be completed at the Hedgeside Distilleries at Napa, Calif., by Sept. 15. It is the intention of Hedgeside to also use this equipment in the production of brandies. Mr. Clarence W. Kraft, an engineer, who developed this quick finishing process, claims it is the result of 40 years of experimentation.

Districraft does not sell its machine or process. Selected distillers are leased the machine and process on a per gallon royalty basis. Disticraft, under the lease arrangement, controls the ingredient base, the packaging and labeling and the advertising. Only distillers making an original quality product will be licensed and qualified by Disticraft.

First Boston Offers Calif. Electric Pfd.

An underwriting group headed by The First Boston Corp. and Shields & Co. are offering today an issue of 60,000 shares $2.50 cumulative preferred stock, par value $50, of the California Electric Power Co. The stock is offered at $52 per share plus accrued dividends from July 1. Proceeds will be used to reduce bank loans and for general corporate purposes, including development and expansion of company's properties.

Europe in Climax

By A. W. ZELOMEK
Economist International Statistical Bureau, and Fairchild Publications

American observer reports Europe embracing fatalistic attitude with severe crises ahead. Concludes her further deterioration will lower world prices, and severely curtail United States exports and business activity.

Anyone who returns from Europe, no matter how well-informed he may have been before starting his visit, is bound to return with a deep feeling of pessimism and a sense of impending crisis. The European situation, economically and politically, has been deteriorating for some time. There is little doubt in the mind of a first-hand observer that this deterioration is now approaching a climax. Conditions now are essentially less favorable than they were a year ago, since tasks of reconstruction that should have been completed have in many cases not even been started. This general state of deterioration must be expected to have an adverse effect on United States business activity and exports within a very short time.

A. W. Zelomek

Production Improvement Small

There has been some improvement in industrial production, but this has been very small in relation to either expectations or needs, and the rate of improvement has varied widely. Switzerland, Belgium and even Sweden are more favorably situated in this respect than most other countries. The real problems underlying reconstruction and revival are four-fold:

(1) A serious lack of coal.

(2) Inadequate foreign exchange for use in buying raw materials.

(3) Inadequate supply of dollars to buy replacement or improved machinery.

(4) Inadequate labor supply.

(5) Lack of political stability.

Heavy mortality during the war and mass migration and shifting of populations have hampered industrial production as well as being a human tragedy. Workers are poorly fed and their morale is low. Output per man-hour is disappointing.

European Export Revival Doubtful

Businessmen who had hoped for an early revival of low-priced European exports seem likely to be disappointed. Prewar low prices were partly the result of low wages. There is now a unanimous opinion that the period of low labor costs has passed, at least for some time. Nationalization of industry has not shown very efficient results so far. Most governments have been under pressure to protect wage earners and keep both government spending and wage levels high. Taxation and bureaucracy are topheavy, technological backwardness has been exaggerated and transportation costs are high. Even in agriculture the elimination of large land-owners has reduced output, in addition to which small farmers now have less time to spend in the production of handicraft items that they had in the past.

Growing Anti-U. S. Feeling

Resentment against the United States is increasing. This is not surprising when the United States is almost the only country in the world than can provide adequate food and security for its own people. Nations, like people, are inclined to resent charity, although they will accept it.

The writer was on the continent when the Marshall plan was announced. The response was electrifying. All countries, including Czechoslovakia and Poland in the Russian orbit, indicated their desire to accept it in the hope of ample supplies of dollars. There is doubt, however, about the amount of aid that will actually be made available, and suspicion that the terms of such aid as is granted will create a crisis at some later date. In off the record discussions, leaders in the various countries quite frankly expressed the fear that any really substantial aid would merely introduce an era of United States imperialism.

The problem and risk of choosing sides between East and West was discussed freely. It is discouraging to note how many intelligent men and women in all walks of life asked why the United States did not attack Russia now, before that country could perfect its own atom bomb. These

(Continued on page 21)

Mr. Zelomek has just returned from a six-week trip to Great Britain, the Netherlands, Belgium, France, Switzerland, Czechoslovakia and Sweden.—Editor.

Flexible Public Debt Policy

By DANIEL W. BELL*
President, American Security and Trust Co., Washington, D. C.
Formerly Under Secretary of the Treasury

Asserting National Debt is so vast that it is a major factor in our economy, former Treasury Under-Secretary advocates a flexible plan of debt retirement. Stresses importance of sound debt management to avoid inflation or deflation and urges public improvement expenditures he held back in prosperous periods. Defends Federal Reserve credit policy and denies it has come under jurisdiction of Treasury.

One of the biggest and most important problems facing all of us today is the Public Debt of the United States and how best to manage it. It stands at the present time at about $258 billion and represents for the most part the cost of wars which has not yet been allocated to the taxpayers of the nation. Before the war the national debt was just one of many factors entering into our financial calculations. Now it is so vast that it is a major factor, and no major decision can be made on the economic front without considering the strong influence of the pblic debt. A debt of any kind — governmental or private — must be serviced out of future production. As a measure of the burden of public debt on production, it will be of interest to note that in 1939 when World War II began in Europe, the principal of the public debt in this country amounted to about 52% of its gross national product. Today, in spite of the increase in prices and the phenomenal increase in the national product it is about 125%. However, the real current burden of the debt on production, and the one of vital interest to business, is represented by the total service charges paid for out of tax revenues. The interest alone amounts to about $5 billion a year, but it represents only 2½% of the gross product today. It has been suggested that we have during these prosperous times a debt retirement program of at least $2½ billion a year. This figure would represent another 1¼% of the gross product, or for both interest and debt retirement a total of 3¾%. So long as we are able to keep our gross national product on such a high level, these charges will not be too burdensome. But as the total product declines, the burden of the debt on the economy becomes heavier. Of course, some relief can be obtained in any one year by eliminating debt retirement if a drastic decline should come. But the interest must be paid. It is important, therefore, to do everything within our power to keep the gross product at a high level.

Daniel W. Bell

Retire Debt in Prosperous Times

This brings out the point that debt retirement should be accomplished during those periods when it has the least effect on the economy—in other words during prosperous times. We have just closed the fiscal year 1947 with not only a balanced budget, but a surplus of $754 million which has been applied to debt retirement. This was the first year since the fiscal year 1930 that such events have occurred. Under circumstances such as we have at the present time, the Federal Government should make every effort not only to continue to keep the budget balanced, but also to keep a surplus of taxes over expenditures so we can continue to reduce this huge debt during good times such as these. Also, every effort should be made to secure the utmost economy in the operations of all government organizations, and to see that some of these savings are passed on to the taxpayers. The taxpayers of this country have borne wartime taxes with great fortitude and should, therefore, get some relief just as soon as conditions justify it.

But getting back to debt retirement, I do not believe we should assume that we can have debt reduction every year. There is nothing sacred about a period of 12 months any more than there is about a period of 30 days. Some years we might even have to show an increase in the debt just as we will during some months. The important thing that we should strive for, say over a long period —for example ten years—is to see that the trend of the total debt is kept definitely downward and not upward.

This is important because debt reduction must be accomplished in those times when it is most beneficial to the economy, or it might be better to turn it around the other way and say, when it has the least effect on the economy because it is deflationary. In this connection there are certain governmental financial transactions which must be considered along with any debt retirement program, as they have the same effect on the economy as debt retirement. These are the net collections from taxes for account of government trust funds. While these operations have no effect on the gross amount of the debt, they do change the character of the debt from a marketable to a nonmarketable. These trust funds are collected in the first instance in the form of taxes. They are drawn out of the economy and then they are used by the Treasury for investment in special issues of nonmarketable securities, the proceeds of which are used to retire the debt in the hands of the public. They are, therefore, just as deflationary as debt retirement. In considering the overall fiscal policy of the Government, these operations must receive careful attention because there is some danger that we could deflate too fast.

A Flexible Debt Retirement Program

In this connection I should like to see the Congress establish some long-range budgetary policies, including a flexible debt retirement program. In my opinion it should endeavor to ascertain what the range of expenditures should be for a year which might be considered fairly normal. In these times, or in any other for that matter, it would be extremely difficult to establish a definite amount beyond which the Government should not go in making up its expenditure estimates. This is doubly difficult now because of our foreign commitments —both actual and potential — and the requirements of our veterans. Therefore, I believe, a range of expenditures involving a spread between the high and the low of say $3 billion is preferable. After fixing this range for the expenditure side of the budget, Congress

(Continued on page 31)

*An address by Mr. Bell before the Eleventh Carolinas Bankers Conference, Chapel Hill, N. C., July 7, 1947.

Connecticut Brevities

The Southern New England Telephone Company reported total telephone revenue of $3,254,968 for the month of May, 1947, compared with $3,131,869 in May of 1946, or an increase of 3.9%. Income available for fixed charges was $182,828 against $335,905, while net profit was $117,214 compared with $264,990 in May of 1946. The declines in these figures are attributed to the recent pay raise adjustment.

Telephones in service at the end of May this year totaled 614,318, an increase of 11.7% over May, 1946, while long distance and toll calls totaled 5,709,273 this past May compared with 5,572,052 a year ago.

* * *

On June 24, the State of Connecticut issued $50,000,000 World War II 1⅛% Bonus Bonds dated July 15, 1947, and due serially $5,000,000 each year July 15, 1948 to 1957, inclusive, and $2,200,000 University of Connecticut 1¼% bonds dated July 15, 1947, maturing annually $110,000 July 15, 1948 to 1957, inclusive. The successful syndicate, headed by the National City Bank, submitted bids of 100.4399 for the 1⅛s and 100.315 for the 1¼s. The bonds were reoffered to the public on a scale ranging from a .55% basis to 99½ and the issue went "out the window."

* * *

The Aetna (Fire) Insurance Co. stockholders of record July 11 received rights to subscribe to additional stock in accordance with the recently authorized capital increase. The ratio is one-for-three at $40 a share and the rights expire at 3 p.m. (DST) on July 21.

The capital is being increased from $7,500,000 to $10,000,000. The issuance of the new stock will add $7,500,000 to surplus.

* * *

The Electric Boat Company of Groton has announced the election of John J. Hopkins to the Presidency. He succeeds Lawrence Y. Spear who was named Chairman of the Board of Directors.

* * *

For the nine months ended March 31, 1947, Peck, Stow & Wilcox reported net income of $212,597, or $2.13 a share. This compares with $28,970, or 29¢ for the year to June 30, 1946.

* * *

Scovill Manufacturing Company's $1,000,000 plan expansion construction is now under way.

* * *

Connecticut Light & Power Co. reported sales of 84,645,000 kilowatt hours for the month of June, 1947, compared with 78,673,000 for the corresponding month in 1946. This represents an increase of 7.6%.

* * *

For the five months ended May 31, 1947, United Illuminating showed total operating revenue of $7,248,062 compared with $6,525,878 for the corresponding period in 1946. Net income for the first five months of this year was $1,595,004 against $1,464,413, or earnings per share of $1.21 and $1.18, respectively. The company has begun construction of its new $500,000 power plant addition in New Haven.

* * *

The Hartford Electric Light Co. reported power sales of 39,359,000 kilowatt hours for the months of June, 1947, which compares with 33,595,000 kilowatt hours for June, 1946, or an increase of 17.4%.

* * *

J. P. Stevens & Co., Inc., will shortly apply to list its 5,000,000 shares (of which 3,460,000 are outstanding) on the New York Stock Exchange.

Subject to registration with the SEC, a large block of shares held by the estate of Nathaniel Stevens will be publicly offered. Earnings for the six months ended May 3, 1947, were $15,500,000, or $4.48 a share.

* * *

On July 30, stockholders of Fafnir Bearing Co. will vote on a proposal to split the company's stock five-for-one. This would be effected by splitting the present $25 par shares on a 2½-for-one basis, thereby reducing the par value to $10, then ordering a 100% stock dividend on the new shares.

The presently outstanding 160,000 shares would be increased to 800,000. Four million dollars would be transferred from surplus to cover the new shares, bringing the capitalization to $8,000,000.

* * *

Hart & Cooley Co., Inc., which owns half of the outstanding shares of Fafnir Bearing Co., plans a similar split. On July 30, the stockholders will vote on a proposal to split the company's stock five-for-one, to be effected in the same manner as the Fafnir split. This would increase the outstanding shares from 80,000 to 400,000 and capital would be increased to $4,000,000 by a transfer of $2,000,000 from surplus.

Walter H. Weil, Jr. Elected President of Firm

NEW ORLEANS, LA.—Walter H. Weil, Jr., has been elected President of Weil & Company, Inc., 830 Union Street, to fill the vacancy caused by the death of Walter H. Weil, who died on May 28.

Convertibility of Sterling Postponed For 14 Countries

Treasury Secretary says delay has been granted until Sept. 15 where negotiations are pending.

Secretary of the Treasury, John W. Snyder, announced on July 15 that the provision of the Anglo-American Loan Agreement which required Great Britain to permit the convertibility of sterling into other currencies in all current transactions had been generally complied with within the deadline set, which expired Wednesday, July 15. Mr. Snyder, admitted, however, that in the case of 14 countries, the British have not yet succeeded in making final arrangements for sterling convertibility, and that an extension in these cases has been granted to Sept. 15. Among the countries with which arrangements have yet to be made are Paraguay, Poland, Romania, Siam, Turkey, U.S.S.R. and Yugoslavia. Uruguay, it is reported, has just concluded a satisfactory arrangement regarding its sterling holdings.

John W. Snyder

It was pointed out by Secretary Snyder that the extension to Sept. 15 does not permit any modification in the obligation of the British to permit countries with which arrangements for settling sterling balances have not yet been made to convert freely of the sterling they earn between July 15 and the date the arrangements are agreed to.

Secretary Snyder also pointed out that the Anglo-American Loan Agreement does not require the British Government to remove all exchange controls. There still remains the controls on "blocked balances" and on transfers of capital.

Business Man's Bookshelf

Automobile Facts and Figures—27th Edition—Automobile Manufacturers Association, New Center Building, Detroit, Mich.—paper.

Cotton Year Book for 1945-46—18th edition—New York Cotton Exchange Service Bureau, 60 Beaver Street, New York 4, N. Y.

In the Grip of Inflation—April 1947—A. M. Clifford—A. M. Clifford, Investment Counselors, 639 South Spring Street, Los Angeles 14, Calif.—paper—copies on request while available.

Our Sterling Balances—C. N. Vakil—Economic Handbook No. 1—National Information & Publications, Ltd., National House Near Regal Cinema, Tulloch Road off Lansdowne Road, Bombay 1, India—Paper—¼ rupee.

Railroad Wages and Labor Relations—1900-1946—revised study of the history of labor relations in the railroad industry—Bureau of Information of the Eastern Railways, Grand Central Terminal, New York 17, N. Y.

NSTA Notes

NSTA ADVERTISING NOTES

Your Advertising Committee is very happy to report that Bert Horning of Stifel, Nicolaus & Company, Inc. of St. Louis has accepted the Vice-Chairmanship of our committee, handling the Southwest territory.

Advertising will close August 16 and our NSTA Post Convention issue of the "Commercial & Financial Chronicle" will be published on August 28.

Many of our advertisers are holding up their contracts as they feel they may take larger space, should business continue to improve for the next few weeks. This is indeed most encouraging and at the present time, we are over $10,000 gross advertising.

Practically all Presidents of Affiliates are now assisting the Advertising Committee representing their local, and should any of the members require any further information regarding this year's arrangements with the "Commercial & Financial Chronicle," please consult the head of your local Affiliate.

Sumner R. Wolley, President of the Boston Security Traders Association, our host for this year's Convention, has informed us that he spoke of our advertising program at their Annual Golf Tournament and Dinner. This sort of cooperation is most helpful and we are requesting all members of our committee to advertise our work for advertising contracts.

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

BOND CLUB OF LOUISVILLE

The Bond Club of Louisville has elected the following new officers to take office Sept. 1, 1947:

Charles C. King

Urban J. Alexander

Russell Ebinger

Eugene W. Bright

President—Charles C. King, The Bankers Bond Co.
Vice-President—Urban J. Alexander, Urban J. Alexander & Co.
Secretary—Russell Ebinger, Smart & Wagner.
Treasurer—Eugene W. Bright, Blyth & Co., Inc.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles held their 14th annual Spring outing at the Lake Arrowhead Lodge on June 20, 21, and 22. With the beautiful background of the mile-high lake and pine forests to create the proper atmosphere, the party was the most successful in the history of the club. Fifty-two members and guests attended. Pictures taken at the outing appear elsewhere in this issue of "The Chronicle" through the courtesy of Jackson Cherry of Francis V. Nixon & Co.

Peru's Latest Offer to American Investors Not Meeting With Acceptance

We are advised that up to July 9 inclusive, that only $462,000 of Peru's external bond issues have accepted the Republic of Peru's offer out of a total of $81,850,000 bonds outstanding. The original underwriting of these three external issues totaled $115,000,000 as follows:

Amount	Int. Rate	Maturity
$15,000,000	7	1959
50,000,000	6	1960
50,000,000	6	1961

The difference between the bonds originally offered $115,000,000 and bonds now outstanding ($81,850,000) is, we are advised, probably due to sinking fund operations, retirements before 1931 and repatriation since that date.

Peru recently offered American investors in these three external bond issues a plan to skip all interest payments for the past 16 years and to resume interest as follows: 1% for the first two years; 1½% for the second two years; 2% for the third two years; and 2½% to the maturity of the new bonds in 1997.

It is interesting to note that the Foreign Bond Holders Protective Council, an unofficial auxiliary of the Washington State Department formulated by ex-President Herbert C. Hoover and organized during the late F. D. Roosevelt's administration by the State Department, Treasury Department and Federal Trade Commission, have recommended bond holders not to accept the plan.

Michigan Brevities

A group of investment bankers, headed by The First Boston Corporation of New York City, and including, among others, First of Michigan Corporation of Detroit, on June 18 publicly offered $32,000,000 of first mortgage bonds, 2⅞% series due 1977 of The Toledo Edison Co. at 103.1647 and interest.

On the same date, another underwriting syndicate headed by Blyth & Co., Inc. of New York City, and including, among others, Watling, Lerchen & Co. of Detroit, offered to the public 160,000 shares of $100 par value 4¼% cumulative preferred stock of the Toledo Edison Co. at $103.62½ per share and dividends.

The net proceeds from the above two offerings, together with other funds, will be used to redeem the outstanding $30,000,000 first mortgage bonds, 3½% series due 1968; $3,000,000 first mortgage bonds, 3¼% series due 1970; $4,713,000 3½% debentures due 1960; and $16,123,000 of 7%, 6% and 5% preferred stocks.

* * *

The stockholders of the Dow Chemical Co. of Midland, at a special meeting to be held on July 22 will act on an agreement of merger designed to provide the company with a more flexible capital structure. A proposed capital revision involves, among other things, a four-for-one split in the outstanding common shares and the creation of an authorized issue of 400,000 shares of convertible preferred stock, no par value. The merger agreement provides for the merger of the Michigan company into the Dow Chemical Co.'s Delaware company.

The Dow Chemical Co. on July 2 filed a registration statement with the Securities and Exchange Commission covering the issuance of the new second preferred stock. Smith, Barney & Co. was named as underwriter.

* * *

Moreland & Co., Detroit, on June 24 publicly offered, as a speculation, 60,000 shares of common stock of Continental Body, Inc., Bay City, Mich., at par ($1 per share) to residents in the State of Michigan only. Of the net proceeds, about $5,000 will be used for additional equipment and the balance of $45,000 for additional working capital.

The Continental company manufactures and sells truck bodies, commercial truck trailers and is also a general fabricator of steel.

* * *

The Detroit Stock Exchange on June 17 announced admission of the firm of Davis, Hunter, Scott & Co., who will conduct a general brokerage business at 608-10 Penobscot Building, Detroit. General partners are W. Fred Davis, Frederick B. Hunter and Walter J. Scott.

* * *

Production of passenger cars and trucks by General Motors Corp. in the United States and Canada rose considerably in June over the May figure but was still short of totals achieved in the months of March and April. There were 155,609 units produced in June, as against 135,276 in May, 175,262 in April and 174,602 in March.

In the first six months of 1947, General Motors produced 921,929 cars and trucks, as against 263,294 in the corresponding period of last year. In the full year 1946, the corporation turned out a total of 1,186,057 units.

* * *

At a special meeting held on July 8, the stockholders of Chrysler Corp. approved a proposal to change the authorized com. stock from 6,000,000 shares, par $5 to 15,000,000 shares, par $2.50 and authorized the split-up of each share of $5 par stock into two shares of $2.50 par stock. The amendment to the certificate of incorporation was filed July 11, and trading in the new stock on the New York Stock Exchange began on July 14.

K. T. Keller, President, told the stockholders that up to date Chrysler Corp. had produced 1,255,684 postwar passenger cars and trucks and that demand for these products continues at a high level.

* * *

Trading in Lansing Stamping Co. stock on the Detroit Stock Exchange commenced on July 9.

* * *

The application of the McAleer Manufacturing Co., Rochester, Mich., to list its $1 par common stock and $10 par 5% cumulative convertible preferred stock on the Detroit Stock Exchange has been approved, and trading is expected to begin on or before July 26.

* * *

Banking circles in Detroit lost one of their best-known figures with the death on July 11 of William C. Griswold, Executive Vice-President of the United Savings Bank of Detroit.

* * *

Awards to industry for the best stockholders' and employees' annual reports was announced in June by Selden B. Daume, President of the Detroit Trust Co.

Milton A. Manley, President of the Detroit Stock Exchange, in a letter to listed companies, urges their acceptance of the Detroit Trust Company's invitation to submit their annual report to be considered for an "Oscar" to industry.

* * *

The National Stamping Co. on June 27 voted to resume dividends on its common stock by the declaration of five cents per share, payable July 18 to holders of record July 9. A similar payment was made on April 16, July 13 and Oct. 17, 1945; none since.

* * *

Electromaster, Inc. on July 15 paid a dividend of five cents per share to stockholders of record June 30. This was the first distribution on the stock since Jan. 22, 1946, when 7½ cents was paid.

Missouri Brevities

An underwriting syndicate, headed by Blyth & Co., Inc. of New York, N. Y., and which included, among others, Newhard, Cook & Co., Smith, Moore & Co. and Stix & Co., all of St. Louis, on June 18 offered an issue of 160,000 shares of $100 par value 4¼% cumulative preferred stock of The Toledo Edison Co. at $103.62½ per share and dividends.

On the same date, another group of investment bankers headed by The First Boston Corporation, New York, N. Y., and which included, among others, Stern Brothers & Co. of Kansas City, publicly offered $32,000,000 of first mortgage bonds, 2⅞% series due 1977, of the Toledo Edison Co. at 103.1647 and interest.

The net proceeds of the above two issues, together with other funds, will be applied to the redemption of $30,000,000 of first mortgage bonds, 3½% series due 1968; $3,000,000 of first mortgage bonds, 3¼% series due 1970; $4,713,000 of 3½% sinking fund debentures due 1960; and $16,123,100 of 7%, 6% and 5% preferred stocks.

An underwriting syndicate, headed by Kuhn, Loeb & Co., New York, N. Y., and which included, among others, Newhard, Cook & Co. of St. Louis, and Stern Brothers & Co. of Kansas City, on July 9 offered to the public $20,000,000 of Wheeling Steel Corp. first mortgage sinking fund 3¼% bonds, series D, due July 1, 1967, at 101¾ and interest. The issue was oversubscribed. The net proceeds, together with treasury funds, will be used to finance expenditures in connection with the company's construction and improvement program.

* * *

On July 9, a banking group, headed by Merrill Lynch, Pierce, Fenner & Beane of New York, N. Y., and which included, among others, Reinholdt & Gardner, and Stix & Co., both of St. Louis, and Stern Brothers & Co. of Kansas City, offered to the public 100,000 shares of $100 par value 3¾% cumulative convertible preferred stock of Warren Petroleum Corp. at $102 per share. The net proceeds will be used to reduce existing term bank loans by $7,625,000 and the balance will be added to the general funds of the corporation.

* * *

Dempsey-Tegeler & Co. and J. W. Brady & Co., both of St. Louis, on June 20 offered to the public the following securities of the Bearings Co. of America: $500,000 first mortgage 4½% serial convertible bonds, dated May 15, 1947, at 100 and interest, and 60,000 shares of $1 par value common stock at $4.75 per share. The net proceeds will be used to retire a bank loan and any balance remaining will be added to working capital.

* * *

A group of underwriters, which included Mark C. Steinberg & Co., Stix & Co., Edward D. Jones & Co., Scherck, Richter Co., I. M. Simon & Co. and McCourtney-Breckenridge & Co., all of St. Louis, on June 13 offered to the public 7,352 shares of $100 par value of 5% cumulative convertible preferred stock of Securities Investment Co. of St. Louis at $101 per share and dividends. The net proceeds are to be devoted to the general corporate purposes of the company.

* * *

A syndicate headed by the Mercantile-Commerce Bank & Trust Co., St. Louis, on June 30, publicly offered $3,000,000 of City of St. Louis public improvement ¾% bonds at prices to yield from 100.55% to 100.80%, according to maturity. They mature serially from July 1, 1948-1951, inclusive.

Curlee Clothing Co., St. Louis, tomorrow (July 18) will redeem all of its remaining outstanding class A common stock at $31.50 per share at the Mississippi Valley Trust Co.

An initial quarterly cash dividend of $1.12½ per share was made July 1 on the 4½% cumulative preferred stock, $100 par value, which was offered to the public on May 18, last, by Stifel, Nicolaus & Co., Inc., of St. Louis. Another quarterly payment of $1.12½ per share is payable on this issue on Oct. 1, 1947, to holders of record Sept. 19.

* * *

The St. Louis-San Francisco Ry., in receivership for 14 years, was restored to private control on July 7, following the signing of an order by Federal District Judge George H. Moore at St. Louis terminating his jurisdiction over the railroad, which he had retained on approving the plan of reorganization in 1945.

Judge Moore also discharged the reorganization managers he had named at that time, and denied W. V. Hodges, of Denver, Colo., counsel for the old Frisco corporation, permission to file objections to the completed reorganization plan.

* * *

L. S. Dennig, President of Hyde Park Breweries Association, Inc., St. Louis, announced that net profit of the company after taxes was $712,376, or $2.85 per share, for the year ended March 31, 1947, compared with $549,495, or $2.19, for the preceding fiscal year. Surplus was increase by $378,213, bringing the latter amount to $2,575,089.

* * *

Western Auto Supply Co. (Mo.) reports combined wholesale and retail sales of $10,107,000 for the month of June, 1947, and $52,824,000 for the first six months of this year. These figures represented increases of 12.6% and 10.7%, respectively, over the corresponding periods in 1946.

With Herrick, Waddell

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO.—George H. Wood has become affiliated with Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue.

John Ritchey V.-P. of Albert Frank Agency

John C. Ritchey, director of the copy department and member of the plan board of Albert Frank-

John C. Ritchey

Guenther Law, Inc., has been elected a vice-president of the company, it is announced. Mr. Ritchey joined the firm in June, 1943, after serving on the editorial staffs of the "Wall Street Journal" and the "Christian Science Monitor."

Kimberly-Clark Com. Offered by Blyth & Co.

Blyth & Co., Inc., and other underwriters placed on the market July 16 an issue of 300,000 shares of common stock of Kimberly-Clark Corp., manufacturer of cellulose wadding and other paper products. The stock was priced at 24⅞ a share.

The company will use proceeds of the financing, estimated at $6,725,000, toward expansion expected to cost $45,700,000 by 1949. By April 30 about $15,810,000 had been spent and the rest is to be raised from the current sale of stocks, the issuance of notes and of bonds of a Canadian subsidiary, and from general funds. Projects in execution include expansion of manufacturing facilities at Lakeview Mill, Neenah, Wis.; construction of a mill at Niagara, Wis.; acquisition and conversion of a plant at Memphis, Tenn., and construction of a sulphate pulp mill at Terrace Bay, Ont.

Mutual Funds

By HENRY HUNT

"Don't Sell Stocks on Strike News"

The above caption, "Don't Sell Stocks on Strike News," was a market maxim of the '20s like "Don't Buy Stocks After the Good News Is Out."

Today, strikes are a far more serious menace to our business economy than they were in the '20s. Higher labor costs mean higher prices for consumer goods and add another ring to the inflation spiral. Strikes in such vital industries as coal cut down on steel and automobile production as well as railroad freight carloadings.

However, a frequently overlooked factor about strikes is that, even though they may bring production to a standstill temporarily, they do not reduce the pent-up demand for goods. On the contrary, they merely defer the day when production can catch up with unfilled orders.

For example, if it hadn't been for major strikes in 1946 (and material shortages in 1946 and 1947), there wouldn't be nearly so many people clamoring for new cars as there are today. Thus, the motor companies will go into 1948 with capacity operations assured.

The railroads have been forced to turn down profitable business due to their inability to buy new freight cars in sufficient quantities. This situation is also caused, directly and indirectly, by strikes.

But, here again the ultimate result will probably be merely to postpone the peak profits of the railroads and the railroad equipment companies until late this year or next year.

Industries that have been particularly hampered by strikes and excessive labor costs during the past year and a half—industries that should make a much better showing over the next 12 months include: Steel, Automobile, Building, Railroad, and Railroad Equipment.

Hugh W. Long Comments

Hugh W. Long's "New York Letter" (July issue) has the following comments to make on the business outlook:

"The prospect for business and profits appears to be much better than has been generally assumed since last Fall. Many of the individual maladjustments are being corrected and during recent weeks there has been a noticeable improvement in sentiment among businessmen. This is showing up in greater willingness to plan ahead. Retail concerns are commencing to reorder merchandise. In the textile industry, generally regarded as one of the weaker spots, there is a tone of renewed optimism. There is growing assurance of a record volume of new construction for the second half of the year now that rental curbs have been eased and building restrictions lifted. All this is creating a background that could lead to what we regard as a more realistic appraisal of the business situation, and could revive confidence in the investment outlook."

Business Looking Up for Selected

Selected Investments Company of Chicago has the following to say about its sales in June: "June 1947 was the best June since 1936 (best in 11 years) in sales of shares of **Selected American Shares.** In fact, the dollar value of Selected sold last month exceeded that of any month since January 1946. The total was helped a lot by a successful sales contest which was run by one of the big dealers. The dealer not only stepped up production sharply by the contest, but was gratified to find that a high percentage of sales were adding new customers. Maybe there is a profitable thought in this for you?"

Portfolio Changes:

During the second quarter **Incorporated Investors** added two new common stocks to its portfolio: Commercial Solvents and Commonwealth and Southern.

During the month of June, **First Mutual Trust Fund** sponsored by **National Securities and Research Corporation,** added the following common stocks to its Portfolio: Air Reduction Co.; American Home Products Corp.; American Steel Foundries; Armstrong Cork Co.; C. I. T. Financial Corp.; Cluett, Peabody & Co.; Columbia Gas & Electric Corp.; Continental Insurance Co.; Eastman Kodak Co.; Penney (J. C.) Co.; United Air Lines, Inc.; and United Aircraft Corp.

Notes:

Distributors Group, Inc. has a revised folder on the Steel Industry.

National Securities & Research Corporation had a record mailing last week with 18 pieces of literature covering its 12 new funds.

Our Neglected Sea-Air Opportunities

By RICHARD H. WELS

Mr. Wels notes failure of American steamship companies to secure Government approval to participate in overseas aviation in face of CAB's issuance of air carrier permits to foreign steamship companies. Asserting European countries uniformly have recognized that their foreign trade position depends on integrated sea-air transport system, he details technique practised in Sweden, Norway, Denmark, Spain, Britain and Canada.

American steamship companies have sought for years the right to participate in overseas aviation on the same basis as other carriers. They have been in the forefront of the extension of American aviation into the areas in which they have operated their surface transportation for many years. The Grace Line, participating in the formation of Panagra, and the American Export Steamship Line, with the establishment of American Export Air Lines (now American Overseas Airlines) were the leaders in this movement. In recent years, however, the Civil Aeronautics Board has opposed the sprouting of wings by American steamship companies, and has followed a policy of denying every application filed with it by American steamship companies. At the same time the Board has issued foreign air carrier permits to all foreign air lines seeking to conduct air transportation between the United States and overseas points — regardless of whether such air lines have been controlled or owned by the foreign steamship companies which are the efficient competitors of our own merchant marine. Concededly, if foreign steamship companies are permitted to operate in the air and offer shippers and travelers a coordinated sea-air service, while American steamship companies cannot, American shipping and American foreign trade are placed at a serious disadvantage. Because of the importance of this to American foreign trade, I recently spent several months in Europe as the representative of the Sea-Air Committee to ascertain the exact facts of civil aviation in Europe today. Those facts demonstrate that, while our own CAB has pursued a fantasy of economic theory based on an assumption that air is air, and sea is sea, and never the twain shall meet, European countries have uniformly recognized that their position in foreign trade depends upon an integrated sea-air transport system.


Richard H. Wels

European Practice

Throughout Europe this concept is prevalent. It is the basis of an approach which is today producing the combinations and the groups with which European interests hope to attain a dominance in international trade, and meet whatever challenge we may decide to make against such dominance. This concept exists in all of Europe, regardless of the political complexion of the country. It exists in the conservative Scandinavian kingdoms; in radical France; in dictatorship - ridden Spain and Portugal. It is settled policy in the Netherlands. In England it was the policy of the conservative Churchill government, and is today the policy of the left-wing Labor Government.

European Technique Varies

The form which European sea-air combination naturally takes varies with each country because of the existing local circumstances. In Sweden the principal Swedish overseas airline has more than 40% of its shares held by the Swedish steamship companies, all of whom are also represented in its management. The Swedish CAB has approved sea-air as a governmental policy, and described the contrary policy of the American CAB in the same problem as "domestic politics." In Norway more than 53% of the shares of DNL, the Norwegian Air Line, are held by the Norwegian steamship companies, and, apart from governmental representatives, the entire board is controlled by the steamship companies. In Denmark, DDL, the Danish Air Line, has a substantial percentage of its shares held by the three Danish shipping companies, and the Chairman of the DDL board is also general manager of the principal steamship company. In addition, all of the Scandinavian countries feature air cargo lines

(Continued on page 45)

Sees Leveling Off of Prices, Costs and Income Major Problem

J. Cheever Cowdin, of Universal Pictures, sees long period of prosperity ahead when this adjustment is completed. Says normal profit margin of American industry is not high, and that price reductions can be achieved under present level of wages by higher man-hour production and resulting lower unit costs. Foresees further technological advances in U. S. productivity.

Writing in his Company's house organ, "Progress," Mr. J. Cheever Cowdin, Chairman of the Board of Universal Pictures Company, Inc., reviews current general business conditions and concludes that after solving the major problem of leveling off prices, costs and income on an equitable basis "we will experience a very substantial prosperity for a considerable length of time." According to Mr. Cowdin:

J. Cheever Cowdin

There is much that is favorable in the business picture today. Civilian employment is the largest in our history. Payments to individuals are more than double pre-war levels. Industrial production is at a peacetime high, although substantially under the war-time volume. The potential demand for American products is enormous—our domestic purchasing power is unprecedented; and never before were foreign countries so eager to obtain products from the United States. Our government's revenues at long last exceed its expenditures.

Yet there are clouds in the business sky and we would be less than realistic if we failed to recognize them. For example, retail stores are noting increasing resistance to prices. Sales in some lines have dropped. Inventories are up sharply in many cases. Installment purchase debt has steadily increased. Securities are lower on the stock exchange. Here and there employment has dropped. Living costs are at an all-time high.

Here and Abroad

Although foreign demand for American goods continues unabated, our boom in export trade rests on an insecure foundation. Currently, we are exporting goods at the annual rate of approximately 20 billion dollars, four times the normal pre-war volume. This boom, an important element in our present national prosperity, cannot continue at its present pace unless we assume that this country is able and willing to make huge additional loans or grants abroad; because foreign nations just do not have adequate dollar exchange to support it, nor is there any reasonable prospect of their selling materials to us in sufficient volume to even approach this volume of imports from us. The industrial situation abroad, furthermore, is not good. Feather-bedding practices and the generally low morale of labor there are seriously retarding recovery. Intense nationalization is a further deterrent. However, I am not worried about the possibility of a general European collapse, which would bring on a major depression here, because production abroad, despite numerous handicaps, is gradually improving. It is on the uptrend although slower than it should be. Increased production is the only sound solution to the economic dilemma of foreign nations, as it is in this country.

None of these unfavorable developments has exerted any significant retarding influence as yet in the overall business picture; but in some quarters it is believed that they may possibly foreshadow a recession in general business activity.

Necessary Readjustments

My personal view is that we are now in a readjustment period. And foremost among the readjustments that must be made if our economy is to be soundly prosperous is the correction of the current distorted relationships among prices. The price relationships among the many thousands of different goods and services that make up our business structure have become badly jumbled. For example, the price of wheat is 300% above its prewar level; steel on the other hand is up only 28%. Equally acute imbalances exist within the price structure of many industries. In textiles, for instance, cotton goods are 200% above prewar; rayon is up only 30%.

Now, as we know, business prosperity depends upon the continuing exchange of goods and services among the various groups of people who make up our population, and also upon exchanges of goods with foreign countries. When price relationships are distorted, the free flow of these goods and services from one group to another is impeded.

Consumer and Taxes

If the consumer has to spend a disproportionate amount on, say food, there is that much less money left to buy the remaining goods and services. This obviously upsets the balance between the different parts of our national economy. The ultimate result is that some groups of people will no longer be able to buy goods and services provided by other groups.

Another major underlying cause of today's high prices is the enormous tax burden that the American economy is called upon to bear. The high rates and multiplicity of direct and indirect taxes imposed upon business and industry cannot help but add substantially to the ultimate cost to the consumer of goods and services. The extremely high rate of personal income taxes at the same time reduces the amount of money that the individual has available for purchasing goods and services, and discourages initiative and enterprise. It is a question of how long the American economy can stand, without serious effect, the current drain of $51 billion a year in national, State and local taxes. Economic history proves that in peacetime it is unsafe for government—national, State and local—to take more than 25% of the national income in taxes from its people.

Can the price reductions that should be made come out of corporate profits? In some cases current profits will support some reductions in prices—but even in such cases, when the total amount of profits is spread out over the huge volume of goods produced, the price reductions possible will in most cases be disappointingly small.

Profits and Prices

Contrary to general impression, the normal profit margin of American industry is not high. In fact, the economic progress of this country reflects primarily mass production of goods at increasingly lower unit costs to consumers. A recent public opinion survey, however, showed that a majority of people believed that the peacetime profit of a manufacturer is 25 to 40%. These same people thought that a profit of 10% would be fair. What are the facts? According to Department of Commerce figures, net profit after income taxes for all corporations averaged 3.6% of sales in 1937, 5.2% in 1941, 4.2% in 1943, and 3.8% in 1945. For 1946, a survey by the National City Bank of 1,100 leading manufacturing corporations indicates a net profit of approximately 6% on sales. These years have been selected because they are generally considered as the high profit years of the past decade. The other years in this period generally showed a lower rate of return per dollar of sales.

Just as you and I put money aside to buy a new car or a new house or a washing machine or refrigerator, so a corporation must put aside part of its earnings to accumulate funds to build a new plant, to repay borrowed money, to purchase new and better machinery and tools for its employees, to improve the quality of its goods and services to the public, to expand its operations and to have something in reserve for a rainy day.

Depending upon the type of business, some corporations require larger amounts for these purposes than others. Furthermore, in connection with the overall earnings rate for industry, it should be observed that only half of all corporations on the average operated at a profit in the 28-year period from 1916 to

(Continued on page 40)

Railroad Securities

The stocks of Denver & Rio Grande Western have been attracting considerable speculative interest in the recent generally more favorable market atmosphere. The common has rebounded approximately 80% from the low of 6¾ established a relatively short time ago, while the preferred is up 10 points from its low of 25¾. Many analysts look for continuation of this upward trend on the theory that even now the stocks do not fully reflect the earnings potentialities of the reorganized properties. In particular, the preferred is viewed as having interesting intermediate term prospects on the basis of the dividend outlook.

The preferred stock is cumulative to the extent earned and has $10 a share due from 1943 and 1944 earnings. It is expected in quarters close to the company that these arrears will be paid some time late this summer or early in the fall. Moreover, it appears safe to predict that the dividend of $5 a share will be earned by at least a fair margin in the current year. It is expected that it will be paid on a quarterly basis throughout 1948. Because of the heavy amortization charges in 1945 and other extraordinary non-recurring charges last year the dividend was not earned either in 1945 or 1946.

One of the highly favorable aspects of the Denver & Rio Grande Western picture is the comprehensive physical rehabilitation program accomplished during the trusteeship period, and the installation of a large amount of new equipment including diesel locomotives. During the past 10 years more than $50 million has been spent for new equipment and for additions and betterments to the property. The total fixed interest bearing debt of the system is not much more than that. Heavy rail has been laid on the major portion of the main line. That part of the main line that is not double tracked is largely operated with centralized traffic control. Wooden bridges have been replaced with steel or concrete structures over much of the system. Important grade and curvature projects have been undertaken.

These property improvements are highly favorable from two angles. For one thing they contribute importantly to increased operating efficiency. Movement of heavier trains at faster speeds is made possible by the property improvements and new motive power. The new equipment requires less maintenance work than the older rolling stock and the same is true of lines laid with heavier track and treated ties during the rehabilitation period. As a second factor, the improved physical condition of the property enables the road to compete for profitable through freight which formerly it was not equipped to handle.

Another favorable aspect of the Denver & Rio Grande Western picture is development of important new traffic sources. This is partly to be found in its improved competitive status as mentioned above. It is also to be found, and even more dramatically, in the industrialization of parts of the service area. The most important development along this line has been the establishment of a steel industry in the Geneva-Provo section of Utah. The government's plants in this section have been taken over, and are being operated, by a subsidiary of U. S. Steel. Denver & Rio Grande Western is expected to get the entire coal movement into these plants and will share with Union Pacific in the westbound movement of the finished product. Augmented by other smaller plants constructed and being constructed in the territory served, the Rio Grande has apparently emerged from the war period with a permanently higher traffic and revenue base.

The road has progressively been getting a better control over operating costs this year. In May, the first months in which results of Denver & Salt Lake were included, the transportation ratio was down to 36.3%. This compares with 43.2% for the like 1946 month and 38.3% for the five months through May, 1947. Net income for May alone reached $307,506 bringing the cumulative total for the year to date to $898,284. This was equivalent to $2.61 a share of preferred stock outstanding. Normally by far the largest part of the road's earnings come in the last half of the year.

C. V. Quayle Elected Gov. of New York Curb

C. V. Quayle has been elected a governor of the New York Curb Exchange to fill the vacancy caused by the recent resignation of Thomas W. Bartsch as a member and governor of the Exchange. Mr. Quayle has been a regular member of the Curb Exchange since April 14, 1937. He makes his office at Morgan, Davis & Co.


C. V. Quayle

Following his election to the governing board, Mr. Quayle has been named to serve as a member ad interim of the Exchange committees on arbitration and admissions.

Other appointments resulting from Mr. Bartsch's resignation include the naming of Edwin Posner, a partner of Andrews, Posner & Rothschild, as a member ad interim of the committee on finance. Andrew Baird of Josephthal & Co. has been made chairman of the committee on admissions.

Edwin H. Stern, Jr., Co. To Be Formed in N. Y. C.

Edwin H. Stern, Jr. & Co. will be formed as of Aug. 1 with offices at 25 Broad Street, New York City, to engage in the securities business. Partners in the firm will be Edwin H. Stern, Jr., Stanley Schiff, Bernard J. Lasker, all members of the New York Stock Exchange, and Joseph Silverstein. Mr. Stern formerly did business as an individual floor broker. Mr. Schiff was a partner in the firm of Schiff & Young, which is being dissolved, and Mr. Lasker was a partner in Richard K. Kaufman, Alsberg & Co.

Economic Observations Abroad

By N. S. W. VANDERHOEF
President, Textile Export Association of the U. S.
President, Turner Halsey Export Corp.

Textile exporter reports on economic conditions in Europe, noting particularly food shortages and currency difficulties. Says mill operations are hampered by lack of coal. Sees continued depression of textile industry in England and France, and reports wholehearted approval of Marshall Plan.

Having just returned from a two months' tour of Western Europe which included Great Britain, France, Belgium, Holland, Norway, Sweden and Denmark, I have set down my impressions in the belief that they may prove to be of some value.


N. S. W. Vanderhoef

While most of the time I spent abroad was given over to the affairs of the company I represent, I did try to obtain information of a general character in the hope that it would be of use to members of our group (Textile Export Association of the United States). Here are my impressions for what they're worth:

(1) **Meals and Hotel Accommodations:** I went abroad on the S/S America and returned on the Queen Elizabeth. On both liners, the meals, cabins and steward service were excellent. In all the countries visited, I stayed at some 15 hotels and, despite the ravages of war, they were clean and well supplied with linen. Except in Denmark, all hotels provided hot water. In no hotel, however, was soap available.

All Europe is haunted by the food problem, and it was natural that hotels and restaurants patronized by visiting businessmen should reflect these conditions. As was the case in the United States during OPA days, patrons of hotels and restaurants are better fed than those compelled to buy food in stores for home consumption. In Great Britain meals were restricted to three courses, bread counting as one course, the selection was poor and consisting mostly of fish, but prices were controlled and reasonable. In all other countries I visited, meals were ample, well cooked but prices were extremely high. In one restaurant in Paris I paid 20,000 francs for an ordinary meal for four persons. In Sweden and Denmark travelers are supplied with food ration coupons and must still turn them over to hotels and restaurants.

(2) **Exchange:** Next to food, the main concern of every country I visited is currency. So stringent has become the scarcity of dollars that harsh measures are being employed to curb black market dealing in currencies. On the business level, this concern over currency is reflected in stricter curbs on business. Every application for import permit or license for textiles is scrutinized carefully and the currency to pay for even such essentials as cotton textiles is being doled out sparingly.

The visitor encounters currency restrictions at every turn. Before entering each country, one must fill out a detailed report as to the amount and kind of currencies he is taking in and when he is leaving he must fill out a similar report on the currency he is taking out. This, of course, causes endless delays in customs. Travelers' cheques may be cashed only in banks, another source of delay since most banks are overloaded with this kind of work.

(3) **Transportation:** Although press reports continue to tell of poor transportation facilities, I was agreeably surprised by the improvement that I was able to note. In most of the countries I visited, roads have been mended and are excellent for automobile travel. (I motored over 3,000 miles.) Bridges have been restored, chiefly through use of the Bailey Bridge so well known to GIs. Airplane service between the major cities is excellent and is conducted with great efficiency. Passenger train service is not up to prewar levels and many crack trains are no longer in operation, especially in Great Britain. Most railroads, I was told, are suffering from a lack of rolling stock, and this constitutes a grave impediment to industrial revival. As for conditions in specific countries, here is what I observed:

Individual Countries

Great Britain: Coal is still the Number One problem, and there is every indication that even essential industries such as cotton textiles and rayon goods will have their supplies of fuel rigidly allocated during the coming winter months. Lancashire mills are still finding it hard to obtain labor, especially women, and are up against the competition of aircraft and electrical goods companies which are housed in modern factories and are in a position to offer more inducements in the way of recreational facilities and plant comforts. It is highly unlikely that cotton textile production in England will approach 1938 levels for a long time to come.

France: French mills are also bedeviled by the lack of coal. French textile designers, however, have lost none of their oldtime ingenuity and the fabrics they are now turning out are bright and attractive. To my mind, France will continue to hold her own in the high style end of the textile business, but there is little likelihood of her competing on a volume basis in world markets as long as current political and economic conditions persist.

Belgium: As most observers have pointed out, Belgium has come a long way on the road toward normalcy. Aside from the country in which the Battle of the Bulge was fought, damage to her industrial centers and farmlands was light. Her mills are operating at a satisfactory rate and her industrialists are shrewdly planning for the future, as witness the customs union with Holland and Luxembourg.

Holland: Bridges and roadways in Holland have been repaired along with dikes and flooded farmland is being drained and brought back again into use. The industrial district of Rotterdam was level but the residential neighborhoods are intact. The Hague still shows the result of constant Allied bombing during the period when it was being used as the launching site for buzz-bombs. Mills near the German border were badly damaged and are being repaired slowly. While at The Hague, on behalf of the Association, I protested the rise in customs duties which will be applied when the union with Belgium and Luxembourg goes into effect. The protest, however, was rejected on the ground that we have never been among the principal suppliers of textiles to that country.

Norway: Damage in Norway is confined to the west coast. Like most countries, Norway's supply of dollars is dwindling and she is not generating enough foreign exchange to pay for the essential needs.

Sweden: The textile industry in Sweden is still not running at capacity owing to the lack of skilled operatives and the reduction of working hours. Domestic output, as a result, is far short of the country's requirements. Sweden finds it difficult to obtain textiles from her old sources of supply in England and would like to buy more American textiles but finds it hard to obtain dollars.

General Observations

In all of the countries I visited, retail prices on textile items are much higher than in the United States with the exception of work garments, which are under stringent control and must be sold at prices that often show a loss to mills and manufacturers. In England, of course, textiles are strictly rationed. In all other countries so-called luxury textiles are sky-high in price and beyond the reach of the average consumer. Strangely enough, some basic textiles, such as Swedish and Dutch cotton yarns, are cheaper than comparable American counts, but retail prices on items in which these yarns are used are much higher.

As you no doubt have noticed, this is not an economic analysis but merely the observations of one exporter. I must say, however, that the announcement of the Marshall Plan was greeted in all of the countries I visited with great interest and wholehearted approval.

In closing, I wish to point out that no traveler in Europe can help but be saddened by the lack of small comforts which we Americans regard as normal. All of us have business friends and associates in Great Britain and on the Continent who are suffering from the lack of such ordinary items as coffee, butter, sweets, and fats. Surely, it would be no hardship to send packages containing these items every now and then. Such personal gestures will do more to build lasting friendships for our export division than any amount of correspondence.

Paul D. Speer and E. J. Evans Join First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Elbert J. Evans and Paul D. Speer have become associated with First California Co., 510 South Spring Street. Mr. Evans was formerly partner in Eastman, Dillon & Co. with headquarters in Los Angeles and prior thereto was an officer of Nelson Douglass & Co. Mr. Speer was a partner in Marache, Sims & Speer and Paul D. Speer & Co. of Los Angeles. In the past he was an officer of H. C. Speer & Sons Co. in Chicago.

H. Hentz & Co. to Admit

Walter Campbell Gibson will become a partner in H. Hentz & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange and other leading Exchanges, as of July 24. Mr. Gibson has been with the firm for some time as manager of the Rockefeller Center office.

Sterling Diplomacy

By PAUL EINZIG

Correspondent points out, despite Britain's inadequate financial resources, she has been endeavoring to extend credits for sake of furthering political aims. Cites generous terms of Anglo-Egyptian Financial Agreement and concludes Britain can ill afford these concessions.

LONDON, ENG.—So much has been heard lately about "Dollar Diplomacy" that it is quite a refreshing change to talk for once about "Sterling Diplomacy." Incredible as it may sound, there is such a thing, notwithstanding the highly inadequate means at Britain's disposal for pursuing financial diplomacy. The granting of credits to Italy and Poland, and the negotiation of credits to Soviet Russia are instances of Sterling Diplomacy. In these and other instances it is the Foreign Office that forces a reluctant Treasury to enter into transactions which the country can ill afford, for the sake of furthering political aims.

Dr. Paul Einzig

By far the most outstanding example of Sterling Diplomacy has been provided by the Anglo-Egyptian Financial Agreement. When its terms were published everybody was astonished by the amazing generosity of Britain towards a country whose sole contribution towards the Allied war effort was the ruthless exploitation of Allied troops engaged in defending its territory. As a result of this profiteering, Egypt succeeded in amassing sterling balances to the amount of £440,000,000. Of that amount she has already collected since the beginning of this year more than £40,000,000, mostly through forced purchases of goods in Britain and the Sterling Area.

Now under the terms of the new agreement, Egypt is to receive something like £50,000,000 or £60,000,000 during the second half of this year. In addition to £8,000,000 which will become immediately convertible, £12,000,000 are released for the purpose of a "working balance" which can also be converted into dollars or used up for purchases of British and Sterling Area goods. A further £12,000,000 will be released to cover existing confirmed credits in Britain. Private balances, estimated between £8,000,000 and £12,000,000, are also released for use within the Sterling Area. There are other minor items the magnitude of which cannot as yet be estimated. As a result, Egypt will be able to collect altogether more than £100,000,000 during 1947. This is nearly 25% of its total claim.

Coming as it did after Mr. Dalton's statement in favor of scaling down war debts, and against "unrequited" British exports, the generosity of these terms has caused bewilderment in British political and financial circles. Had such generous terms been granted to India it would have been welcomed in many quarters, on sentimental grounds, as a gesture to assist the two new Indian States amidst their initial difficulties. Even then the overwhelming majority of British people would feel that Britain could ill afford to be sentimental at present. As for Egypt, the official policy of cashing in on the neutrality of the country during the war and trying at the same time to benefit in full from the Allied victory is viewed with universal contempt in Britain. Quite recently a Socialist politician, writing in the "Daily Herald," recalled how during the dark days of 1942 Egypt made preparations to welcome with enthusiasm the victorious armies of Field Marshall Rommel. Mr. Dalton's generosity towards Egypt is, therefore, anything but popular even among his own followers.

There is every reason to believe that it was only under strong pressure from the Foreign Office that Mr. Dalton consented to sign such a costly agreement. The purpose of the sacrifices is to induce Egypt to soft-pedal the efforts aiming at the removal of British troops from the Suez Canal Zone. When the agreement was signed in the presence of press correspondents and cameramen, Mr. Dalton was heard to observe to the chief Egyptian delegate: "Your Foreign Office serves you better than mine serves me." In the light of the terms of the agreement the meaning of this remark can now be clearly understood. Between £50,000,000 and £60,000,000 of Britain's badly-needed foreign exchange resources have been sacrificed for the sake of securing the acquiescence of Egypt in the continued occupation of the Canal Zone for the next six months. When a new financial agreement comes to be negotiated in December, Egypt will doubtless expect another big release of freezed sterling balances. But possibly by that time Mr. Dalton will have no more dollars left.

The worst of it is that on the basis of the terms of settlement granted to Egypt, the other holders of sterling balances will demand equally generous treatment. Britain can certainly not afford to release £150,000,000 for India, which would correspond to the amount released to Egypt, allowing for the fact that India's claim is three times that of Egypt's. And there are many other claimants besides. Nor can Britain afford to continue to "appease" Egypt at the cost of £50,000,000 per six months.

The whole policy of financial appeasement practiced by Mr. Bevin is extremely futile. Even if Britain could afford to continue the payments to Egypt at the present rate it would not secure Egypt's goodwill in another war. Major decisions about siding with one of the belligerent parties are not determined by gratitude for past financial payments, nor even by greed for continued financial payments, but by political and strategical considerations. Judging by its record for political opportunism during the last war, Egypt could safely be expected to come down on the winning side, irrespective of any efforts of Sterling Diplomacy to secure Egyptian goodwill.

Howard R. Taylor With Robert Garrett & Sons

BALTIMORE, MD.—Howard R. Taylor has become associated with Robert Garrett & Sons, South and Redwood Streets, members of the New York and Baltimore Stock Exchanges. Mr. Taylor has recently been associated with Hornblower & Weeks. Prior thereto he was in business for himself in Baltimore for many years.

Kaye, Real & Co. Formed

John A. Kaye and Nathaniel R. Real have formed Kaye, Real & Co., with offices at 72 Wall Street, New York City. Mr. Real was formerly proprietor of N. R. Real Co. Mr. Kaye was connected with Ward & Co.

Stock Market Lethargy

By ROGER W. BABSON

Mr. Babson, pointing out conditions justify higher prices, lays stock market lethargy to fact that real worthwhile industrialists, merchants, bankers, and professional men are tired and discouraged. Says taxes and labor situation hinder investment.

Most of the stock market barometers forecast higher prices. This is due to the large amount of money in circulation, abounding credit, good dividends, high farm income, no unemployment and general prosperity. Yet, there is an underlying lack of confidence which makes large investors hesitant.

Roger W. Babson

The simple fact is that too many businessmen are discouraged and tired. Most of these corporation officials have enough money and do not need to work. They really hold their positions because they want to be of service and thus far have "enjoyed the game." Now they are unfortunately reaching a time when they wonder if their work and worry is worthwhile. As these men are an important factor in the development of business, this discouraged attitude has a serious backfire. Let me tell you why.

Statistics show that 2% of the population of the U. S. is responsible for 90% of the new building, new businesses, new inventions, and enterprise in general. It is hard to make people believe this fact and labor leaders scorn it; but it nevertheless is true. Kill off even 1% of the population—if this 1% were the business drivers of the country—the nation would go into the greatest slump in history.

During the debate on the Tax Bill, President Truman and his friends tried to show that the reduction in dollars which would go to this 2% would be out of proportion to the reduction in dollars which would go to the rest of the population. This is notwithstanding the fact that the upper bracket people would get a tax cut of only 15% compared with a tax cut of 30% which the great mass of taxpayers would receive. Yet, higher bracket people are the ones who have the needed brains, inventive genius, organization ability and "drive" which makes industry tick.

Industrial leaders were therefore much disappointed when the President vetoed the Tax Bill. They furthermore were again disappointed when President Truman vetoed the Labor Bill, even although Congress passed it over his veto. Why? Because when they went to their offices next morning, with new plans to spend money for improvements and extensions, more serious strikes were threatened. Thousands of men even left the coal mines in retaliation of Congress. As coal is vital to all industry, business leaders once more asked themselves—"why bother?"

Free Enterprise

Capitalism, so-called, has many faults. It seems unfair that one boy should be born with a million dollars, while another boy equally worthy should inherit only debts. Monopolies of any kind are wrong; business leaders have abused their power in many ways. The fact that labor organizations have copied the same wrong methods is no excuse for the sins of capital. "Two blacks do not make a white,"—nor do two wrongs make a right.

President Truman should, however, honestly explain and recognize that there is a difference in people and that the few natural leaders should be encouraged and not persecuted as at present. The idea that everyone is equal in ability, as first emphasized by the leaders of the French Revolution and as now preached by the New Dealers, Socialists and Communists, is fundamentally unsound and every reader knows it. It may require a great depression to get people once more to think honestly and correctly; unless before then the importance of the 2% is frankly recognized.

What About Vacation?

It is the view of the above that the stock market has reached a stalemate. It goes up a few points and then down a few points, with small volume of transactions. These transactions are mostly by professional speculators sitting in the offices of brokers. The real worthwhile industrialists, merchants, bankers and professional men are tired and discouraged. Perhaps a good vacation this Summer may do them. Let us hope that they will take it and come back renewed in spirit and once again willing to buy stocks.

Canadian Securities

By WILLIAM J. McKAY

It is an historical fact that following periods of economic depression or political or religious oppression an era of dynamic development has taken place in those countries which have offered asylum to foreign immigrants. Earlier British commercial supremacy was largely based on the skills of foreign artisans who were driven from the European continent by religious persecution. The commencement of the industrial growth of this country likewise followed economic depression in overcrowded Europe.

At the present time the European urge to migrate is greater than ever before but the available outlets were never more restricted. In this picture, however, the vast empty spaces of Canada with their incalculable extent of unexploited natural resources take on a new significance. The tremendous opportunity thus afforded could mark a momentous turning-point in Canadian history.

Happily there are now indications that Canada is ready to depart from her previous insular outlook on immigration matters. On the surface the modified immigration laws recently announced by Prime Minister MacKenzie King afforded cold comfort to would-be immigrants. In practice, however, it appears that the new regulations will be interpreted in an exceptionally broad and informal fashion. According to recent reports the sponsorship of prospective immigrants by Canadian citizens entails a minimum of responsibility and the financial requirements appear to be a nominal formality. This new facility of entry to the Dominion, however, is open only to prospective immigrants who conform to suitable standards and every effort will be made to prevent any undesirable influx.

This new departure is certainly a long step in the right direction but further constructive efforts are still necessary. Canada has an abundance of natural wealth far in excess of the demands of her present population, but accessibility has always been the principal obstacle in the path of its exploitation. For this reason although there are tremendous undeveloped coal deposits in Alberta and British Columbia, Canada nevertheless still imports the bulk of her requirements. Likewise in the case of iron, the greatest known reserves in the world of high quality ore still remain untouched in northern Quebec and Labrador. The extension of the railroad facilities to such areas is consequently vitally necessary. The precedent of the construction of the Temiskiming and Northern Ontario line alone affords ample justification for a bold policy of railroad-building. With the resultant discovery of the fabulous Cobalt silver deposits and the gold fields of Northern Ontario, the mining industry joined wheat and lumbering as a major source of Canadian wealth.

The labor requirements for such a program would give added point to the necessity of an active immigration policy and if thereby the hidden treasures of the fabulous Laurentian Shield are brought within reach of civilization Canada will enter an era of prosperity that will rival the boom development days of her great southern neighbor.

During the week the bond market relapsed once more into a state of dull inactivity and price changes were negligible in both the internal and external sections. Canadian stocks, however, continued in demand with the investor interest concentrated principally on the golds, papers, and western oils. The golds in particular were buoyant as a result of a persistent belief that the gold-mining industry will be given some measure of government assistance other than a change in the official price of gold or authorization to sell abroad at premium prices.

Hibbard Broadfoot Is With Hayden, Stone

Hibbard E. Broadfoot has become associated with Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, as retail sales manager. He was formerly manager of the investment department for E. W. Clucas & Co.

Joins Wood, Gundy Staff

(Special to THE FINANCIAL CHRONICLE)

WINNIPEG, MAN., CANADA—Roy Beale is now with Wood, Gundy & Co., Ltd., Victory Bldg.

Hentz Branch Moves

H. Hentz & Co., member of the New York Stock Exchange, the New York Cotton Exchange and other leading stock and commodity exchanges, announces the removal of its uptown office to the Sherry-Netherland Hotel, 781 Fifth Ave., from its former location at 610 Fifth Ave.

Van Alstyne, Noel Corp.

The Van Alstyne, Noel Corp. has been formed with offices at 52 Wall Street. Officers are David Van Alstyne, Jr., President; Richard C. Noel, and Edward L. Elliott, Vice-Presidents.

Opening of Private Trade With Japan

By THOMAS R. WILSON*
Chief, Areas Branch, Office of International Trade,
U. S. Department of Commerce

Commerce Department spokesman reviews and analyzes economic conditions in Japan to be taken into consideration the resumption of private trade with that country on Aug. 15. Points out difficulties due to collapse of Japan's economy and the need for reconstruction. Gives data regarding means of effecting exchange operations and urges all who would trade with Japan to first consult with and receive permission from Commerce Department.

Representatives of commercial firms will be admitted to Japan on Aug. 15 and commercial contracts may be consummated on and after Sept. 1 according to the agreements entered into between the special trade mission and General MacArthur's staff in Tokyo.

Thomas R. Wilson

For the few moments at our disposal today it is necessary that we think seriously of the Japanese economy—Japan, a small island empire in the western Pacific that so recently played such a dominant role in the world's history. There is no need for me to elaborate at great length to this group, which is so closely connected with international trade, on the importance of Japan in prewar commercial and economic affairs—a country that was often rated in prewar years as the fourth ranking exporter, being surpassed only by the United Kingdom, the United States and Germany. Here we had a country supplying three-fourths of the world's requirements of raw silk, the world's largest exporter of rayon and cotton fabrics and yarn; a country with a considerable influence in the world trade of wearing apparel, canned fish, machinery, chinaware, vegetable oils, toys, glass and other items. In thinking of this important position held by Japan prior to the last war, one must remember that the only real advantage held by that country was in silk and camphor resources. Nearly one-third of the industrial requirements of Japan had to be imported, notably cotton, wool, jute, fertilizers, minerals and chemicals, as well as approximately 20% of all food requirements. Japan was not only an important supplier of exports but was a very important market for many raw materials and foodstuffs.

Japanese Industry Collapsed

With the end of hostilities and the beginning of the occupation, it was soon discovered that the industrial economy of Japan had literally collapsed. Devastation of war had taken a terrific toll both by direct enemy destruction as well as by government seizures and conversion to war purposes. The occupation forces were faced with the stupendous task of rebuilding the economy of a country of approximately 80,000,000 people literally from scratch. This economy was based on insufficient food and extremely limited industrial resources. The magnitude of this task is realized by very few people outside of the occupying authorities.

One of the most important problems facing the Supreme Commander and the Japanese Government is the lack of resources. Prior to the war Japan controlled Formosa, Korea, Manchukuo and the Kurile Islands, all of which have been separated from that control. Formosa was important to the Japanese Empire as it furnished 6% of the rice requirements, 90% of the sugar requirements, the bulk of the camphor and also had a substantial production of aluminum. Korea furnished 12% of the Japanese rice requirements, 40% of their needs of tungsten, large quantities of iron ore and pig iron, as well as substantial quantities of other metal requirements such as zinc, lead, copper, flourspar, fertilizers and general chemicals. From the Kurile Islands Japan obtained coal, timber and fish; and from Manchukuo, soy beans, coal, iron ore, steel and chemicals. These resources are no longer available to Japan and necessitate outright purchases from foreign countries. In addition, Japan must obtain from foreign sources large supplies of cotton, jute, wool, fertilizers, salt, industrial chemicals such as soda ash, caustic soda, acetone, etc., in order to keep the wheels of industry turning. This is indeed a serious problem when one considers the lack of foreign exchange with which to purchase such necessary imports.

Another important problem faced by the occupying authorities is the shortage of fuel. During the war many of the industries of Japan were converted from oil-burning to coal-burning processes. There is not sufficient coal particularly coking coal within the country to run the economy and it therefore becomes necessary to allocate coal for the specific purposes that render the greatest assistance to the country's economy.

Another problem that has very serious ramifications is the growth in the population. Prior to the war the Japanese population was increasing at nearly 1,000,000 per year. Once again that upward trend has been reached and with an economy based on industrial occupations and lack of resources, an increase of 1,000,000 in the population each year has very serious economic consequences.

Problem of Unemployment

With industrial production at approximately 35% of the 1930-34 level, there is a serious problem of unemployment. The large military forces that were maintained prior to the war have been completely eliminated and the manpower problem becomes acute.

There is also a serious housing problem due to the destruction in large industrial areas of more than 2,000,000 homes. There are very limited facilities for housing the additional workers demobilized from services. The sawmills of Japan are now working at greater than prewar capacity to supply very poor quality lumber to build low cost housing for Japanese families. Over-all there is a tremendous lack of stability in prices and wages. Inflation has been apparent for some time and prices have risen rapidly. With the rise in prices and the cost of living, wages have shown an increase of from 500 to 2,500% and even at that they have been unable to keep up with the cost of living advance.

A serious deterrant to industrial development is the lack of a definite policy on reparations. Until Japanese industrialists and financial interests are sure of which plants and assets are consigned to the reparations program they will delay any development plans requiring investment of capital.

Reconstruction Problem

This is the background picture which is ever present in the minds of the occupying officials. Their great problem is to develop a production program that would put the large mass of industrial workers on the job. To do so it will be necessary to rebuild many of the important industries. That was the basis of the considerations for sending to Japan large quantities of raw cotton for conversion into textiles. This not only furnished the people with clothing, which was in great shortage, but also supplied exports with which to obtain exchange not only to pay for the cotton but to purchase other raw materials needed throughout industry. This cotton program was far beyond the capacity of private industry to undertake, certain in the first instance. Many private businessmen, not only of the United States but of other countries interested in the development of Japan, have approached the authorities pleading for an opportunity to go to Japan and discuss these problems with private Japanese interests. They have assured our government officials that they could help restore the economy of Japan. In the light of this pressure the trade mission went to Japan early in May.

Trade Mission to Japan

I am sure that all of you present have seen the press releases issued by the War Department and the Commerce Department concerning the resumption of private trade with Japan. It was the desire of the mission to see that trade relations were opened on a world-wide basis, as no one can conceive of developing the Japanese economy on a dollar basis. A large portion of the Japanese products are not of interest to the United States market and therefore must be sold in other countries, particularly the Far Eastern areas. This is also necessary in view of the need to import raw materials from those same countries. There were a number of problems which had to be ironed out by the occupying officials and the trade mission. First, we were faced with a lack of living facilities for commercial representatives. After considerable discussion it was determined by the Army engineers that they could make available in four of the principal industrial areas facilities to take care of 400 commercial representatives and that these facilities could be available by August 15. This in turn created a second problem for SCAP, namely, the shortage of staff to handle the difficulties created by the re-entry of this large number of commercial representatives. However, by relying on Boeki-cho, the Japanese Board of Trade, they feel that they can adequately service that number of arrivals.

A third major problem was one already spoken of, namely, the inability of the Japanese to purchase raw materials. Thus, provision has been made that self-liquidating contracts would be given favorable consideration, that is, foreign purchasers may find it advantageous to supply certain

(Continued on page 35)

*An address by Mr. Wilson at meeting under auspices of Foreign Trade Bureau of the Commerce and Industry Association of New York, Inc., New York City, June 25, 1947.

Production and Movements of Gold*

Bank for International Settlements analyzes production and movements of gold in war and postwar periods. Estimates world annual output declined from 41 million ounces in 1940 to 27½ million in 1946. Sees higher production costs limiting output, and reports U. S. increased gold holdings in 1946, while most other nations lost supply. Points out reduced central bank reserves have been offset by private gold hoardings, and discountenances return to gold coin standard as giving more impetus to hoarding and inflation.

After having reached, in 1940, a peak of 41 million fine ounces (equivalent to $1,435 million at $35 an ounce), the world output of gold fell by one-third in the following five years, and amounted to about 27 million fine ounces in 1945. These figures include certain estimates for U.S.S.R. production, the data on this subject being still fragmentary; but the changes are primarily due to variations in production in the rest of the world. For 1946, published information from South Africa, Canada, the United States and a number of other countries makes it possible to state that in that year there were the first signs of a change in the trend, gold production rising by probably half a million ounces to a total of about 27½ million ounces (equivalent to $960 million). For the largest producing country, South Africa, there was as yet no upturn, but in the United States production went up by as much as 75%, though, even so, it was still hardly more than a quarter of what it had been in 1940.

In other respects also the year 1946 revealed a change in tendency; after a decline for four consecutive years, the monetary gold stock of the United States increased by $623,000,000 in 1946, that country alone taking the equivalent of about two-thirds of the current output of gold. Other countries which added to their gold reserves were Switzerland, Cuba, South Africa, Belgium, Colombia, Venezuela and Uruguay. Four countries show substantial decreases in their gold reserves: France, the Argentine, Mexico and Sweden (the decrease in the case of the Argentine being due to foreign debt retirement). An interesting result is that for the world as a whole the published gold reserves were no greater at the end of 1946 than at the beginning and, even when account is taken of unpublished reserves, the net change over the year would seem to have been an increase of no more than $200,000,000. Only one conclusion can be drawn from these facts: the newly-produced gold has almost all "disappeared," some of it being accounted for by an increase in the industrial use of gold (in the jewelry trade, etc.), but the largest part having found its way into private hoards in Europe and Asia.

Output of Gold

While the war lasted, gold production was deliberately curtailed in a number of countries, manpower and other resources (e. g., machinery) being needed for the war effort. In some areas, including the Philippine Islands, New Guinea and, later on, Manchukuo, Korea, and even Japan, actual warfare would seem to have become a still more restrictive factor. With the continuing need of manpower for reconstruction and reconversion purposes, the labor problem has not yet been eliminated; but another element, which had already made its appearance during the war, has grown in importance; namely, the rise in production costs as the outcome of the general rise in prices, wages and salaries, together with the increased burden of taxation. The mounting production costs tend to eliminate the marginal mines which find themselves operating at a loss and to lead to a decrease in the proportion of fine gold extracted from the ore produced by those mines which are being worked. While for other commodities higher costs are compensated by higher selling prices, gold has a "ceiling" price which is in practice the price paid by the U. S. Treasury since Feb. 1, 1934; i.e., $35 per fine ounce. In terms of sterling, there has been an increase, however. While in July, 1939, an ounce of gold fetched 148s. 6½d. in London, the price went up to 161s. in August and was fixed at 168s. in September. In June, 1945, the price of gold was again raised to 172s. 3d., a further slight increase to 172s. 6d. being allowed from the beginning of 1946 as regards gold produced in the Union of South Africa (the extra 3d. in question rrepresenting a concession to the gold producers in respect of certain minor transport costs from South Africa to Great Britain).

WORLD GOLD PRODUCTION
(Weight in Thousands of Fine Ounces)

Gold-producing Countries—	1929	1940	1944	1945	1946
Union of South Africa	10,412	14,038	12,277	12,214	11,918
Canada	1,928	5,311	2,923	2,697	2,828
†United States	2,208	6,003	1,022	929	1,625
Australia	426	1,644	658	648	*840
British West Africa	208	939	566	565	584
Rhodesia	562	833	593	568	545
Mexico	652	883	509	499	*500
Colombia	137	632	554	507	437
Belgian Congo	173	555	356	343	310
‡Nicaragua	12	155	225	200	182
Peru	121	281	175	180	*180
Chile	26	343	204	179	241
Brazil	107	264	178	195	151
New Zealand	120	186	142	142	*140
British India	364	289	187	170	131
Sweden	35	209	125	75	92
§Other countries	1,709	8,435	7,306	6,889	6,796
Estimated world production	19,200	41,000	28,000	27,000	27,500
¶Value of estimated world production in millions of dollars	672	1,435	930	945	963

*Provisional. †Including Philippine Islands production received in the United States. ‡For 1940, 1944, 1945 and 1946 gold exports, representing about 90% of total production. §Estimated. ¶At the present rate of $35 per ounce of fine gold.

Between 1940 and 1946 gold production in the Union of South Africa fell by 15% only and the country remains the world's most important gold producer, with an output probably twice as large as that of the U.S.S.R. and over four times as large as that of Canada. Figures of gold production, ore output, working costs and profits are supplied by the Transvaal Chamber of Mines, which represents approximately 95% of the total South African production.

Up to 1940-41, the production of gold rose and with it working costs, revenue, profits and dividends; but from then onwards the direction taken was not uniform. In matters of taxation, a special levy, absorbing 22½% of the total profits, was imposed just after the beginning of the war; but this levy was abolished in 1946, when its place was taken by a new formula for ordinary taxation. It is estimated that in the year 1946 the gold-mining industry benefited by tax reductions to the extent of £3 million. A further reduction was announced by the Minister of Finance in February, 1947, when he introduced the new budget for 1947-48, his estimate being that the mining companies would profit to the extent of £2.3 million by the proposed reduction, particular relief being given with a view to encouraging new capital outlay. The importance of gold production from a fiscal point of view is shown by the fact that, of the ordinary revenue in the South African budget, over one-quarter has regularly come from the gold-mining industry.

The gold output in South Africa was 2.36 million ounces in the first quarter of 1947, about 480,000 ounces less than in the corresponding quarter of the previous year. The considerable decline in production thus revealed was largely the result of a strike among the European workers, this being only one aspect of the manpower difficulties with which the industry is contending. The number of European workers is about 40,000, which is said to be about 5,000 less than the industry at present requires. At the end of March, 1947, the number of native workers was 296,095, as compared with 310,446 a year earlier and an all-time maximum of 375,923 in February, 1942. The industry is reported to be desirous of employing another 25,000 native workers but, as a matter of fact, it is finding it hard to retain the services of those already engaged.

In Canada gold production recovered somewhat in 1946 and continued to do so in the opening months of 1947, but it is still under 55% of the high mark attained in 1940.

The rate of increase has been quicker in the United States, but the contraction of the war years having been greater, the output in 1946 was still only one-quarter of what it had been in 1940. The Bureau of Mines reports that expansion of output, particularly as a result of the rehabilitation of idle connected-bucket dredges, was a major feature of the industry during the year. On the other hand, strikes at base-metal mines and smelters curtailed production in lines where it had been best sustained during the war. Higher costs, resulting from the pressure of rising wages and prices, also restrained many prewar operators from reopening their properties.

In the table on world gold production, the figures for "other countries" include estimates of output in the U.S.S.R. and also in Japan and Korea.

The figures for recent years are probably little more than guesswork, as may be gathered from the fact that they have remained unchanged for several years. Current estimates of annual gold production in the U.S.S.R. seem to vary between 3 and 5 million ounces.

As to the future of gold production, rising costs represent, of course, an important consideration, but it is not out of the question that a reduction in taxation may be employed as a stimulus to production. Mention should further be made of the discoveries of rich new gold-fields in the Orange Free State, the examination of which was began in 1930, though modern prospecting methods were applied only from 1937 onwards. The mines in question are expected to reach the production stage by 1950 and the results will, of course, depend not only on technical but also on economic factors, such as taxation and costs of labor.

Movements of Gold

The accompanying table shows the reported gold reserves of central banks and governments at the end of years 1938 and 1944 to 1946,

(Continued on page 34)

*Abstracted from the Seventeenth Annual Report of the Bank for International Settlements, Basle, Switzerland.

Economic Instability: Causes and Remedies

By PAUL G. HOFFMAN*
Chairman, Committee for Economic Development
President, The Studebaker Corp.

CED head lists causes of economic instability and lays down a program for a stabilized economy which will not end in stabilized poverty. Says responsibility of Government is to establish conditions under which private enterprise can operate most effectively, and responsibility of businessmen is to operate profitably through increased efficiency and with as much regularized employment as possible. Says depressions can be kept within limits, and by wise action real income of most people can be doubled in 25 years.

CED defers to no one in the gratification we take in the accomplishments of our American brand of capitalism and in our determination to help preserve and strengthen it. We believe that the best way to fortify our system against either frontal or flank attacks is by capitalizing to the fullest extent on its potentialities for the advancement of all of our people. We should remember that there are still too many people whose incomes are low, whose opportunities are limited. We should also remember that the ultimate test of any economic system is what it produces for the average man. Therefore, our answer to the critics of capitalism should not emphasize past accomplishments, but rather should take the form of a plan of action for so improving the effectiveness of our system that it will yield ever-increasing opportunities for more and more of our people. Before we can determine upon that plan, we should take a long, hard look at our system to find out what makes it tick, what made it strong, what its weaknesses are, and how they can be corrected.

Paul G. Hoffman

The first major characteristic of our economy is its dynamic productiveness. Since the turn of the century one great invention after another—the automobile, the radio, the airplane, and numerous others, has given a start to new industries which have grown into giants. We have perfected the techniques of mass production, streamlined distribution, and modernized our merchandising. We have seen the income of the average American family doubled, and for the second time in a generation the dynamism and high productivity of American industry have proved a decisive factor in winning a World War.

The second major characteristic of our economy—and this has been its greatest weakness—is its instability. During the past 100 years there have been no less than 26 business depressions, culminating in the boom of the 1920's and the bust of the 1930's.

I propose to give you my ideas as to why our economy has been dynamic and why it has been unstable, then to outline briefly how we should go about developing a program aimed at protecting and enhancing its dynamic productiveness and moderating its tendency toward booms and busts.

Assuming adequate natural resources, the dynamism of an economy will depend substantially on the extent to which the potentialities of its citizens are realized, upon how much use is made of their natural inventiveness and resourcefulness, and upon how well they work together. We in the United States have outstripped the world in productiveness because our economic system subjects us to pressures that have made us, as individuals, work hard, think hard, and work together quite well. We have worked hard and thought hard because there have been rich rewards for so doing, and mild penalties for inaction.

*A statement by Mr. Hoffman before the Joint Congressional Committee on the Economic Report, June 25, 1947.

Causes of Instability

Next, let us consider the question of why our economy has been unstable. The answer is simple. Instability in our economy results from instability in effective market demand. But the answer to why market demand is unstable is not simple. It is very complex indeed. Market demand for goods and services is, of course, made up of the combined demands of individual customers, business firms, and the government. At any given time market demand depends upon (1) how much cash or credit is available to customers, businessmen and the government, and (2) how much of that cash or the proceeds of that credit they are willing to spend for goods or invest in business assets.

That is clear enough, but involved in the determination of how much cash and credit is available to customers and business firms are such matters as tax policies, credit policies, and the status of international trade. Involved in the determination of how much cash and credit is available to the Federal Government are decisions of the executive branch and of the Congress.

Complex as are the problems in the matter of availability of cash and credit, they are nothing as compared with those which determine the willingness of customers and businessmen to spend and invest. Here we run directly into psychological factors. Individual customers quite often have enough cash or credit to keep market demand stable, but are not willing to spend this cash or credit. Paradoxically, this question of willingness of customers to spend becomes a more significant factor with every increase in our standard of living. If most of us are just barely able to earn a minimum living, we will have little choice as to what we buy or when we buy it. Our money will go for food, clothing and shelter that we have to have regularly. On the other hand, the more money we have beyond what we must use for basic needs, the more chance we have to choose what we buy and the larger the number of purchases which we can postpone—and often do, though we have money in the bank.

What is true of the individual buyer is even more true of business. Business can postpone its purchases even more easily than individuals. Modern competition makes business put more and more of its money into capital goods—buildings and machinery, office and store equipment and inventories—to make possible low-cost production and to provide the values and services which buyers demand. If businesses do not make such purchases, the savings of both individuals and businesses cannot find they way into the stream of active, creative capital. But businessmen will make investments in such capital goods only if there is promise of a reasonable profit. These purchases are postponable. When chances of profit are dreary, they are often put off even though ample cash reserves are on hand.

The availability of cash and credit, and the confidence in the future which produces willingness to spend or invest, essential as these are, are not all that is needed. We need also effective competition to assure than an increase in demand will bring about increased production rather than higher prices. Unless businessmen are in a position freely to start new enterprises or expand the output of existing business and unless workers are able to shift freely to new jobs, increased market demand for goods may give us inflation, rather than increased employment.

Factors in Stability Program

It is against the background of these various factors that we must develop a program to moderate economic fluctuations. The program must recognize, of course, the necessity of maintaining adequate purchasing power, but it must also take into full account the importance of giving individuals confidence in the continuity of their incomes, of giving businessmen confidence in the prospects for continued profitable operations and of creating the conditions of competitive opportunity which channel market demand into more production rather than higher prices.

While we are seeking for measures to minimize the instability of our economic system and thus correct its weaknesses, we must constantly keep in mind that its strength lies in its natural lusty vitality. That we must not lose. Otherwise, we may end up with a stabilized poverty so characteristic of the tired, regimented, old-world economies.

Now comes the $64 question. What kind of a program can we get in motion that will provide dynamic stability? The complexities of the problem are such that it cannot be solved by magic, by a simple formula, or by one cure-all. It will take the collective wisdom of all of us—government, business, labor, agriculture and the educators—to help us work our way toward our goal. Nevertheless, complex though the problem is, this much is clear: That the fluctuations in the volume of business stem from activities of men; therefore, if men act more sensibly, the fluctuations can be moderated. There is no excuse for either violent booms or busts. The notion that they are inevitable or unavoidable should be utterly rejected.

Now is the time when we should intensify our efforts to achieve dynamic stability; we should not wait either for that much advertised recession, or for that big depression which is being so freely predicted for the early 1950's. We should, in the first instance, put into operation those measures, the soundness of which is not subject to question and, second, we should intensify our study of those proposals which are appealing but which have not been adequately tested. There are a surprising number of measures which practically all thinking men approve and which only need to be put into action.

As we examine measures aimed at increasing the effective functioning of our economic system, we must consider particularly how they affect our citizens as individuals. Our economic system has a responsibility beyond that of efficiently carrying on trade and commerce. It must add to rather than subtract from the opportunities for the individual to make full use of his capabilities and for his maximum growth and development—socially, intellectually and spiritually.

Basic Policies for Dynamic Stability

The maintenance of dynamic stability is a responsibility shared by all participants in our economy—job-holders, job-seekers, employers, labor leaders, farm leaders, and by every one of us jointly through our local, State and Federal Governments. Because of its importance, I shall deal first with the role of government, especially the Federal Government, and then with the part that businessmen can play in achieving economic progress and stability. The responsibilities of labor groups, farm groups and others I shall not develop in detail.

Responsibilities of Government

The whole people acting through their Government, and particularly their Federal Government, have crucial responsibilities for promoting and maintaining a dynamic economy with high employment. What the Government does is important. What the Government refrains from doing is almost equally important. There is urgent need to clarify the role of the Government in our economy so that businessmen can plan with reasonable certainty as to the risks to be encountered.

Government's role in the economy as a direct employer is and should be a minor one. Public employment is neither an adequate nor a desirable method of achieving stability. A Government guarantee of "jobs for all" might lead to state socialism which would wither the independence, the initiative and enterprise of the individual which have made this country great. Nor is it the proper function of government in peace-time to intervene in competitive pricing, wage negotiations, or production. Such interference is too liable to domination by special interests, and is likely to impede the efficient use of resources for maximum production.

The most vital function of government is to establish conditions under which private enterprise can operate most effectively. It must foster competitive production and trade, and check monopoly power; it must conduct its own operations, including taxation, in a pattern conducive to dynamic stability; it must maintain the integrity of the dollar and stability in the supply of money and credit.

Vitalizing Competition—It is a primary responsibility of government to stamp out practices that restrict competition; to provide information and assistance that will improve the quality of decisions by business, particularly small business; to establish conditions that stimulate inventiveness and the assumption of business risks. Business, labor, agriculture and government have too often directed their planning against competition for the protection of special interests. In the last fifteen years especially, we have learned by experience that monopoly power in private hands of either business or labor is dangerous, and that even under government supervision it is not safe. We need to plan for competition. We need thorough study of how competition actually functions and fails to function; what it can and cannot do to mitigate depression. Out of such investigation could come realistic policies for extending the area of effective competition and for promoting stability in ways that will encourage competition, not restrain or extinguish it. The growth and vitality of our system depends on wide open opportunity for entry of new business and expansion of existing business whenever production and employment can be increased.

Small Business—Full opportunity for new and small business is especially important. Small businesses provide a multitude of laboratories for new ideas and new products; they promote flexibility and competition in the economy; they are among the most effective means for developing the full talents of individuals. Government has a responsibility for breaking down monopolistic barriers to the entry and growth of small business, for removing the bias in the tax system against risk taking, for reducing the heavy tax drain on earnings needed to plow back for expansion, and finally for fostering the development of a better supply of risk capital.

Government Expenditures—Including Public Works—Federal expenditures now amount to 20% of the national income. All Government expenditures, including State and local, are more than 25% of the national income. Obviously every possible effort must be made to increase the efficiency of Government operations, to economize as carefully as businesses and individuals do in their own affairs, and to avoid unwarranted hand-outs.

We repudiate government spending for its own sake under any circumstances. In depression it is far better to leave more money with the taxpayers.

The timing of postponable expenditures for needed public works and for other essential purposes does, however, offer some opportunity for moderating booms and busts. Such expenditures should be held up, in so far as possible, in boom times and, on the basis of carefully worked-out plans, executed promptly in depression.

But public works cannot be relied upon solely, or even mainly to maintain stability. The volume of useful and well conceived projects that are postponable and the scope for prompt expansion and prompt contraction is too meager to compensate for mass changes in employment in the whole economy. A proper timing of public works expenditures if participated in by State and local governments as well as the Federal Government could contribute substantially to a stabilization of the construction industry.

Taxes—Federal taxes alone now take 25% of our national income. The power to tax is the power to destroy. Our present tax system exerts a devastating influence on the dynamism of our economy. It is cutting deep—often more than half way—into the incentives for risk taking and creative effort. It is draining off the earnings needed for expansion of small business.

As a first step toward correcting the weaknesses in our present system, tax rates should be stabilized, set so as to balance the consolidated cash budget in a period of normal prosperity and then let alone. Stabilized tax rates and current collection bring in a high volume of tax dollars in periods when inflation threatens and a low volume of tax dollars in periods of depression. Thus, stabilized tax rates are automatically counted-cyclical in their influence on the economy. We have had a dramatic illustration of this fact in the last twelve months as tax revenues have jumped beyond all expectations as prices and incomes rose, thereby generating a huge anti-inflationary cash surplus.

The principle of balancing the consolidated cash budget at high employment calls for substantial reduction in tax rates from present levels. Further cuts will be

(Continued on page 32)

Delay Coal Price Increase: Truman

President pleads for time to test effect of wage increase. Says higher coal prices threaten to renew inflationary spiral and points out extent of wage increase has been exaggerated.

In a statement issued from the White House on July 14, President Harry S. Truman called for delay in advancing coal and steel prices until the effect on costs and profits of the recent wage settlements with the mine workers is ascertained, adding that since price of coal is an important factor on the cost sheets of many industries, higher coal prices may mean a renewal of the inflationary spiral and a blow to our economy.

President Truman

Text of Statement

The text of the statement follows:

Deep concern is being expressed in many quarters over possible results of the recent settlement between the miners and the coal operators.

It is widely feared that this settlement may lead to a substantial increase in the price of coal, which is an important factor on the cost sheets of American industry, and that this would in turn induce an increase in commodity prices and renew the inflationary spiral which we had much reason to hope had been halted.

This would be a serious blow to our economy and to the continuance of the present high level of production and employment. But such a blow need not fall upon us.

The effect of the wage settlement is badly misrepresented by the bare statement that it amounts to an increase of about 45 cents per hour in the wages of miners. It is unfortunate that the public does not yet fully understand, through the complicated details of the agreement, what is the actual impact of this settlement upon the cost of producing coal.

The major features of the wage settlement are these: The miners receive a daily wage of $13.05 instead of $11.85, this being the $1.20 increase recently awarded in other major industries. The working day becomes eight hours at straight rates instead of nine hours, of which seven hours have been at straight-time rates and two hours have been at overtime premium rates. Overtime is paid for Saturday work only if it has been preceded by five days of work in that week, and the employers will no longer find their schedules disorganized by the inclination of some miners to work on the overtime Saturday and to lay off on some other day. The employers also pay an additional 5 cents per ton into the welfare fund.

When the most important coal operators and steel producers in the country made this settlement, they asserted that it would be of great benefit to the country by making it possible to continue full production and employment for a long period. We can all agree that a coal strike would have seriously endangered our prosperity. But whether this settlement does permit that prosperity to continue depends in very large degree upon the decisions of these business managers themselves as to how they will deal with their costs and prices in the light of the settlement.

In their explanation to the public and to their stockholders of the reason which led them to make this contract, these business leaders have emphasized the desirability of certain provisions and conditions which they assert will increase productivity and offset a considerable part of the increase in money wage rates. It is quite impossible for them, they say, to make any estimate of the savings in costs which will accrue from the regularized workday and workweek, from the increased effort of workers who enjoy better wages and greater security and from the improvement in plant efficiency which is always the duty of management to create and in the present situation is even more emphatically the obligation of these managers to secure.

In view of the uncertainty as to whether, or how much, mine costs of coal may be raised, the people of the country have the right to demand that their prosperity shall not be imperiled by immediate increases in the price of coal and in the price of steel.

It is only reasonable to ask coal and steel producers to wait until a fair test has been made of the actual effects of the wage advances under conditions of maximum production.

If prices are raised at once and a wave of increases in related prices upsets our economy, we never shall know what would have happened if the coal and steel manager had been willing to wait.

The risk involved by continuing present prices of coal and steel long enough to learn what the increased costs of production will actually be under the new wage agreement is not serious, especially in view of the fact that such action will greatly reduce the hazards of renewed inflation.

The producers of coal and steel have been enjoying their full share of the high profits which are flowing to industry today in our present prosperous economy.

I am sure that they, as responsible leaders of industry, will want to invest a portion of those profits in the maintenance of business stability and prosperity for all our people.

McRoberts & Co. Formed in San Antonio

SAN ANTONIO, TEXAS—The firm name of McRoberts, Graham & Co. has been changed to McRoberts & Co. Partners in the firm, which is located in the Frost National Bank Building, are James J. McRoberts and Weldon Carter.

With King Merritt Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — Raymond H. McIntosh has been added to the staff of King Merritt & Company, Inc., Chamber of Commerce Building.

Stephenson, Leydecker Add

Special to THE FINANCIAL CHRONICLE

OAKLAND, CALIF. — Sanford I. Drucker has been added to the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

Three With Merrill Lynch

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF. — William W. Chambreau, Jr., Theodore R. Seton, and Robert J. Wiley are with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Joins Walston, Hoffman

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF. — Reginald F. Brander has joined the staff of Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

World-Wide Better Living Standards Is Road to Peace

By WILLIAM L. BATT*

President, SKF Industries, Inc., Philadelphia

Former Vice-Chairman, War Production Board

Asserting management responsibilities are now viewed against wider background of social and human contributions rather than merely scientific achievements, prominent U. S. industrialist stresses need of achieving higher world-wide living standards. Says there can be no political peace without economic peace and calls for improvement in management of international relations. Urges industrialists concentrate on "making more goods for more people at lower cost.

Introduction

The task of discussing the progress made by management since 1938 and of relating those advances in terms of management's contributions toward a better standard of living everywhere has been assigned to me. You will be the first to recognize and appreciate my difficulties. The subject is a most appealing one. But its very breadth and sweeping generality are such as to warn a man as old as I am.

W. L. Batt

I believe all of us can agree, however, that in the problem of raising standards of living everywhere lies our greatest hope of making and consolidating the economic peace that will give substance to political peace. My fervent hope and prayer is that the work we do here can point our course toward the establishment of higher standards of living that will provide more of the good things in life to more people at lower cost than ever before in the history of the planet. By so doing, we can do much to heal the jealousies and envies of the world, and measurably diminish the cause and will to wage war.

So we come to the problem of considering practical ways and means of working to raise the standards of living of nations and of and will to wage war.

*An address by Mr. Batt before Eighth International Management Congress, Stockholm, Sweden, July 3, 1947.

You will not object, I hope, if I illustrate my difficulty by quoting somewhat humorously an observation of one of our American Presidents, a man noted for his brevity of speech. Because of his wife's indisposition, he had attended divine service alone on Sunday morning. When he returned to his home, she asked what the preacher had talked about. "About sin," replied the President. "And what did he say about sin?" was the next question. The President considered before answering: "He was against it."

The same generalization is unfortunately true, with many large questions of wide public concern. There may be very little difficulty in arriving at common agreement on the broad principle, but very great difficulty in so adequately defining the specific areas of the problem as to indicate acceptable conclusions and realizable objectives.

Definition of Standard of Living

Let us take the problem of defining a measure for a standard of living; of considering what constitutes its components. Perhaps we shall find that there are areas of agreement sufficiently extensive to promise some worthwhile answers from meetings like the present. From an analysis of the American papers, which are the only ones I have seen, I should come to such a conclusion.

As a first broad qualification, I assume we shall all agree that a constant improvement in man's standard of living is desirable, and that better management will make a contribution to that end. Without that major premise, we should not have come these long distances to seek means of improving management's contributions to a better world. All of us will, I suppose, accept the basic conclusion that management's function in the use of labor and capital has no justification for existence except as it serves to aid in the better production and distribution of the goods and services deemed necessary or desirable by society.

As a second qualification, I wonder if we can define what constitutes a standard of living in any broad and comparable term. I have been unable to do so. An American may succeed in setting certain goals for his own countrymen, but they are likely to be on terms relative to what he already has and the directions in which his own national aspirations lie. They may be purely material in nature—more houses, more automobiles, more radios, more refrigerators; they may lie in the cultural area—better education, better facilities for the use of leisure time, and so on.

A Swede may measure his hoped-for economic objectives in wholly different terms and for quite different items. I shall not attempt to spell those out, but shall only point to the general conclusion that, in character and volume, the aspirations of any one

(Continued on page 36)

Marshall Sees Turning Point in Foreign Relations

Tells Conference of Governors task of assisting European countries must be finished or their governments will move in directions inconsistent with ours and their own traditions. Lauds Paris Conference and asks for national unity in foreign affairs.

On July 14, Secretary of State Marshall addressed the Conference of Governors at Salt Lake City, Utah, on the difficulties of reestablishing peace in Europe and the problems of United States policy of economic assistance. In the course of his introductory remarks, Gen. Marshall admitted that there was much that he would like to discuss "in great confidence," if the necessities of the time and the occasion permitted, but he stressed the "urgent necessity" of making impressively clear the matter under discussion.

George C. Marshall

"I will say right now," Gen. Marshall remarked, "that the greatest problem I feel we have to deal with is in bringing the American public to a general understanding of the conditions involved at home and abroad which influence all negotiations and therefore all efforts to reestablish the peace and prosperity of the world."

Continuing, the Secretary stated:

"Prejudiced points of view are of course objectionable in all such matters, but it is very hard to avoid a degree of prejudice under real provocation, and particularly when one is remote from the scene of difficulties. Also it is very difficult to reduce the problems to a simplicity of statement that is understandable to our citizens generally.

"I can judge this, I think, rather accurately by my own difficulties when I first took up the burdens of preparation for the meetings in Moscow.

"That experience, incidentally, has guided my language to a considerable extent in the various public statements I have had to make. State papers and state pronouncements must be couched in diplomatic, at least dignifed, phraseology, and unless one is a master of the English language, such as Mr. Churchill, for example, it is very difficult to combine these requirements with the urgent necessity of making impressively clear to the ordinary citizen the matters under discussion.

"These gatherings of the executive heads of the states on which our Government is founded are emphatic reminders of the function of the states in our political life. That function has a very special significance today when one considers the present world problems.

"Thinking back on the developments of our Federal Union, on the doubts and difficulties which preceded the final union of the Colonies, on the remarkable productive effort which followed on the solution of the early difficulties, and on the high degree to which the states have continued to maintain their own individual personality and institutions, Americans should have a keen and sympathetic understanding for the efforts now underway in Europe to overcome the limitations of national barriers in the approach to a solution for common economic problems.

"And their understanding will strongly influence, in fact will determine, the decisions which this country will be called upon to take with relation to the outcome of these discussions.

"There is no blinking the fact that this country now stands at a turning point in its relations to its traditional friends among the nations of the old world. Either it must finished the task of assisting these countries to adjust themselves to the changed demands of a new age, or it must reconcile itself to seeing them move in directions which are consistent neither with their own traditions nor with those of this country.

"In this latter case, the United States would be faced with a radical alteration of its own position in the world. I ask you to consider most carefully the implication of such a development for the future prosperity and security of our country.

"There are many who are in doubt as to the course which this nation should now pursue. They feel that the aid granted thus far to the countries of Europe has been piecemeal, and certainly not fully effective. And they wonder whether we are pursuing the right course.

"These reactions are understandable. It is true that the efforts to put European countries back on their feet have thus far been largely to meet a series of crises and therefore of a somewhat disjointed character. It is also true that they have been far more beneficial than is generally realized.

"The uncertainties of the immediate post-hostilities period were such that no one could have predicted accurately the course of developments or devised adequate, coordinated approaches to Europe's problems.

"An immense amount has been accomplished by what this country and others have already done to help Europe overcome the effects of this war. However, a great part of the problem of post-war adjustment in Europe still awaits solution. No one clearly foresaw, and no one could have foreseen, the outlines and the magnitude of the problem while the smoke of battle still hung over the scene.

"It is now possible to calculate more exactly the needs which must be met, and the sources from which they must be met, if this adjustment is to be completed. Furthermore, the urgent need for a carefully coordinated European effort is now widely recognized.

"The meeting in Paris called at the initiative of the Foreign Ministers of France and Great Britain constitutes an auspicious beginning to the accomplishment of this task.

"The representatives of European countries there assembled deserve to feel that their work will be followed in this country with genuine sympathy and good will. For we are intimately concerned with the solution.

"In Washington we are studying with the greatest of care the implications of the various possible solutions from the standpoint of the interests of the United States. But whatever course is adopted will affect the lives and fortunes of people in every state of the Union.

"It is imperative that the attitude taken by our Government toward this problem, as in all great questions of foreign affairs, be in intimate accord with the feelings of the nation at large.

"To make up its mind this country will need facts. One of the results of the meeting being held in Paris and of the studies now being made by the Government will be to bring out all the facts. With the facts before them I am confident of the response of the American people.

"With your help I feel it will be possible for our Government to find a course of action fully consistent with our own national interests and yet equally considerate of the incalculable stake which this country has in the preservation of European civilization."

Weighs Strain of Sterling Convertibility

In "unofficial" discussion of effects of free convertibility of sterling, British Information Services conclude Britain's ultimate ability to keep sterling free depends on balancing of her international payments.

An "unofficial" paper issued by the British Information Services in New York City, an agency of the British Government, discusses the significance of the July 15 sterling convertibility, the efforts made by Great Britain to meet obligations imposed by it, and its relationship to world trade. Concerning the ability of Britain to keep sterling free, the document states:

"As July 15 approaches, the question of whether Britain's resources will stand the strain has arisen in an acute form. The gap between imports and exports has grown larger, and the drafts on the U. S. credit have grown deeper. Even the increased austerity import program announced on June 30 will make little difference. It has become clear that only a rapid improvement in supplies which will both relieve short-term shortages and make greatly increased productivity possible will save the situation. Faced with this position, the British Government has emphasized over and over again its belief that the solution lies in world-wide expansion of trade instead of in short-sighted trade cuts. Only through trade expansion can the means be found to keep industry and agriculture throughout the world on a permanently high level, ruling out slumps, raising living standards and bringing economic development to undeveloped areas.

"Britain's complicated preparations for convertibility are therefore part of this long-term effort. By itself Britain's "release" of dollars does not add to world trade. The more Britain "releases" from her dwindling supply the less she has to spend herself directly. World trade is stimulated only insofar as the dollars are spent by other countries to increase their own productivity and thus to add to their real purchasing power. But it is certainly a helpful factor if Britain, the world's greatest trader, can restore sterling as a free medium of exchange, able to play a part in getting the economic resources of the world fully at work.

"Ultimately Britain's ability to keep sterling free depends on whether she can balance her own international payments, and this depends in turn on her ability to produce more for export as well as for home consumption. Difficult as the present situation is in Britain there are, fortunately, signs that British industry is firmly based and will allow much higher output once the uncertainties and shortages of the present interim period are overcome.

Economic Problems of Postwar France

By RENE MAYER*

Member of French Chamber of Deputies

Former Member of the Cabinet

French Government official, stressing his country's need for full production, and the indispensability of coal therefor, states wage-price policy is an adverse factor blocking improved manpower and foreign trade situations. Concludes real economic and political stabilization must await basic choice between planned economy and private enterprise.

PARIS, FRANCE—We are, as far as our economic and financial problems are concerned, in a confused situation. In this situation, it is advisable, as a first step, to try to understand as much as possible the elements in the problem, the various plans involved and their components in such a way as to implant firmly in us intelligent convictions rather than depend on the slogans and formulas which have appeared during recent months.

It is from this viewpoint that I wish to speak to you.

On May 1, last, in speaking before his constituents in London, Mr. Herbert Morrison, Member of the British Labor Government, who had the responsibility of preparing an economic plan—which England still does not have—said: "The plan which we have before us does not have the objective of the better organization of poverty, it aims at increasing prosperity." Perhaps Mr. Morrison's constituents accepted this formula as a truism. But, as far as we are concerned, we understand the truth of it, because, we are absolutely fixed to an organization of poverty.

Production Must Be Increased

Now, in order to increase prosperity, it is essential—and this is also a truism—to promote in every way an increase of production. But, it is on this point, that among us, we have the greatest amount of disagreements and contradictions.

Before discussing the conflicting factors amidst which France, her Government and her Parliament have to fight their way, I wish to attempt to review rapidly the progress of our country and the point at which we have arrived by reference to certain categories of production.

Coal

As regards coal, it should be remarked that there has been a very important advance in our production which now is greater than that of 1938. In March, the last month of which we have figures, production amounted to 4,630,000 tons as compared with 3,963,000 tons in 1938.

To be sure, the production per worker has not yet attained the prewar figure, and this is a serious handicap, due to the loss of manpower caused by the forthcoming departure of German war prisoners now employed in the mines. Yet, due to efforts for greater production, according to the plan for 1947 the present figure marks an achievement.

But, as you know, France has always been an importer of coal and, today, lacks the principal sources of supply which she had before the war. Bear in mind that before the war, we depended largely on Britain for importation of coal. These importations unfortunately have stopped altogether. Then, there is Belgian coal, of which little is spoken now, but which used to amount to 392,000 tons of our imports, but have now been reduced to about 30,000 tons.

As for Germany, our importation of its coal is the crux of the question of reparations, particularly coal from the Saar and the Ruhr. But, Germany is undergoing a coal crisis on its own account. From latest reports, miners in the British zone eat little and the rest of the population eat less. Because of troubles in the British zone of occupation, the coal production of the Ruhr has not only declined, but is not likely to maintain its present level. This is most regrettable, because at the Moscow Conference, although we did not obtain formal assurances of a definite amount of coal, France was given to believe that she was to be permitted to receive a portion of the German production, and that this proportion would increase as total production increased.

The result of the present situation is that we are dependent on American coal—a coal brought from far away and accordingly expensive, and, what is more, not of good quality, yet it is indispensable to us—and without it, we would not have industry, electricity or transportation. We shall be obliged to continue to make sacrifices in order to obtain this American coal.

Iron and Steel

Now, let's consider iron and steel. You are aware, no doubt, that production of these products is considered by economists as an index of actual industrial activity of a nation. As far as that is concerned, France, if she had the coal at her disposal, would be able to produce a satisfactory quantity of steel. But at present, we have a production of 94% of that of 1938, and in certain categories, such in electric steel, we have now 146%, in sheet steel 110%, but for foundry iron, only 81%. The number of furnaces in operation last March was 64 against 29 the year previous and 81 in 1938. But we have not reached the level fixed by the Monnet Plan, which is 7 million tons of steel. Production of steel is still insufficient. It is urgent to have more coke, and still more coke, and always more coke!

Construction Materials and Electricity

As to construction materials, the increase in production is dependant upon the solution of the coal problem. We have already passed the average output of 1938 in the production of cement and lime. We still are behind in bricks, tiles and refractory materials.

In electric energy, we have experienced a great increase in consumption since the war ended in France, but the increase in the supply of current in 1947 will be limited to 800 million kwh. Yet, we have already exceeded the average monthly output of both steam and hydro-electric power of 1938 which was 1,550 million kwh., since in March 1947, the output was 2,312 million of kwh., of which the greatest part was from water power.

Manpower

The manpower problem is particularly grave and agonizing. In our mines, in agriculture, we have used German prisoners of war and this has helped our production. If

*Excerpts from an address by M. Mayer before the Republican Committee of Commerce and Industry, Paris, May 19, 1947. Translated from text published in "Agence Economique & Financiere," May 20, 1947.

our coal production exceeds pre-war level, under a reduced man-hour output for the miners, it is because, in our mines, we had more people than formerly at work. Similarly, in agriculture, German prisoners had rendered services, of which we are now deprived because of their repatriation. There is probably not more than 10% to 15% of these prisoners working on a voluntary basis, that are left on the farms. As for those who still remain in the mines, I suggest we give them the Montyon awards.[1]

It is evident, that an immigration of manpower is essential. It has already begun with immigration of Italians and North Africans. It ought to come also from a selected recruitment of displaced persons in Germany, but it was impossible to obtain the permission for this from the trade unions, who will not allow them to penetrate beyond the Saar. Now, however, an agreement has been concluded, and this ought to prove a source of manpower—sometimes even of qualified workers. But this, I fear, will not be enough to solve the manpower problem, either in industry or in agriculture, when all PWs will have been repatriated.

Foreign Trade

It is, as you know, through our exports that we procure the exchange without which we could not re-equip our industries, or pay for American coal, and, unfortunately, for American grain. We are thus forced to export to the maximum and to deprive our domestic consumers of many goods which they would like to have. This necessary process is becoming daily more difficult. Already, retail prices have risen, and on certain products, exporting is becoming a hard job. Yet, compared with 1946, our exports in March, 1947 were 42% greater by quantity, and 300% greater in volume. The impression to be given by these figures is that France is working and will continue to work.

Wages and Prices

But there are adverse factors working against these efforts. The first of these handicaps is the wage-price policy. I shall not revert to the way this difficult matter was handled in June 1946 at the conference which took place at the Palais-Royal. I believe it was an error to hold that conference under a new-born government which did not take the necessary three weeks to measure the consequences of the decisions to be adopted. Today, we know, it is not a question of wages, but rather the purchasing power of wages.

The policy of reducing prices which was put into effect, had as its object a considerable reduction of profits, which profits the Communists wish to destroy altogether. And this leads me to an assertion: Profits are necessary not only for the satisfaction of luxury goods but for all industry. It is essential that this be recognized in the difficult situation we are now in. In the interest of stable currency, we should have a balanced budget and this can be accomplished only by doing away with the huge government subsidies given in lieu of profits.

(Mr. Mayer next in his address criticized the French Government's liberal social security policy, under which the taxes on wages for this purpose have risen from 15% to 18% in 1938 to between 37% and 40% in 1947. He also criticized the French Government's financial policy, insisting that deficit financing should cease and the national budget be balanced.)

More Socialization or Return to More Private Enterprise

Stabilization of French economics and politics can come only after a choice of a policy is made. That choice will be between accentuated socialization or a voluntary return to private enterprise in many sectors of our economy. It is a choice between a planned economy as an end in itself, which ought to lead to a better world, and another policy which holds, as we do, that it is impossible to build a better world without getting rid of the ruins of wartime controls, which were introduced only as necessary evils imposed on democracies by the war.

The choice has an international bent. It may follow the advice of M. Varga (the Russian economist) who says, "If you wish a planned economy, it is essential that you adopt our social philosophy and our ideas of property," or it will follow the idea coming from the other side of the Atlantic, which holds a planned economy necessarily leads to autarchy. They (the Americans) are now engaged in combating against this regimentation at the Geneva Economic Conference.

[1] An award, very renowned in France, given for disinterested and union-loving actions.

Europe in Climax

(Continued from page 9)

people did not doubt that there would be another war; few believed that it could be avoided for more than 10 years.

Communism Balked

Communism in western Europe seems to have gained no further footholds. Its influence in France is less than indicated by the press. Its nuisance value in France is very great, however. The fear of Communism is real, particularly in the Scandinavian countries. Very few in Sweden will deny that the bilateral agreement with Russia, providing a credit of one billion krona, was made as a result of Russian threats to occupy Finland and with the hope that it would insure Swedish neutrality during World War III. The average Swedish businessman condemns the agreement. The huge credit, coupled with weakening of the financial position, means an early devaluation of the krona.

Russia's agricultural outlook has improved considerably. However, it is under pressure to give its population some reward for victory in World War II. Well-informed Europeans believe that the Hungarian coup d'etat was largely due to Russia's desire to get some consumer goods as soon as possible. Hungary was the only country in the area in a position to make these goods available.

Wherever Russia has replaced foreign nationals with her own people, as in her section of Austria, output has declined. The shifting of populations is one of the tragedies of Europe.

French Position Untenable

A decline in business and human morality is stressed on all sides. It has became most pronounced in France. That country's economic and political situation has never been worse in modern history. It needs more than hundreds of millions of dollars in loans; it needs a new code of ethics and morals and the establishment of a better relationship between agrarian and industrial interests, with a recognition by one of the human rights of the other.

The French position is not only untenable internally, but the situation in its colonies is also approaching a final crisis. It is expected that France will lose most of her colonies, with explosions occurring in Tangiers, Madagascar and Morocco in the not-far-distant future.

The colonial position of European countries in general is deteriorating. The Dutch, who were supposed to have reinstated their colonial control are not very hopeful of retaining their position in the Dutch East Indies. They are partly blaming this country for their precarious position; in fact, many Europeans blame American statements and the Atlantic Charter for the present discontent among colonial subjects.

Europe as a whole, including England, seems to have adopted a fatalistic attitude. There is little hope that something may happen to better conditions, and general opinion in England is that the next two Winters will be worse than last Winter.

These impressions of European deterioration confirm the belief that foreign developments in the near future will have an adverse effect on world prices and on United States exports and business activity.

Abbott, Proctor to Admit

RICHMOND, VA.—George S. Kemp, Jr., will be admitted to partnership in Abbott, Proctor & Paine, members of the New York Stock Exchange, on Aug. 1. He will make his headquarters at the firm's Richmond office, 911 East Main Street.

Cohu & Torrey to Admit

Cohu & Torrey 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Andre V. Smolianinoff to partnership on Aug. 1. In the past he was with Eastman, Dillon & Co.

With A. M. Kidder & Co.

Special to THE FINANCIAL CHRONICLE

MIAMI, FLA.—George H. Thorpe has become associated with A. M. Kidder & Co., Alfred I. du Pont Building. He was previously with Thomson & McKinnon.

With John B. Dunbar & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CAL.—Ralph L. Dofflemyre has been added to the staff of John B. Dunbar & Co., 634 South Spring Street. Mr. Dofflemyre was formerly with Buckley Brothers and Nelson Douglass & Co.

With Edgerton, Wykoff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—John A. Lundigan is with Edgerton, Wykoff & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange.

Sales of World Bank Bonds Begin

$2\frac{1}{4}$ and 3% issues offered at par are quickly oversubscribed, and Stock Exchange sales begin at substantial premiums. Wide dealer network set up.

Public distribution of the bonds of the International Bank for Reconstruction and Development was finally begun this week. Registration was cleared by the SEC Monday afternoon, nationwide selling and Stock Exchange trading therein began Tuesday morning, and by noontime on that day it was announced that the issue was heavily oversubscribed and the subscription books closed.

Under final amendments to the registration, the amount apportioned as 10-year $2\frac{1}{4}$s was $100,000,000 and as 25-year 3s was $150,000,000; both issues being priced at par.

Distribution is being made by the Bank through securities dealers throughout the country who in turn will offer the bonds to commercial banks, savings banks, insurance companies, trusts, estates and other institutions, as well as individual investors. A unique feature of the offering is the unusually large number of securities dealers participating in the nationwide distribution. It is estimated that upward of 1,600 dealers, the largest number ever cooperating in a marketing operation of this kind, are included.

A large portion of each issue is being allocated firm to dealers, who, by the terms of the offering, agree to reoffer the bonds to investors at the public offering price. The remainder of each issue is being reserved for subscription by dealers generally.

Participating dealers will be allowed a concession of $\frac{1}{4}$ of 1% on the 10-year bonds and $\frac{1}{2}$ of 1% on the 25-year bonds.

Stock Exchange Trading Is Initiated

At the same time a secondary market is being fostered on the New York Stock Exchange and in the dealers' over-the-counter market. A ceremony to mark the appearance of the first quotation of the newly issued bonds on the bond tape of the Exchange was held at the opening of trading Tuesday morning on the floor of the Exchange in New York. At 10:05 a.m. the symbol for the Bank's $3\frac{1}{4}$% 10-year bonds flashed on the trading screen, showing that the first order for the bonds through the Stock Exchange had been executed. The price was 102. A short time later the first quotation on the 3% 25-year bonds appeared at 103. At 3 p.m., 1,184 of the $2\frac{1}{4}$% bonds had been traded with a range of 102 high and 101.11 low, and 2,722 of the 3% bonds with a range of 103.4 high and 102.8 low.

Emil Schram, President of the New York Stock Exchange, acted as host for top International Bank officials at the ceremony and later at luncheon. These included John J. McCloy, President of the Bank; Robert L. Garner, Vice-President; Chester A. McLain, General Counsel; E. Fleetwood Dunstan, Director of Marketing; and the following executive directors or alternates: Eugene R. Black, United States; Maurice Henry Parsons, United Kingdom; Yueh-Lien Chang, China; Guy de Carmoy, France; Leon Baranski, Czechoslovakia, Poland and Yugoslavia; Joaquin E. Meyer, Cuba, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Nicaragua, Peru and Uruguay; J. F. Parkinson, Canada; Kyriakos Varvaresos, Egypt, Ethiopia, Greece, Iran and Iraq.

Mr. Schram expressed the Exchange's appreciation of the International Bank's cooperation in introducing the new securities to trading and complimented the officers of the Bank on the efficiency with which the financing was arranged. He said that it was a matter of pride that the investment banking talent of the Exchange and of the financial community had been available to the Bank in connection with the preparations for and accomplishment of the flotation.

Mr. McCloy, on behalf of the International Bank, said it was a source of great satisfaction to have the securities listed on the Exchange and expressed his pleasure over the reception accorded the new securities on the inauguration of trading in this market.

Securities Salesman's Corner

By JOHN DUTTON

It is happening again! Another opportunity to make profits for yourself and your clients is now at hand as public psychology turns once again from pessimism about the business future to a feeling of optimism. Last September when stock prices were tumbling and prophets of disaster held the stage, many amateur investors and professionals as well joined in the chorus of despair. What started out as a normal correction of prices, after almost five years of continuously advancing markets, turned into a national cataclysm that in the case of many securities over-discounted the corrective forces at work in the business situation as well as the stock market.

Saner heads with experience behind them were aware that for a limited time the psychological factors surrounding the declining market which has ensued since Spring of 1946 were more important market factors than the underlying state of business itself. The power of the written and spoken word that motivated the broad public interest in security speculation was one of the most distinguished characteristics of the past bull market. Whenever a Broadway columnist becomes standard listening on Sunday nights for professional securities men, just because they did not dare to miss what he had to say due to the potential effect of his words on the stock market the following day, a peculiar market psychosis exists which effects security prices in an abnormal manner.

But fundamentals win out in the end. Mob psychology has its effect for a limited time only. During the past three months (since about April 1) there is evidence that securities have been going out of weak hands into those that are strong. Those who were faint of heart have been leaving the market—of course they will come back when prices are substantially higher.

There are also two very excellent guide posts which indicate that the bear market has ended. PUBLIC THINKING HAS BEGUN TO CHANGE FROM BEING FRETFUL OVER THE FUTURE TO CONFIDENCE. Public men are once again stressing building, remodeling, planning, solving problems instead of retrenching. The demand for goods is not subsiding and it looks like it is increasing. The prophets of gloom, even those in government circles, have almost quit howling. Inflation is once again on the front pages instead of deflation. Too many people have tried to buy a new car and have discovered they couldn't do it without paying an excessive penalty. People are working and they have money to spend. Corporate earnings are not only holding up but they are increasing, especially in the HARD GOODS AND SEMI-HARD GOODS lines, heavy industries and the railroads. Beneficial legislation regarding labor has been passed which, for the first time in 15 years, shows a swing of the pendulum away from labor extremism. The bold facts of economic reality have at last overcome the pseudo bearish psychology of the market place. Although all is not perfect (it never is), there are many reasons for believing that with all the ills which abound in this world the next few years at least will usher in a very high degree of business prosperity for American business and for the investors who have confidence in good securities. THE LEADERSHIP OF THE MARKET DURING THE PAST TWO MONTHS GIVES EVERY INDICATION THAT THE FAMILIAR PATTERN OF PAST TURNING POINTS FROM BEAR TO BULL MARKETS IS BEING REPEATED. The blue chips are leading the market upward—this type of leadership has never failed to indicate recovery is on in earnest.

This has not been written as a market letter. The writer lays no claim to professional analytical soothsaying. It is just the way we see things as an ordinary security dealer after reading as much as we could digest concerning what the so-called experts had to say. It is also a fact that after you watch the parade for a number of years you get a certain feel about things which in the last analysis is based upon past experience. If we're wrong in our timing now, there is one thing which seems to even bolster the foregoing opinions to a greater degree than would otherwise be the case and that is that sooner or later, before the end of this year, the bear market WILL be over if it hasn't ended already.

The markets are full of buying opportunities on the exchanges, and over the counter. The securities of good sound companies that have suffered abnormal declines have not begun to move upward YET. NOW IS THE TIME TO CALL THE ATTENTION OF YOUR CUSTOMERS TO THESE SITUATIONS. In some cases only a few hundred shares are hanging over the market and when some hardy stock buyer with red blood in his veins, instead of water, goes out and cleans them up at bargain prices, others will gradually climb on the bandwagon and before you know what has happened one of the best money making opportunities in years will have passed into history.

If this isn't a sales talk that you can pass along to your customers that has some common sense behind it, then the sparks fly downward from a fire and the sun rises in the west instead of the east. Some people need a push (most of us need it); how about doing some pushing that has some sense behind it. The way to keep customers who own securities at much higher prices is to MAKE THEM BUY MORE WHEN THEY ARE CHEAP. But before you do, make sure they are worth keeping.

July may be vacation time but two weeks of solid work now may be worth a month of effort later on.

Russell Bath With Loewi

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—Russell J. Bath has become associated with Loewi & Co., 225 East Mason Street. He was formerly with The Milwaukee Company and prior thereto with Piper, Jaffray & Hopwood of Minneapolis.

With Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Samuel E. Fort is now connected with Thomson & McKinnon, Johnston Building.

Newburger, Loeb Adds

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, announce that Bromley Krein has become associated with the firm as a registered representative in the main office at 15 Broad Street, New York City.

Louis Rogers Adds

(Special to THE FINANCIAL CHRONICLE)

ASHEVILLE, N. C. — Chester Brown, Sr., is with Louis G. Rogers & Co., Johnson Building, Charlotte, N. C.

The Petroleum Industry

Wm. R. Boyd, Jr., President of American Petroleum Institute, says second largest industry will expend more than $4 billions in 1947 and 1948 for new and improved facilities. Points out wartime peak of demand for petroleum products are exceeded and will continue to grow.

Record capital investments of more than four billion dollars will be made by the petroleum industry in the United States in the two years of 1947 and 1948 for new and improved facilities needed to serve the soaring public and industrial demands for all kinds of oil products, William R. Boyd, Jr., President of the American Petroleum Institute, announced on June 23.

William R. Boyd, Jr.

An outlay of this magnitude in the two-year period will represent more than 22% of the total investment of about eighteen billion dollars in the oil industry, the country's second largest.

The projected capital investment in 1947-1948 is based on a survey of a number of companies which have actually budgeted outlays in the period totaling more than three billion dollars.

Capital investments will be made in the four division of the industry, all of which with the exception of crude oil production, are at practical, or close to, maximum operating capacity. On the basis of reporting company figures approximately two billion dollars will be used in production (including exploration and the acquisition of prospective oil-bearing lands); slightly more than one billion one hundred million dollars in refining; about four hundred and forty million dollars in transportation; approximately four hundred and eighty million dollars in marketing, and about seventy-five million dollars for miscellaneous purposes.

A sizable portion will be used also for progressive research with an eye to the development of new and improved products, including work on processes for the conversion of natural gas and coal into liquid petroleum products.

Funds for the major part of this expansion program will come from earnings to be "plowed back" into the business and a part, probably, will come from new financing.

Several factors account for the industry's current record expenditures. One is the unprecedented growth in demand for products which has reached levels far higher than had been anticipated, and another is inability to proceed with normal expansion programs because of the war. Postwar restrictions on essential materials still continue and will remain for some time to come. Today there are shortages of steel, drill and line pipe, and most of the other materials needed by the industry.

From the standpoint of demand, wartime peaks, which were not expected to be approached for several years, actually were topped in the latter part of 1946 and the upward spiral has continued into 1947. Such demand-creating factors as high employment and income levels, rapid installations of oil burners and diesel engines, widespread farm mechanization, an almost insatiable public demand for travel by automobile, together with heavy industrial and foreign demands all combined to lift the total far in excess of that expected.

Accounting in part for the higher expenditures, too, are increased labor and material costs all along the line as compared with prewar years. Developmental costs of producing oil are far in excess of costs in prewar years; refinery equipment which cost $400 a barrel of capacity prewar now costs more than $1,000 a barrel; pipelines which cost $12,000 a mile now cost $30,000 a mile, and marketing facilities now cost more than twice as much as in prewar.

Largest Expenditures for New Oil Reserves

The largest expenditures in 1947 and 1948 will be in production, the finding and developing of new oil reserves. One group of companies, for example, will spend close to one billion dollars in the production division alone in the two-year period, and the total amount spent by the entire industry in this category probably will account for around 45% of the overall capital outlays.

Of primary importance in production will be the search for new oil reserves through exploratory operations, where costs have shown a threefold increase as compared with 10 years ago because of: (1) the necessity for deeper drilling and (2) the need to drill in more remote places. But in spite of higher costs the industry has continued its outlays for such exploratory operations and, in fact, these will be at record levels in the current year. In the first five months of this year they ran 15% ahead of the previous peak in 1946 when a total of 4,518 exploratory wells was drilled.

Total well drillings of all kinds by the industry this year will approximate 35,000, including those for exploratory purposes. This is a new all-time peak, which would be exceeded if more materials were available. Total wells, on the basis of figures for the year to May 31, were running 5.2% ahead of the same period in 1946.

In producing oil, conservation measures, sponsored and supported by the petroleum industry also play an important role in the higher capital investment which are contemplated. Such conservation, which is designed to prevent waste and increase recoveries from given fields, has approximately doubled the recovery of oil from wells as compared with wide-open production in the early 20's, but has required greater capital expenditures.

30% of New Capital for Refining

In the refining division of the industry, close to 30% of the total capital outlays during 1947 and 1948 will be made. The costs of new construction in this division are about three times those of 1936 and seven times those of 1916. Modern equipment includes highly complicated and specialized units such as catalytic cracking plants which have made important contributions to the yield and quality of gasoline; polymerization plants which make possible many thousands of barrels daily of high quality gasoline from refinery gases which, in the past, were wasted or burned as fuel; and alkylation units, a relatively recent development, which convert other gaseous constituents into gasoline.

As the President of one company recently stated anent the progressive developments in refining techniques; "The more wonders our technologists perform, the more dollars are required to put their ideas into operation." But in most instances the higher costs have been offset by better quality and more important products, and prices have been maintained at reasonable levels.

A recent survey discloses that the country's refining industry, which comprises close to 500 refineries scattered throughout 36 of the 48 states, has already announced plans to initiate construction within the next two years of 407,000 barrels-a-day of new capacity. Of this total, 100,000 barrels will represent replacements of obsolete or worn-out refineries, while the remaining 307,000 barrels-a-day will represent new and additional refining capacity. Announcement of other new plants is expected in the not-distant future.

While the industry made substantial capital investments during the war in facilities for the manufacture of special products needed to prosecute the war, such as high octane aviation gasoline, toluene and others, this wartime capacity has not added appreciably to civilian production capacity, although it has made possible increases in product quality.

In the field of transportation, where the industry has been responsible for developing its own unique facilities in pipelines and tank ships, as well as barges, tank cars and tank trucks, roughly 11% of the industry's outlays will be used. Marketing, which takes in service stations and bulk terminals of the oil companies, will consume approximately 12% of expenditures, with the remaining 2% to be used for miscellaneous purposes.

Columbus Stock & Bond Club Hold Outing

COLUMBUS, OHIO—About 60 members of the Columbus Stock and Bond Club frolicked in the outdoors at the group's annual picnic at the City Club country grounds. The fun started at 3 p.m. and lasted until midnight.

Leland Walters and William Pryor of Vercoe and Co., and John Albin of the Ohio Company, were in charge of arrangements for the festival. Various games took up most of the afternoon with a scrub softball game the highlight.

Pictures taken at the outing appear elsewhere in this issue of the "Chronicle."

Regent Securities Formed

REGINA, SASK., CANADA — George D. Raymond is engaging in the securities business from offices at 1747 Scarth Street, under the firm name of Regent Securities.

Joins Waldron Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Arthur F. Atwood has become connected with Waldron & Co., De Young Building. He was previously with Capital Securities Co.

With Flynn & Levitt

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Justice B. Detwiler is now connected with Flynn & Levitt, whose main office is located at 411 West Seventh Street, Los Angeles.

Joins Ted Weiner Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Byron W. Summers is with Ted Weiner & Co., 41 Sutter Street.

Edgar R. McGregor Dead

Edgar R. McGregor, partner in Parrish & Co., died on July 3.

Popular Economic Misconceptions

By FRANK M. SURFACE*
Executive Assistant to the President, Standard Oil Co. (N. J.)

Deploring economic illiteracy, Dr. Surface points out popular misconceptions regarding competitive private enterprise and nature of profits. Points out higher living standards can be accomplished only by increasing individual output and efficiency, and this can be obtained largely by better management skill. Cites relatively small part of national income that goes into profits.

At the moment many people are dissatisfied and they are tending to look back on the days when the government did the planning and gave the orders as the golden era. Many of our people are beginning to question whether it would not be better for the government to run our economy than to continue with private competitive enterprise. The evidence and extent of this leaning towards socialism is shown very clearly by certain surveys made by the Psychological Corporation. In May, 1947 they asked the following question in a nationwide survey:

Dr. Frank M. Surface

"If all these companies were completely managed by the Government instead of by private management as at present, would you get more for your dollar, or less, or the same?"

The answers to this question showed that 20% thought they would get more for their dollar under government management; 36% thought they would get less; 14% thought the same and 30% did not know.

If we can regard this result as a representative sample of our population, then approximately one-fifth of our people would be willing to substitute some form of socialism for our private capitalistic democracy which has made this country the envy of all the world—a system which even in the depth of the depression gave our people a higher standard of living than the peoples of other countries ever knew even in periods of their greatest prosperity.

It is perhaps too much to expect that any great number of our people can be made to understand the implications and repercussions of an increased money supply, of an enormous public debt and an onerous tax system upon their daily lives. After all, reports indicate that some 45% of our adult population have had no more than an eighth grade education. The ramifications of banking and finance are difficult enough for some of us to comprehend who have had greater educational advantages.

Important as this is I am not too worried over the outcome. I have faith that our economic system will adjust itself in time to prevent any serious consequences from such lack of economic understanding.

Ignorance Regarding Profits

But there are certain other economic concepts much simpler to grasp which are also not understood and with respect to these I am very much more concerned for the future. These can best be illustrated I believe by the results of a recent survey by the Opinion Research Corporation of Princeton, N. J. The following question was asked of a cross section of 1,118 manual workers in manufacturing industries:

"Which of the following two ideas about how to improve the American workers' standard of living do you think is more nearly correct?

"(1) The way to improve the workers' standard of living is for all workers to produce more.

"(2) The way for workers to increase their standard of living is for them to get more of the money the company is already making."

The answers to this question showed 31% saying produce more; 38% saying get more of the company's money; 23% saying both, and 8% had no opinion.

The fact that 38% of these manual workers thought that the way to improve their standard of living was to take away from someone else is a sad commentary on their understanding of our economic system. The further fact that another 23% thought this was one of the ways of improving their standard of living is still more disturbing.

These results are quite in line with an earlier survey by Opinion Research in which they asked of white collar and manual workers, viz:

"Just as a rough guess what percent profit would you say the average manufacturer makes in peacetime?"

Here 40% of those interviewed thought profits were 25% or more. Eleven percent of these people even thought profits exceeded 50%. When workers have such ideas about profits it is only natural that they think they ought to be receiving a larger share.

It is hardly necessary, before this audience, to point out what profits actually are.

The official record of the earnings of all active corporations in the United States, numbering around 443,000 and published by the United States Treasury, shows that profits when related to total income average from 3 to 4½%. In only two years in the last 20 up to 1946 have profits averaged as much as 5 cents out of each dollar of income. In 1944 average profits were 3.6 cents out of each dollar of sales and in 1945 3.2 cents. Comparable figures for 1946 are not available, but while dollar profits are larger, dollar sales were also greater and it is doubtful if profits were much, if any, above 5.0 cents out of each sales dollar.

Profits related to total investment or net worth show a somewhat higher percentage, running in recent years from 6% to 8%.

Let us also look at this profit picture from still another angle. The U. S. Treasury reports for 1944 and 1945 preliminary figures indicating total net profits after taxes for all active corporations of $8,965,000,000 and $7,440,000,000 respectively. While I have seen no corresponding figures for 1946, it is probable that they will exceed $10 billion. That, of course, is a lot of money, but like everything else it should be considered in relation to other figures. The U. S. Department of Commerce reports that the total income payments to individuals in 1946 were $164 billion. Thus a $10 billion corporation profit would represent only 6.1% of the total amount of income to individuals. And of course all of the corporation net profit does not go to individuals. A very large part of such profit has to be reinvested in the business to expand and modernize equipment which in turn provides more and better jobs for more workers.

On the average over recent years dividend payments by all corporations have amounted to about $4,500,000,000. Compare this figure with total annual wage and salary payments of $106,600,000,000 and you can see that if all of it went to the wage earners their pay would only be increased by about 4%. This is hardly the kind of a wage increase which labor unions are asking.

Man-Hour Output Determines Living Standard

Clearly the way to increase the workman's standard of living is not to try to take it from someone else. Even if we took it all there just isn't enough to be worth while. This was Hitler's method of enriching the German nation. He was going to take it from someone else. Even if he had won the war he would not have succeeded. How much better off the German people would have been if their energy had been directed toward increased production of consumable commodities!

One of the things that must concern us most is the evidence that so few people seem to understand the very basic concept that the only way to increase the standard of living of the workman, or of anyone else, is to increase the output per man. One can write the whole history of civilization around the increase in production per man. Today we have millions of workers in Japan, India, China and other countries living in poverty and squalor. The reason is they are trying to eke out an exis-

(Continued on page 35)

*An address by Dr. Surface before the National Association of Personnel Directors, New York City, July 2, 1947.

Warns of High Price Effects On Consumer Credit Financing

Lehman Plummer, Vice-President of Central National Bank and Trust Co. of Des Moines, tells furniture dealers twice as much money is needed by them in instalment financing as in past.

Speaking before the National Retail Furniture Association in Chicago on July 9, Lehman Plummer, Vice-President of the Central National Bank and Trust Co. of Des Moines, Iowa, warned that business concerns selling consumers on instalment will need more capital to finance such sales than in the past.

Lehman Plummer

"In spite of the fact that financing has not been a problem for most of you," Mr. Plummer stated, "and that you have been able to make satisfactory financing arrangements or have had the capital to carry the paper yourselves, please don't push this problem into the background and say to yourself that your first big problem is buying and merchandising, and that financing is a secondary problem. Regardless of how easily you may have handled this phase of the business in the past, and regardless of how well financed you may be at the present time, I want to make the flat statement that most of you, large or small, are going to be scratching for money within the very near future, and you better start looking around to make arrangements for either additional capital, new or increased borrowing limits, or arrange for the discounting of your time sales paper. I know that many of you will sit back and say that this situation does not apply to you because you are amply financed, have plenty of cash on hand—or available credit—and therefore why bother with this worry when you have so many other worries on your merchandising problems.

"As I just finished saying, if you don't think that money is one of your added problems, let me review a few things that might make you think otherwise. Prior to the war a great many of you ran furniture stores that only sold furniture, just the same as drug stores used to only sell drugs. However, with the advent of war and the conversion of a great many factories to war work, you found yourselves with a dwindling supply of merchandise. What happened? Your furniture store of today probably includes a jewelry department, a sporting goods department, perhaps ladies' ready-to-wear, perhaps a shoe department, perhaps a larger houseware department including the sale of power lawn mowers, motor scooters, etc., perhaps a dozen other departments that are too numerous to mention. The chances are that you are not going to eliminate any of these departments now that furniture is becoming more readily available. Consequently, you are going to carry an inventory consisting of a great many more articles than you ever carried before, and with the increased cost of this inventory you are going to find that your dollars and cents investment is much larger than you ever experienced in prewar days."

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

A comparative study of the increases in liquidating values of different fire insurance stocks over a period of years is of special significance to the long-term investor. Mathematically, the liquidating value (stockholder's equity) of a fire insurance stock is the sum of capital, surplus, special reserves (if any) and 40% of unearned premium reserves, divided by the number of shares outstanding. Theoretically, the value thus derived represents the amount a stockholder would receive per share in the event a company should liquidate, re-insure its outstanding policies and retire from business. Actually, this is a very conservative valuation in most cases, for experience over many years indicates that the 40% of unearned premium reserves used in the formula is too low, and furthermore, the older companies have widespread and well established agency systems worth several tens of thousand of dollars, yet this asset is not included in the "admitted assets" of the company and thus in its liquidating value.

The liquidating value of a stock as of any specific date is not of itself necessarily significant. But the change in liquidating value from year to year tells a revealing story, for this annual change is a measure of the net end result of a company's entire operations. It is a composite index of the degree of success achieved by management during the period under review. Some of its components are beyond management's control, such as the action of the stock market, the volume of fire losses, the economic trend, etc. But even here, superior management can ameliorate the effects of such uncontrollable items.

There are three main variable factors which contribute to liquidating value changes, viz: surplus, unearned premium reserves, and market value of securities. The annual movement of surplus reflects underwriting results (profit or loss), investment income, profit or loss on sale of securities, increase or decrease in aggregate market value of investment portfolio, dividend policy and taxes. Practically all of these items manifest, to a more or less degree, the skill and judgment of management.

With regard to unearned premium reserves, a change here indicates roughly whether the company is gaining or losing premium volume. The significance of this change, however, is relative, and should be compared with the experience of the insurance industry as a whole, and with that of other companies.

With regard to the third and final factor, obviously management has no control over the stock market. However, selection of securities, diversification of investment risks, the proportioning of a portfolio and its modifications to meet changing conditions, are tasks which require managerial skill and judgment. A wisely planned portfolio of securities will produce better investment results than will one less competently designed and managed.

It may be of iterest to present a compartive table which shows how the liquidating values of 22 leading fire insurance stocks have increased since 1939. The figures used are taken from Standard & Poor's Insurance Survey, dated July 11, 1947, and are index figures, related to the base of 100 as of Dec. 31, 1939. The table also shows the current asked price of each stock compared with its 1939 year-end price.

The average liquidating value index is 140, indicating that the average increase in liquidating value for the 22 stocks has been 40% between Dec. 30, 1939 and Dec. 31, 1946.

Market action of the stocks from Dec. 30, 1939 to current levels has been very irregular. The average appreciation of the 22 stocks is 6.2% and the appreciation of Standard & Poor's Index, 13.5%. Only 11 of the 22 stocks, however, have appreciated in price; 10 have declined, and 1, Providence Washington, shows no change.

It is interesting to note that, with few exceptions, the stocks which show market appreciation are those whose liquidating value increases have exceeded the 40% average, while those which show market depreciation have liquidating value increases of less than 40%.

The exceptions are as follows: Hanover Fire, with a 45% gain in liquidating value, depreciated 7.7% in market value; Insurance Co. of North America, with a below average gain in liquidating value (per share), nevertheless, had a market appreciation of 38.8%; Phoenix, with a low liquidating value increase, had a market gain of 1.9%. With regard to Insurance Co. of North America, its gain in liquidating value per share is modified by a 25% capital increase in 1945.

	Liquidating Value (1939=100) Dec. 31,'46	—Market Price— (Asked) Dec. 30,'39	July 9,'47	Price Change
Aetna Insurance	128	49½	47½	— 4.0%
American Insurance	171	14	19½	+39.3
Continental	160	40⅞	52	+27.2
Fidelity-Phenix	170	40	59½	+48.8
Fire Association	128	†60	50	—16.7
Fireman's Fund	171	96	99¾	+ 3.9
Firemen's Insurance	150	10¾	13⅜	+28.9
*Franklin	119	32¾	22	—32.0
Glens Falls	146	42	47½	+13.1
Great American	146	29¼	29¾	+ 1.7
*Hanover Fire	145	29¼	27	— 7.7
Hartford Fire	149	79	110½	+39.9
Home Insurance	131	35¼	27⅜	—22.3
Insurance Co. of No. America	137	70¼	97½	+38.8
National Fire	109	61¼	48	—21.6
*National Liberty	116	8¾	6⅛	—30.0
*North River	129	28¼	24¾	—12.4
Phoenix Insurance	122	79½	81	+ 1.9
Prov. Washington	137	36	36	n. c.
St. Paul F. & M.	156	‡48	71	+47.9
Springfield F. & M.	121	122	113½	— 7.0
*U. S. Fire	139	55¼	55	— 0.5
Average of 22	140			+ 6.2%
Standard & Poor's Fire Stock Index		106.9	121.3	+13.5%

*Parent company basis; all others, consolidated. †Price adjusted to reflect 20% stock dividend. ‡Price adjusted to reflect 5 for 1 stock split.

Predicts Early Unpegging Of Treasury Certificates

Aubrey G. Lanston of First Boston Corporation reiterates views expressed July 3. Sees larger demand for Treasury bank and non-bank eligible long-term issues.

As a supplement to his letter dated July 3, (published in the "Chronicle" of July 10, page 20), Aubrey G. Lanston, Vice-President of the First Boston Corporation, has issued a statement, dated July 11, further analyzing the effects of the recent order of the Federal Open Market Committee terminating the pegged ⅜% buying rate and repurchase privilege on Treasury Bills. The following is the text of Mr. Lanston's statement:—

A. G. Lanston

"In our letter of July 3 we analyzed certain phases of the unpegging of Treasury Bills; drew some implications with respect to the unpegging of Treasury Certificates; discussed possibilities of the September Treasury refundings, and recommended the purchase of longer-term eligible and ineligible Treasury securities at the then prevailing markets.

"Since the writing of this letter the market has had a chance to indicate its reaction to the unpegging of Treasury Bills, and to arrive at its estimate for the unpegging of Certificates. In this interval (since July 2) the Certificates issue closest to 90 day term (the one due Oct. 1 next) has moved from .80% bid to .70% bid, a decrease of .10% in yield. The partially taxable 2¾s 1960-65 have advanced ⅜ of 1 point. The bank eligible 2½s of 1967-72 also have advanced ⅜ of 1 point. While the longest bank ineligible issue has advanced only 1/16 the markets for such ineligible issues frequently do not reflect, in their price movements, the size of the demand. During the past week this demand has been unusually large.

"The relative price advances in some longer issues, the general breadth of the demand for nearly all of them, and the decreased yields of shorter Certificates constitute an impressive performance. It appears that the first offering of an unpegged Treasury Bill issue was all that was needed to crystallize investor opinion. As far as the rest of the market is concerned the history book seems to have been closed on the unpegging of Treasury Bills.

"This causes us to temper one of the guesses made in our July 3 letter: that the Treasury, notably cautious, might await the complete unpegging of Treasury Bill maturities (October 1947) before acceding to any unpegging of Certificates. The most cautious or reserved observer should not need additional proof of the Treasury market's resilience. In other words, the reason and logic which last week argued against any imminent unpegging of Certificates has been weakened by the market's unusual strength during the week. The Treasury, particularly if further strength appeared in its securities, might feel under additional pressure to consider the unpegging of Certificates at some earlier date than we had suggested.

"The strength of the market has validated our recommendation that longer-term Treasury eligible and ineligible securities be purchased at the levels existing. Since this strength has appeared so quickly, and since it may increase the pressure on the Treasury, we suggest, however, that new investment purchases or portfolio adjustments calling for the purchase of longer-term securities give some greater weight to your estimate of this possibility.

"We have not revised our guess that in the September refundings commercial banks are likely to receive only a Certificate issue or its equivalent. All indications continue to point in that direction.

"Sometime during the coming week we expect to send to our offices supplemental information on this and related subjects. This will contain a comparison of the relative attractiveness of longer-term marketable issues versus a non-marketable issue of the type that the Treasury might design for institutional buyers."

With A. Lepper Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — Justin Meyer has become associated with A. Lepper & Company, First National Bank Building, members of the Cincinnati Stock Exchange. Mr. Meyer was formerly with Weiss, Work & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Alfred A. Stern Opens

Alfred A. Stern is engaging in the securities business from offices at 5 West 73rd Street, New York City. He was formerly associated with Abraham & Co. for many years.

Does the Bear Walk Like a Man?

(Continued from first page)

and nagging worry that without doubt still obsesses the mind of the average thinking American of 1947, we come to the hard core of fear, which we have learned to define by the all-embracing term of "foreign conditions." We ordinary men, without access to real information, are of course deluding ourselves by the use of such an abstract term. So lets come out with it, and face the fact that we are afraid of only one thing in the world, the Union of Soviet Socialist Republics.

I realize that being a stock broker, and therefore according to most "liberals" automatically a Fascist, any views or opinions I may have on anything Russian are immediately suspect. But in spite of that eight-ball looming in front of me, I will make a try at expressing the viewpoint of one "man in the street."

All my life I have been a violent, and partisan admirer of everything American, and one quality historically shown by the Americans has always been their traditional "guts." That any American can lick any two other guys has been our slogan, and by God, our bluff has never been called. What a humiliation it is to see the most wonderful and powerful nation on earth allowing the propaganda of a small group of traitors and their fellow traveling stooges to bemuse its thoughts, and dull its courage.

And of what are we afraid? Even from behind the twin iron curtains of Russia and our own State Department, certain facts leak through, historical facts are at our disposal, and the mighty panoply of our own transcendent greatness is spread all about us, even for the blind to see. Again I ask, from these facts and realities what have we to fear? Certainly not the hollow Russian monolith, that 30 years ago was a prostrate nonentity in world affairs, and has since been ripped by revolution, two wars, famine and mortal internal schisms? Do we really think that the serfs and Mujiks of 1917, under their 1947 tyrants are the equal of our world shakingly powerful people?

The iron curtain is not to keep us from espying the strength of Russia, but is a desperate device by the USSR to keep its weakness from leaking out, and removing in a gale of international laughter the bogey of Russian terror, so carefully fostered in each country by its own native Communists, who of course hope to profit capitalistically from the confusion engendered by their efforts.

Even Mr. Vishinsky admits he doesn't dare allow Russian wives of British Tommies to leave the USSR as they might talk too much. Talk about what? The appalling conditions inside the Soviet mausoleum, of course.

The Soviet recalcitrance of the past two years is a symptom of one of the most monumental inferiority complexes the world has ever known. I admit that once-in-a-while the rabbit spits in the bulldog's eye, but with inevitably unenviable results to the rabbit, and beyond possibility of doubt, we are the bulldog.

Of course the USSR has been an obstructionist every time it got a chance, of course it vetoes everything constructive, of course it refuses to cooperate in any way. It has two objectives. One is to prevent the rest of the world from achieving serenity or peace or prosperity, because if a nation or group of nations such as we of the Western Hemisphere, are prosperous, the contrast to the USSR's own chaotic, poverty-ridden condition becomes even more emphatic. Objective number two is to bleed Europe white so as to bleed us white, and reduce us to an approximation of Russia's own dire straits. Democracy must be thwarted so that no hint of the desirability of western civilization can leak among the people of its own police state, honeycombed as it is, by concentration camps filled with malcontents, who have seen the evidence of their master's lies, even in the wretched ruins of the war-torn Europe they saw as G. I. Ivans.

The encroachment on, and annexation of neighboring countries is another glaring sign of weakness, this creating of an old-fashioned cordon sanitaire at her borders, betrays the Soviet's fear of external attack. What nonsense! Nobody in the world wants to conquer Russia, nobody would try to invade her. If we have to stop her, we will do so by atom bomb-carrying B 36's, and by the resultant holocaust remove the Muscovite menace for a hundred years. Don't let's kid ourselves, we can do it! The recent statement of no less an authority than Dr. Hutchins of the University of Chicago bears this out. Push-button war is still in the experimental stage, but we have the bombs, and planes to carry them, and cooler minds than those of the jittery Dr. Einstein et al seem unanimous that, at least for a great number of years, possession is more than nine points of the law.

Should it be true that the empty gestures and fulminations of the hollow Red colossus are among the major factors holding the stock market to its unjustifiably low level, we really owe a debt of gratitude to the USSR. By giving us an opportunity to buy sound American securities at a discount, they are doing us the first favor since their American-financed, but still gallant fight against the Nazi double-crossers of the Russo-German love feast of 1939.

If the United States of America can feed the world, support the world, and lead the world, it can, if necessary lick the world. If this be Jingoism, make the most of it.

Hill Richards Adds

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CAL.—Clinton V. Scarich has joined the staff of Hill, Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

An Illegitimate Bear Market

(Continued from page 2)

small percentage of stockholders after the Dow theory sell-signal caused several days of sharply lower prices.

(5) Sophisticated market analysts realize that the best time to sell stocks is when business activity is high and that the best time to buy is when business activity is low. However, one cannot say that we have had active production in some of our leading industries. Haven't we had a rather severe depression for five years if we look at the production of automobiles, homes, and most consumers' durable goods? It will take years before the pent up demand in those industries is satisfied.

(6) The realization that the hope of "One World" had been dashed by Russia's uncooperative attitude. For the first time in history the two strongest countries in the world have different economic and political philosophies. One country seems to be trying to keep the world in chaos and turmoil while the United States is trying to get the world back on its feet.

(7) The growing strength of labor unions. Their success in increasing wages has forced the costs of production up and has had much to do with the higher costs of living. However, we now have a new labor law which restricts union activities.

Have We Had a Real Bear Market?

This strange situation makes some people doubt that we have been in a bear market. It is true that we had never before been favored with a bull market that had had so few interruptions of the major uptrend. Never before had the market advanced for such a long time between corrections of 10% or more, as it did between November of 1943 and February of 1946. Even in strong bull markets of the past we have had declines that have cancelled out one third to one half of the preceding advance. Even the most optimistic bulls realize that there have to be substantial corrections to erase the excesses created during certain phases of bull markets.

There have been other peculiarities in the setback since last summer. Never in at least the last 25 years, have we had a real bear market start when the capital good shares have sold as low in ratio to the consumer good shares as they did at the peak in 1946. At that time the capital good stocks sold at 85% of their prewar (1935-1939) ratio to consumer good shares. In other bull markets the former usually have had their greatest period of strength in the last stages of a bull market. In 1929 the ratio of capital good shares to consumer good shares was 109% while at the peak in 1937 it was 118%. The decline has also been unusual in that it is the first time in at least 25 years that we have had a bear market when the more volatile capital good shares have declined less than the steadier type consumer good shares.

There may be some value in judging whether we have been in a bear market or in a correction in a bull market from the Index of Speculative Confidence that the writer described in the "Analysts Journal" on August, 1946. This article interpreted a bull market as being that condition that exists when people are confident of the future and are willing to assume a greater risk in the type of securities they buy and hold. We express our faith in the future by holding the more volatile issues. But when we lose confidence in the future outlook we put our funds into the steadier type securities of cash.

This Index has not indicated a bear market. It suggests that we have had only a correction of the excesses that came in trading after the war was over. In the decline of last fall this Index returned to the long trend line that had been established through the bull market. After rallying from October to February it again declined to May but did not break the low point of September and October. Had it broken that low it would have acted much like it did in 1929 and 1937. June and July became rather critical months in the market's decisions and fortunately we have had a rally which has carried the Index up substantially from its critical level.

However, if such an Index is made up of the lower priced, more speculative issues of companies that benefited so much from the war-time economy we would find that they have been in a real bear market. This leads to the conclusion that what has happened in the market may be more intelligent action than appears on the surface. Haven't people been realizing that there is a radical difference in the way war-time and peace-time economies affect different types of stocks? Surely there were many smaller companies that benefited handsomely during the war. They didn't have to have good management, a strong financial condition, or a sales or advertising department. About all they had to have was a plant and some equipment and the government gave them urgent orders. They had no credit problems because the government paid them promptly. When the war ended, the outlook for these companies changed and investors who had made large profits in those war-time favorites decided it was a time to weed these issues out of their portfolios and to put their funds into securities that would benefit most from a peace-time economy. What these indices have been saying is that people are still willing to take a risk in their commitments. They are demanding more intelligent risks, however.

The same conclusion is reached by looking at the trend of various groups of stocks during the past year. It is difficult to call this a bear market in the oils, chemicals or, in general, the higher priced stocks. It is equally difficult not to call it a bear market in the lower-price, war beneficiaries, many of which are down 50% or more in value.

Perhaps the investing world is benefiting from the excellent work of the New York Society of Security Analysts. In the past the public has been handicapped because there wasn't such an active organization turning out so much intelligent information on the outlook for various companies and industries. Shouldn't the reward for good analysis be greater discrimination as to which securities should be in a bull market and which should be in a bear market? Surely it isn't necessary to have just one major trend for all of them. And shouldn't the effect of good market analysis be an ironing out of some of the extreme fluctuations of the general market?

The Market Decline Places Stocks At More Interesting Long-Term Levels and Also Corrected Many Abuses in Our Economy

If we hadn't had the sharp correction during the past year and the market had progressed at the same rate that it had during the 1942-46 advance, the Dow Jones average would today be fluctuating in the 220-250 area. If the pace of the peace-time advance from August, 1945 to February, 1946 had continued the same average would be up in the 250-280 area. If we had been as enthusiastic in capitalizing earnings as we were in 1929 and 1937 the average would be selling in the 320-350 area. Instead the market sold in the lower 160s' and at present is around 180.

It is true that the 160 level which has held for over two years is not low historically. Only three out of the twelve bull markets since 1896 that have gone above that level. However, because of the growth in strength and earnings of the corporations whose stocks are included in our market averages there has been a long-term uptrend in the market that is evident from the chart of the 354 industrial stocks used in the Standard and Poor's average. If we eliminate the unusual bull market peak of 1929 and the unusual low point of 1932, when the market went to extremes both ways; and if we also eliminate the 1942 low point when uncertainty as to war-time tax rates forced the market lower than it should have gone, we find that all bull market peaks and bear market low points are confined between two parallel lines going through peaks and low points of the last 47 years.

During May this Standard and Poor's average reached 117 whereas the bear market uptrend line came at 100 while the upper parallel line is around 200 where we might expect the market to go during the enthusiatic bull market. In other words the market in May reached a level that was only 17 points from what should be a pretty solid level of support during a depression year and we were 83 points from a level where we might expect trouble in a good bull market. Translated into terms of the Dow Jones averages this low point would be around 145 and the upper trend line would be around 290.

It is easy to forget too that a year ago we were working under some difficulties in our economic setup which have been corrected. No doubt the pessimism that followed the decline in the market hastened the corrections of some of these evident abuses. It also caused a wave of caution that averted the excesses that might have come if the stock market had advanced.

A good example of this is the way most retail organizations improved their inventory situations. Because of the expectation of a decline in business they reduced inventories and also their forward orders. Now that retail sales have held up they find that they must go into the market and buy more than they had expected to. This is quite a different picture than we had in 1920.

During the past year we have elected the first Republican Congress in over 15 years, the New Deal has become a dead issue, the OPA has been killed, the rails got a 10% rate increase, a new labor bill has passed over a presidential veto, a tax cut is a near term possibility, and the Communists are being forced out of government positions and labor unions. There is also more intelligence in the way foreign loans are being handled, as is evident in the Marshall Plan.

Market Action During Latter Part of May and in June Was Reassuring

Since the middle of May when a thorough test of the lows of last October was made, the action of the market has been encouraging. On this recovery, an average made up of high grade stocks has recovered 53% of the losses since the 1946 highs, the Dow Jones industrial average has regained 40%, and the low priced shares have regained only 17% of their losses in the same setback. Similar demand for better quality issues started the recovery movements that came in 1936, 1942 and 1945. Persistent and quiet demand for high grade issues often continues for several weeks before the public is attracted to the buying side.

Action of the automobile stocks is of barometric significance in the stock market, because of the dominant position of this industry in our economy. This was true at the peaks in 1929, 1937 and 1946 when these issues topped ahead of the general market. It was true at the 1942 bottom when these shares acted much better than the general average during the last few months of decline. This group sold lowest in ratio to the general market last October and since then has rallied more sharply.

There is an important cycle in the stock market that is not related to the cycles we have heard so much about recently. It is caused by the capital gains tax holding period. This is particularly important in periods when the market has been dominated by investment buying because the larger and wealthier buyers like to hold long enough so they can take advantage of the lowest tax rates. At present they have to hold over six months to gain this tax advantage. This suggests that the good buyers who checked the decline in May expect the market to be selling higher in November than it was when they bought.

The influence of this holding period for the establishment of long-term capital gains can be seen throughout market history. Back in the 1920's the holding period was two years. This created two year cycles in the market, as seen by the rallies from 1921 to 1923, from 1924 to 1926, and from 1927 to 1929. In between those rallies the market hesitated and consolidated its positions as the wealthier holders adjusted their portfolios.

Back in the 1930's the holding periods for establishing lower taxes on capital gains were 1 year, 2 years and 5 years. By 1937 when that bull market ended there were three groups of investors who were able to sell and not pay rates on short-term profits. They were the people who had bought at the bottom in 1932, at the important 1935 low point and after the sharp break in 1936.

The break in 1940 followed shortly after the purchasers at the 1938 lows were able to establish their long-term gains. And since the law was changed in 1942 and established a six months holding period for long-term gains we have seen the rallies extend for six months before correction of any importance. This type of reasoning suggests that most of the people who have been buying recently will not become willing sellers until late 1947 or early 1948.

There is another extremely important cycle in the stock market which is helpful in judging stock market trends. It might be called a temperature cycle, with the temperature being measured by the extent of amateur buying and selling in the market.

Sometimes I feel that we could learn something in our business from the manufacturers of straw hats. They accumulate their inventories when the weather temperature is low and the public is not buying. When the hot weather comes and the public buys enthusiastically these manufacutrers quietly let their inventories decline. Of course these manufacturers have an easier guide for their dealings than we do. All they have to do is to look at the thermometer or the calendar.

But we now have some more workable tools to determine stock market temperature. They are the figures on odd lot transactions which are a good guide as to what the more amateur traders are thinking and doing. Using this as a guide we would find that the hottest period in the market came in February of 1946 when the market was not many points from its top of the bull market. During one week the odd lot traders bought 738,000 shares of stock on balance or about five to six times as much as they had during the earlier weeks of that post war recovery.

Using this method as a guide for purchasing of stocks, we would wait until the market ran into a cold period as represented by extreme pessimism of the amateur traders. Such a cold spell did not come in the fall of 1946 but it did come in April and May of 1947 when the amateurs became so depressed they turned around and started to sell stock short. As a matter of fact they sold more stock short (in relation to total sales) as the market was approaching the bottom, than they had at any time in the last nine years, or since these figures were first available. Interestingly enough during that nine year period there have been five periods when the amateurs sold a great deal of stock short. Each time this happened the market was near an important level from which a worthwhile rally developed.

The importance of these figures is due to the fact that wealthy traders who accumulate large positions must watch for a time to buy when most people are willing to sell. They must then wait for an opportunity to liquidate their large positions when most people are bullish and willing to buy them.

Action of American Tel. and Tel. has also been reassuring. This stock was unusually weak not far from the bottom. Of course this is a high grade issue but we must remember that it is also widely held by the women of the country. When it is much weaker than the general market, it suggests that these more emotional holders are getting bearish and it is generally a good sign that the market can be bought.

As an objective for the market in 1947 I would pick the 195-205 area. Often when the averages have moved in a trading range, as they have for the last ten months, they will tend to move about the same number of points in the direction they move from the trading range. This would measure out to be roughly 207 in the Dow Jones industrials. Also if the industrial average moves up as much in percentage as the rails would have to in a test of their important peak of February, the industrial average would go to around 205. Since the rails generally move up sharper percentagewise in a rising market, I have made the range roughly 195-205 as the test level where the market will have to make its next important decision regarding its longer term trend. As usual there should be some corrections in the market on the way to test that goal. It would be unusual to see the pace of the last seven weeks maintained.

Longer Term Objective of the Market

Longer term objectives are more risky to determine because one doesn't know how future influences will develop. However, there are reasons to expect that eventually the market will be able to test the 260-290 area. If the industrial average gets around 290 it would be up in the range of the trend lines established through most of the important bull markets of the last 50 years. Often a market that has had a correction will tend to move up the same number of points that it had in the corrective movement, once it goes to a new high. Such a measurement would come out around 263. Interestingly enough 275 in the Dow Jones would represent the high of 1929 for the stocks now used in the Dow Jones industrial average (versus an actual high for 1929 of 381 for the stocks then used in the same average). This comparison of historical levels was made recently in a study by one of our members, Harry Comer.

Naturally, there are clouds in

the stock market skies. There always are plenty of uncertainties, especially when a bull market is starting. About the only time that the outlook seems on the surface to be cloudless, is when a bull market is making its peak. We have some long-term worries in the high break-even points for many of our leading industries. Those break-even points are higher as a result of using labor costs and higher taxes. We have been worrying about the high levels of inventories too. And there are disturbing elements in the foreign set-up.

However, one has to time carefully the period for his most serious worrying about the stock market. Otherwise it gets away from us for substantial moves. Sometime in the future, after we have had several years of automobile and consumer durable goods production, after we have had many more homes built, and after some of the world-wide demand for our goods has been filled, would be a better time to worry about the unfavorable elements of our economy. When an important peak is reached in the market there will be few easily visible, black clouds in the economic skies, we probably will have many opinions from economists that we are in another "new era," there probably will have been an active period of new financing, and the public will be buying stocks heavily.

We can seldom sit back and relax in the stock market. It would be too optimistic to say we are going straight up to the eventual bull market peak. We will have to watch the effect of what looks like another inflationary spree. There may be some elements of danger if people become too optimistic in feeling that all our troubles are behind us. If we still get foolish as we did in 1920 we could run into another readjustment period sometime in 1948.

But with what this country has to work with today in the way of deferred demand and large purchasing power, we should have a long period of prosperity ahead of us unless we mishandle our economy with man-made blunders. Unless we can move ahead to a further period of prosperity we would deserve the comment of the Communists that this country is becoming soft and degenerate.

Conclusion

While this has been an illegitimate bear market that has not been backed up by declining earnings and dividends, the action during the past year has had some elements of sense.

This is shown by the way the more speculative war-beneficiary stocks have been weeded out of portfolios while the demand has held up well for the better grade issues that benefit from a peacetime economy. Action of the market since the May low has been reassuring since the type of leadership has been good and the public is still skeptical of the rise. This action suggests a move to test the 195-205 area for the Dow Jones industrial average, while the capital gains tax holding period suggests that most large holders will want to retain recent purchases until late in the year at least. An eventual test of the 260-290 level is possible. The course of the market in attaining that objective depends on how wisely we proceed in the process of filling the large demand for goods here and abroad. Only unintelligent handling of economic, labor, financial and political factors should prevent us from attaining a period of prosperity which would justify a higher stock market.

The "Dollar Crisis" and Foreign Trade

(Continued from page 4)

here. In Austria blades are bartered for timber, in Czechoslovakia for glassware. The Westinghouse Co. was among the first to import silk from Italy! U. S. Military authorities are frankly encouraging those who would make barter sales to Japan, supplying her with the raw materials required for the imports they wish to take out.

Three Stages in Future Trend

The problem of the lack of dollars and its effect upon the export trade of this country can be categorized into three stages:

(1) The present high rate of exports, draining surplus dollar balances from war-rich nations, and due to end shortly because of the alarming rate of dollar outflow from these countries.

(2) A period of rapid decline of exports, gaining momentum as many marginal export firms or departments cease operations. This trend should crest during the Summer of 1948.

(3) The resumption of a high level of exports for a long period. This "high" is relative to prewar export activities, and should be supported about the $8 billion level.

There are three considerations to justify the high level predicted for 1949 and thereafter:

(a) The directing heads of the International Bank for Reconstruction and Development should by then have selected a number of nations which can make constructive use of dollar loans without jeopardizing the Bank's reputation and able to meet the realistic requirement of repayment via the operations for which the funds are advanced. Debentures can be sold which will not meet up with the legal and self-imposed inhibitions besetting individual government obligations. Probably $5 billion will become available for industrial exports from this source, and because of the nature of the loans this is certain to be one of the more stimulating notes in foreign trade.

(b) World reconstruction is proceeding rapidly, and as foreign nations are able to produce more, the United States will be able to import greatly increased quantities of goods needed here. That the administration trend is to stimulate imports is clearly shown in the changed attitude of the Commerce Department, which now instructs commercial attaches to aid potential import sales much as they formerly serviced export transactions exclusively. Should the administration change in 1948, it is believed that the importance of a high level of imports to our national well-being would continue to be recognized. Less restricted trade modeled on the truism that we don't protect New England against the Midwest in this country and both areas survive free competition beautifully, has been skillfully and wisely sold to lawmakers and their constituents. The reciprocal trade agreements which proved so successful in enlarging our trade in the past and the International Trade Organization now forming are important actions in the direction of increased imports through reducing trade barriers and the threats of unfair cartel competition.

(c) Shortly after presidential elections have been held, a modified version of the Marshall Plan striking directly against Europe's bottlenecks of coal and steel production, transportation and farming equipment, and power production should certainly go into effect. Unfortunately, until Russian satellites and world pressure can bring that nation into active participation much valuable time will have elapsed. But 1949 should see implementation by Congress of an extended $10 billion program which will not only strike at these paralyzing bottlenecks, but which will serve to link the economies of much of Western Europe. The pre-requisite unified planning by the European states, plus concrete blueprints for trade recovery will do much to increase their exports and thereby our imports. During the first months of the Plan's operation a high level of exports is assured by the sheer weight of European rehabilitation needs. Thereafter the Plan is self-perpetuating, providing Europe with the tools and machinery to ship us material which can make life richer for all Americans, and at the same time earning her the dollars to buy more equipment, replacement parts, and more complicated machines to make machines and parts. In short, the spiral of trade leading to an ordered and healthy world economy is in sight.

Writing for the Twentieth Century Fund, Stuart Chase put into the proverbial nutshell the outlook for our trade. The present unbalance is making a group of exporters wealthy, but the trade foreseen for the future can make the entire country rich. His formula:

> The stuff we produce as a nation,
> Plus the stuff we import,
> Less the stuff we export,
> Is a measure of our standard of living.

If the politicians and laymen and economists of this country accept the doctrines of import surpluses now being advocated, and cease worrying about huge exports without an eye to getting something in return, in short if we learn to act as a creditor nation, the headlines of decreasing exports and rising imports will cause good appetites, not indigestion. Then we shall be economically mature.

Howard W. Sams & Co. Inc.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND. — Howard W. Sams & Co., Inc., is engaging in the securities business from offices at 2924 East Washington Street.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—John P. Masterson has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street. He was formerly with Buckley Brothers.

A. de Jong Admits

Adolf L. Schrijver has been admitted to partnership with Albert de Jong in the firm of Albert de Jong & Co., 37 Wall Street, New York City. Mr. Schrijver has been associated with Mr. de Jong for some time.

New Branch for Caswell

MOLINE, ILL.—Caswell & Co., Chicago investment house, has opened a branch office in the Fifth Avenue Building, under the direction of Robert C. Caswell.

Charles Matson Opens

SHELBY, MONT. — Charles E. Matson is engaging in a securities business from offices at 14 Marias Avenue.

Stable Money a Prerequisite to European Recovery

(Continued from first page)

to the impossibility of reestablishing a balanced reciprocal trade between this country and certain of those of Europe under the system of pegged exchange rates recently announced by the Stabilization Fund, a system which, by reason of its gross over-valuation of foreign currencies in relation to our own, imposes heavy restrictions against the two-way flow of commerce and does not promote it.

I also pointed out the error in the curious supposition, now so commonly held, that profitable employment of our population is to be secured through production and manufacture of more than can be consumed at home and its sale abroad. This error is readily observed when it is called to mind that an equivalent in value, consisting of the produce and manufactures or services of other countries, must be accepted in payment for that which we send abroad, and something in excess of the cost of our exports, if a profit is to be secured. That, of necessity, the things we must accept, with the exception of articles we do not produce, most of which are already being received in ample supply, must displace an equivalent of American production or services, and consequently displace American labor.

Consideration of this leads naturally to the conclusion that unless we are prepared to open our ports to the free or near free entry of whatever our proposed debtors have to offer at a price acceptable to American consumers, our loans can never be repaid, and it is wrong to lead uninformed and unsuspecting Americans into supposing that they will be. I therefore pointed this out, describing the political difficulties which must be surmounted if certain types of our production and industry, and consequently certain geographical areas, are to be selected to suffer the competition of low-cost European and Asiatic production and manufacture in order that others may greatly expand to supply an export market.

Discussion Kept Within Limits of Previous Letter

An adequate appraisal of the future prospects of a nation of necessity must start with the individual since a nation is but a mass of individuals. It must take account of the industry and ambition of the people; of their intelligence and capacity both for production and accumulation; their honesty and demonstrated attitude toward meeting their obligations. It must also take account of the national leadership and the manner in which the people are governed. As example, are the people permitted freedom of enterprise, or are they shackled by a government which presumes through political bureaus to direct their activities? An investigation into each of these fields would be pertinent to an appraisal of the economic future of a state. Every fact throwing light upon the character and conduct of the people as well as upon the character and conduct of their government would be relevant.

It is clear that I am not prepared to make such a study. Nor do I pretend to possess the qualifications essential to satisfactory conclusions covering so broad a field. Keeping within the scope of my original letter, I propose therefore to outline certain conditions pertaining to the fiscal affairs of governments, which must be deemed by all informed persons essential to the recovery of an ill economy, irrespective of the character of people or government. These I submit with confidence since they find support not only in objective reasoning but in the entire experience of mankind.

Suggested Conditions to Be Imposed Upon Aided Governments

The Administration's objective in Western Europe is the prompt re-establishment of political and economic stability. Since political stability unsupported by sound economic conditions is deemed impossible, it proposes large dollar subsidies to the nations of that area from the American Treasury in the hope that through such grants sound economic conditions may more promptly be restored. In my opinion this hope is without justification under political conditions and fiscal practices now prevailing in such countries.

Yet the importance of exerting every effort toward making these subsidies effective, if granted, can scarcely be over-estimated. They mean, Congressman, that American tangible things of value, wrought from our natural resources into usable form by the labor of American men and women, are to move from our supply, already seriously diminished by war, into European ownership. The dollars, of themselves intrinsically valueless, are to be returned to Americans to augment our already greatly inflated circulation. In short, the process which is called the loaning or granting of dollars means that our Government prints paper dollars, or creates their equivalent in convertible credits, sends them abroad and our citizens take them back in exchange for tangible things or services. In this manner upon the national balance sheet the ration of tangible purchasable assets to the paper money supply is reduced. This is a practice highly prejudicial to the American economy. It is a cynically cruel practice, singling out as its victims the small as well as the great, all of whose savings or protection rests in dollars or dollar obligations.

Much that seems to have escaped the notice of many highly placed officials in Washington has not escaped the notice of the people back home; in every community houseless families crowded into trailer camps and makeshift shacks; high and ever higher prices; cherished plans for home building blasted and abandoned; lowered standards of living; upward spiraling wage scales, discovered almost immediately to have been ineffectual; and the steady relentless wiping out of the savings and income of the people represented by dollars or dollar obligations. It is being discovered that the vast national debt is not a national asset, though carried on the balance sheets of corporations and individuals as a private one. That on the contrary it may better be described as the nation's acknowledgement of the partial cost of the war in wealth which once existed but has now been destroyed. Manufacturers and merchants, large and small, are discovering with increasing apprehension that "profits" which have no existence in fact are being reported and taxed under a system of cost accounting and profit calculation which, however acceptable under a sound monetary system, is wholly unacceptable today. In short, Congressman, out of all the people of America, portions of Washington alone seem not to have observed this triumph of fact over fiction; this relentless pressure of truth against a world of make-believe.

I mention these things not because I believe you to be unaware of them. On the contrary I know you to be keenly cognizant of them. I call them to your attention only to emphasize the importance of making certain that such sums, if any, as are sent abroad in future are reasonably calculated to accomplish some permanent good.

Sound Monetary Systems

First: I set it down as a truth from which escape is impossible that a well economy must always be rendered an ill one by persistent departure of government from sound monetary practices *and an ill economy can never become well in the absence of them.* The experience of mankind throughout all civilized time proves it, and reason, unaided by experience, makes it no less apparent.

A democratic system of free enterprise in civilized society is impossible where an honest and dependable medium of exchange is not provided by government. In its absence both democracy and free enterprise will perish. Without it commerce is reduced to barter or circumscribed with restrictions, and accumulation, other than in tangible things, rendered no more than a hopeless gamble. Under such circumstances there can be neither stability nor progress. A sound and dependable medium of exchange, in which all men rightfully repose confidence, is therefore the very foundation stone of economic stability and hence of political stability since without the former the latter cannot exist.

I say, therefore, without hesitation that neither loans nor subsidies should be made from the Treasury of the United States to governments notoriously engaged in the printing and emission of paper moneys in satisfaction of budgetary deficits. These governments are willfully despoiling their own citizens and all who hold their obligations. They are openly engaged in repudiating their national indebtedness by debasement of the medium in which such indebtedness is payable. They are day by day destroying their own economy through their refusal to adhere to the rules of common honesty. They spend in excess of their revenues because they find it politically inexpedient either to reduce expenditures or increase taxes. Nothing could better suit the book of these very practical minded European politicians than the taxation in their behalf of Americans whose votes they do not fear and whose voices they need not heed. But for the Congress of the United States to seize a portion of the earnings of its citizens by force of law for transfer to governments engaged in such practices would constitute a monstrous denial both of common justice and common sense. While causing misery and suffering at home it would accomplish nothing of value abroad.

There are persons who say that we must refrain from meddling in the domestic affairs of foreign states and therefore cannot rightfully define the form of money they shall use or the manner of its issuance. With this position I do not disagree. But I say that if Congress possesses the constitutional right to tax Americans on behalf of foreign governments, a question which merits discussion, it has the right to say what sort of governments it will aid and what sort it deems unworthy of aid. And I say that the right, if indeed such right exists, carries with it a duty to see that such aid as it grants goes only where good is to be accomplished through its expenditure. The first essential step therefore in bringing economic and political stability to the States of Western Europe is the abandonment of their present unsound monetary practices and the establishment and maintenance of sound and dependable mediums of exchange in their stead. This step must be taken by the countries themselves and unless taken all efforts at rehabilitation must prove abortive.

Breaking Down of Continental Trade Barriers

While it is true that economic and political stability are impossible in the absence of a sound monetary system it does not follow that the establishment of such systems in the several countries now in financial distress will of itself bring recovery. These countries are self-supporting neither in respect to production, nor raw materials. They are economically dependent upon each other. An adequate recovery requires an economic integration of such nature that commerce may flow unhindered in obedience to those natural laws, incapable of repeal or frustration by man, the laws of soil, of climate, of natural resources; of easy land and water transportation; of population and capacity of population in production. As an indispensable condition to helpful aid a comprehensive scheme must be adopted under which the people of Europe, as distinguished from their governments, can live and in time restore that continent to a land of plenty. Other conditions will occur to those familiar with Europe's problems. None will be easy. But countries unwilling to do those things essential to their own recovery are far beyond hope of assistance. Taxation of Americans in aid of those who decline to aid themselves is a policy calculated to do nothing more than bring all peoples both European and American to a level of common misery.

The Barriers to Commerce Interposed by the Operations of the Stabilization Fund

There should also be immediate Congressional relief from the unconscionable barriers now interposed to the free flow of international commerce by the "Stabilization Fund." I speak without fear of contradiction when I say that it is unlikely that a single congressman voting in approval of the Bretton Woods Pacts understood that the governing body of those institutions would at one and the same time constitute itself an International Price Fixing Tariff Erecting body and presume to function as such. Yet that has happened. Under the term "Stabilizing the Prices of Foreign Exchange" this body of men is in reality attempting price fixing upon an international scale.

As pointed out in my letter of *April 25*, using the French franc as example, this body decrees that despite a far different open market price Americans purchasing French merchandise or traveling in France must purchase the francs they expend at 119 plus per U. S. dollar. The francs purchased at this fixed price the American must use in his purchases of things or services. Whatever he pays for his francs in excess of their true value, as established by their internal purchasing power, he pays in excess of the true value of that which he receives.

Do you believe, Congressman that Frenchmen pay the equivalent in real value of $2.50 for a continental breakfast consisting of rolls and coffee at a medium grade hotel or of $8.00 for dinner at ordinary first-class restaurants? That is what Americans report they are required to pay in France when francs are purchased at the pegged rate of exchange established by the Stabilization Fund

If Frenchmen do pay the equivalet in true value of these prices and Frenchmen constitute at least 95% of the patronage of French restaurants, then the French are a rich and not a poor people and require aid from no one. I do not contend that Frenchmen pay such prices when the true value of the franc as established in the domestic markets of France is considered. On the contrary it is plain that they do not. Those who pay them are the persons trading or traveling in France who must purchase francs at the wholly arbitrary and false rates of exchange established by the Stabilization Fund.

The fixing of the rates of exchange of foreign moneys in this manner, under pretense of price stabilization, is Bowlesism applied to international trade, Congressman. Nothing else can be made of it and its effect upon international trade will not be different from that of Bowlesism upon our domestic trade. Congress crushed Bowlesism, as applied to domestic commerce amidst near universal rejoicing because it destroyed commerce and created scarcity in a land of plenty. As proven many times before in many lands, it brought not abundance but famine. Yet notwithstanding our experience at home, through this Fund we are now spending billions in an effort to sustain Bowlesism in international trade and with even less hope of success.

In the press dispatches of the past fortnight it is reported that the French Government put out ten billion additional paper francs during the month of April as a cover for its deficits, the efficient French money printing presses doing the job in one week. A similar issue is slated for June. This throws some light upon the attitude of the management of the Stabilization Fund which has just reported the sale to the French Government of 25,000,000 American dollars for 119 plus paper francs per dollar. It would be superfluous to support with argument the statement that such purchases neither discourage the printing of francs nor deal fairly with American citizens.

Nationalization of Industry

In what has preceded I have discussed only matters purely fiscal. But when governments engage in business, fiscal policies and business policies become indistinguishable. As a people, with few exceptions Americans believe that abundance and contentment are to be found only in personal liberty and free enterprise. Many Americans, and I include myself in the number, believe that state ownership of production means the slave state, since one who has no choice but to work for the state, at a wage fixed by the state, and no choice but to purchase from the state at its own price those necessities or luxuries which the state deigns to offer him, is no longer free. Rendered helpless through denial of the right to engage in production for himself and others he must submit or perish.

In many of the countries of Europe listed as prospective recipients of our bounty, such states are being established. Having failed in the art of political administration and in the management of their fiscal affairs, bankrupt European governments are now entering the field of business. Proposing for themselves a monopoly of all production and transportation and the right to tax the people in support of their operations, these governments are moving swiftly to bring their proposals into reality.

It will be surprising only to those in Washington who have lost touch with their own people, that Americans view with some consternation the prospect of being taxed to support foreign systems in which they do not believe; and to sustain governments in which they have no voice; the principles and practices of which are abhorrent to them. The proposal presents a new doctrine of taxation in a land which fought its war of independence because its people deemed taxation in support of an overseas government in which they had no voice intolerable. It may well prove unacceptable to the American people, however much favored by those in power, and it is not inconceivable that it could result in their seeking new leadership and discarding the old.

You will, perhaps, think I have been over-solicitous upon this subject. My justification is that there are small and struggling men and women in America as well as in other portions of the globe. These men and women have been near overwhelmed by the force of events over which they exercise no control. Already burdened to the limit by taxation which bears upon every activity of their lives and but a week ago denied by the Executive a small relief voted them by Congress, they now face demands that they bear additional burdens by way of world-wide beneficences. These proposals are not confined to those in power. One public figure in quest of power has demanded that 10% annually of the national production be sent abroad and nothing required in return unless convenient to the recipients' descendants at some distant future date. This man would take from a family income of $3,000 per annum, already cruelly diminished by direct and indirect taxation, $300 per annum more and proportionately from all other American incomes, apparently quite indifferent to the suffering and sacrifice so great an exaction would entail. That his suggestion was well received by a considerable portion of the American press gives clear evidence that little real consideration was given it.

It has occurred to me therefore, Congressman, that the American people at home, your neighbors and mine, those upon whose patient backs are to be saddled the burden of attempting to make a sick world well, though they bear no responsibility for its illness, and whose cause seems to have been forgotten in Administrative Washington intoxicated by the mad whirl of world politics: it has occurred to me that these are entitled to a word in their behalf. That is my justification for burdening you with my letters.

Very truly yours,
WILLIAM CHAMBERLAIN
Saratoga, Calif.
June 28, 1947.

John C. Korn Sec. Of NY Stock Exchange

John C. Korn, Acting Secretary of the New York Stock Exchange,

John C. Korn

has been appointed Secretary. Mr. Korn, who has been Acting Secretary since Sept. 25, 1940, was first employed by the Exchange in 1918.

NYSE to Be Open Sat. Beginning Oct. 4

Emil Schram, President of the New York Stock Exchange, announced, following the regular meeting of the Board of Governors, that the Board had decided that the Exchange will be open for business on Saturdays commencing Oct. 4. The summer schedule, under which the Exchange is closed on Saturdays, will continue through September, as previously announced.

As We See It

(Continued from first page)

in good standing either with Russia or the nations now at work in the Paris conference, is absent, and, far more important, so is Germany, which at present is divided into at least two water-tight compartments, and is without a government to represent her in any event. If Spain is left out of consideration as being not of first rate importance, this seems to leave Europe divided into two camps, with a sort of "no man's land" constituting the whole of Germany and possibly the Russian-occupied part of Austria in between.

In some other parts of the world the conditions which have led to this division of Europe are present in important degree. Indeed, it could be said perhaps without too great exaggeration that they exist potentially throughout most, if not all, of the civilized world. In parts of Asia they are quite troublesome. In saying that these conditions exist, we are not referring merely to the fact that communist cells are at work throughout the world, or that they have made sufficient headway in some countries and some areas to be definitely troublesome, particularly if they have considerable backing from Russia. Indeed, it has all along been our view that this ideological aspect of the world situation was definitely secondary to other phases—chief among which, in and around Europe, is the imperialistic ambitions of Russia which have long ago taken the definite pattern of those so long exhibited by the Czars.

Now Come to a Head

But it is only in Europe that matters seem to have come to some sort of head. Precisely, what is the world, and in particular what is the American citizen, to think of what is now taking place on that Continent? Before undertaking to arrive at any definite conclusion on this subject the thoughtful man will remind himself that what has now occurred is hardly more than formal recognition of a condition which has existed since before the war came to a close—and an attempt to see what can be done without Russia and her puppets, since it has long been evident that they were not to be counted on, but were intent upon building up their own political and economic structure. Secretary Marshall was quite correct in pointing out some time ago that a stage had been reached in Europe where, in the absence of some settlement of many of these questions, there could be neither hope of making much permanent economic headway or ground for expecting indefinitely continuing American assistance. It now, of course, remains to be seen precisely what can be done, and perhaps even more important what these habitually distrustful and mutually suspicious nations can agree to do.

A second fact not to be lost to sight is that a very large part of the Russian gains from the Baltic to the northern boundary of Greece, including both those territories embodied in the Soviet Union and those which are now found in the satellite states, is in essence a retaking of what was for many years a part of the Russian Empire prior to World War I. Naturally, the mere fact that the Russians at some time in the past ruled over unwilling peoples in no way justifies a reimposition of that tyranny, but viewed from the familiar—and certainly not very attractive—conception of world politics the recent expansions of Russia in Europe do take on a somewhat different aspect.

The Real Significance

But the real significance, certainly the real economic significance, of what is now taking place is to be found in the future policies of these two worlds, particularly their attitude toward one another. It is a fact known to all that the countries of Eastern Europe which Russia has for most practical purposes annexed are, economically speaking, complementary not with Russia but with Central and Western Europe. With some exceptions here and there, these countries are producers and exporters of raw materials and foodstuffs just as Russia traditionally is. Relatively speaking, they will have little to furnish Russia in the form of manufactured goods, or industrial machinery and the like. On the other hand they have for many decades, if not centuries, been one of the chief sources of foodstuffs and, in some instances, raw materials of the industrial centers west of them.

Now if in the future this type of mutually advantageous trade is permitted to continue without undue restrictions or limits, or even if Russia (if she must) lays out "five-year plans" and the like based upon such exchange of goods with the lands to the west, the return to normalcy in Europe should not be made unduly difficult by what is now apparently in progress—assuming, of course, that the participants in the Paris sessions act in a sane and sensible manner. If, however, Europe is to be permanently split more or less down the middle with an impassible gulf fixed between the two segments, the results will be far-reaching and severe indeed upon all concerned. They could, indeed, be very nearly economically fatal to a good many peoples—and we hesitate to do any guessing as to who would be worst hurt, the Eastern or Western segments of that Continent.

But all this leaves Germany wholly out of consideration. It is not as yet altogether clear what the Paris conference have in mind about this vital element in the situation. They must realize that something has to be done without much further delay. It would be an almost unspeakable tragedy if Germany must remain indefinitely divided into segments without full and free interchange of goods and services. Yet if such is to be, it is time the fact is determined and faced. Revolutionary changes in the flow of trade and the economic interrelations not only within European countries, but elsewhere, will be necessary if such a catastrophe is upon us to stay.

Finally — for our space is limited — it is to be hoped that the conference in Paris will not, wittingly or otherwise, copy Russia's technique of trying to set up a managed economy to cover all the European continent left to them.

Outlook for the Stock Market

(Continued from page 3)

from $1.5 billion in 1938 to $7.3 billion for 1941, the Dow Jones industrials declined from a high of 158 in November, 1938 to a low of 93 in April, 1942.

After the war had been in progress for about a year and there were definite indications of increasing speculative demand for common stocks, it was discovered that "Peace (not war, but peace) is bullish." This slogan controlled the market right up to the ten market days in the summer of 1946 that revolutionized economic thinking and gave birth to the new slogan that "A depression is coming and a depression is bearish."

Bullishness Increases as Prices Rise

Applying the lessons learned in the past year to the outlook for the stock market, we find that various technical cults have been turning from bearish to bullish as various levels in the stock market averages have been penetrated on the recovery from the May lows. Accompanying this technical turning movement there has been evidence of increasing dissatisfaction with the 1946 slogan proclaiming that a depression is bearish.

However, in view of the fact that most people interested in the stock market still believe in the myth of its forecasting ability, it is impossible to disregard everything that has happened in the past year, acknowledge it was all a mistake and start all over again. We are faced with a problem somewhat similar to that of late 1942 when it became obvious that war was not as bearish as it had been proclaimed from the autumn of 1938. However, it never became necessary to admit that war was bullish. Instead it was discovered that peace was bullish and the market was then able to reflect the high level of industrial activity and corporate earning power without any feeling of guilt that it was exploiting the tragedy of war.

Technicians Prone to Switch

Technicians can, of course, switch from bearish to bullish without any support from economic fundamentals. People who base their market opinion on fundamental economic or political developments have a more difficult time. One of the interesting developments of the past month or so has been the effort to use the so-called Marshall plan as a new factor possibly modifying a bearish attitude toward the market.

I do not think this effort to amend the business depression thesis has met with too much enthusiasm. In my opinion, however, the problem of European rehabilitation has tended to stir up interest in the question of inflation. I can see the possibility of technical factors producing some additional recovery in the stock market during the second half of 1947 and this additional recovery producing a new and plausible inflationary slogan that might well sustain the market in a high, wide and handsome trading range for several years, or at least until the balance between inflationary and deflationary forces becomes more clearly defined.

Finally, one of the important conclusions justified by experience under stock market regulation and Treasury expansion of bank credit is that the market for relatively long periods of time needs not follow the old fashioned pattern of major bull and bear trends.

Joins Dean Witter Staff

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, CAL.—John E. Freeman has become associated with Dean Witter & Co., 4 East Carillo Street.

With Bourbeau Douglass

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Robert J. Henderson has been added to the staff of Bourbeau & Douglass, 510 South Spring Street.

With Wolff Securities

Special to THE FINANCIAL CHRONICLE

SOUTH BEND, IND—William F. Martin has been added to the staff of Herbert S. Wolff Securities Co., J. M. S. Building.

With Denton & Co.

Special to THE FINANCIAL CHRONICLE

ATLANTIC CITY, N. J.—Charles E. Seldman is with Denton & Co., Inc., of 805 Main Street, Hartford, Conn.

A Technical Stock Market Forecast

(Continued from page 2)

and interpret them. The job of analyzing the formations alone is an eight to 10-hour a week job. Is all of this work worthwhile? I think so. Are the technical interpretations 100% correct? Of course not. There is no magic, or crystal gazing or star reading or necromancy connected with the technical interpretation. The findings are based solely on the supply and demand patterns of the various graphs. Is the selling more important than the buying? Are previous resistance points being violated? Are stocks being distributed or accumulated? The answer to these questions should be contained in the various technical indicators. A great deal depends on the individual interpretation of the pattern. I am satisfied if the findings are 70% to 75% correct. There are thousands of people who endeavor to interpret market action by spending a few minutes a day drawing various patterns on chart paper. It is not as simple as that. It is an eight hour a day job unless you have someone else to do the manual labor. Even so, for the first five or six years you will just be fumbling at the outskirts of knowledge. Even after 15 years, you will make plenty of mistakes. So much for the background. I wouldn't have mentioned it at all, except that your chairman suggested it.

Technical Versus Statistical Interpretation

Which is the more important, the technical interpretation or the statistical interpretation? I think they are both important. However, I prefer to consider the technical pattern of primary importance and the statistical background of secondary importance. I use the statistical background as a check on the technical pattern. If both seem to agree, action should be taken. This, I admit, is contrary to the usual approach. My main reason for using this approach is based on changes in the psychology or frame of mind of the investor. This is the element that varies. Why is it that at some times an issue will be valued at 15 times earnings and at other times the same issue will be valued at only five times earnings? If a stock is earning $5 a share this can mean a pricing of $75 a share or $25 a share on the same earnings, depending on the state of mind of the investor. This is particularly important today when the investing public is subject to so much, shall we say, propaganda of various forms. In the '20s we had a few expressions of opinion from economists, bankers, business executives, high government officials, and a minute number of government economists. Today, there is a radical change in the picture. No matter where you turn somebody is predicting something. The same individuals mentioned above are still doing business at the same old stand except that the government economists far outnumber the rest. Some of these government economists or bureau heads are capable men, others are gentlemen with political axes to grind. They have former backgrounds of being high-powered advertising executives or farm journal editors or social service workers. Their opinions, while unimportant, are publicized so that the general public listens. We, also, have labor union economists who are expressing opinions. (Incidentally, these boys, in the main, are above average, and although their opinions are obviously colored, they have a lot more on the ball than some of the economists and publicity agents used by some of the larger business organizations.)

Everybody Has an "Inside" Opinion

We, also, have various "inside" interpretations from Washington as contained in the numerous weekly letters. Then we can turn to the financial pages of the Sunday papers and get the latest advertisement of Major Angus and other financial services. In addition, we have opinions from various semi-pros and amateurs. One has only to open the daily paper or listen to the radio to hear the latest opinions on the state of the nation by Walter Winchell, Drew Pearson, Mrs. Roosevelt, or Frank Sinatra. Mr. Stalin and Mr. Molotov have also expressed considerable concern about our economic situation. Most of these opinions may seem unimportant to the informed person, but they do have an effect on the general public. For example, let us suppose that all of us were gathered together in this room on May 29th, 1946, the day when the Dow-Jones industrials hit their high of 213. Let us further suppose we were all gifted with second sight and knew the earnings of all companies for the last half of 1946 and the first half of 1947. Would you have bought or sold stocks? The answer is obvious and yet we all would have been wrong because the averages declined 52 points or 25%. The reason was the state of mind of the investing public, something which could not have been predicted by the statistical approach. Perhaps when the much postponed depression or recession or adjustment occurs, the market will be moving sharply higher in anticipation of a boom a year hence. Let us hope that the boom will not be as elusive as the depression. The depression which was predicted as early as 1945 has now been shifted ahead to late 1947 or early 1948. But then I haven't seen the latest ticker items. The date may have been changed while we have been meeting here. Possibly, an analysis of the technical pattern of the market may be helpful. Here is the way the picture appears to me.

To thoroughly analyze the long-term technical pattern it is necessary to go back to the 1937-1938 decline. That decline culminated in a low of approximately 98 in the Dow-Jones Industrial average in early 1938. The decline was followed by double tops of approximately 157 in both 1938 and 1939. From there, during the period of the fall of France, Pearl Harbor and the unfavorable early war news, the market declined to a low of approximately 94 in April of 1942. It is my opinion that the base for the advance, from 1942 on, was formed in the four-year period between late 1937 and April, 1942 in the 94-157 range of the Dow-Jones industrials. During this period, the averages and industrial stocks built up tremendous base or accumulation patterns. The ultimate objectives of these base patterns in the averages have not yet been reached. My work tells me that the ultimate objective is above 350 in the Dow-Jones Industrial Average. When this objective will be reached, I do not know. If the market follows the pattern of previous postwar markets, it will be reached in the period between 1952 and 1955. An advance of the same or greater proportions is indicated by other averages, but rather than confuse the issue by introducing other figures, I am confining my predicting to the Dow-Jones industrials.

Basic Advance Started in 1942

The advance that started in April, 1942, met a temporary interruption in mid-1943 when the averages declined about 10% from 145 to 130. From early 1944 to February, 1946, the advance continued, without any important interruption, to a high of 207. Then, another 10% correction occurred that brought the averages back to 185. From that point on, the industrials rallied to reach a high of 213 on May 29. However, the rail average penetrated the February high of approximately 68 only fractionally and failed to confirm the uptrend of the industrials. In the early part of July, the industrial average penetrated the 199 level, which had previously been a strong support level and reacted to fractionally below 195. At this stage, I addressed this same group and expressed the opionion that the trend was down and that the probabilities favored a breaking of the February low and on ultimate reaction to about 174. Subsequently, the averages rallied back to 205 and broadened the distributional area to indicate a decline to the 170-175 area, depending on whether the half point, one point or three point chart count was used. This gave me the 170-157 support area which I have been consistently advising as a buying zone for the last 10 months. However, in checking the price objectives of the 1937-1942 base area for individual issues, it was discovered that a great many issues had, at their 1946 highs, reached their long-term price objectives, thus indicating an end of the move and the necessity of forming a new base pattern before another move was indicated. In the great majority of cases, these issues were in the consumer or soft goods group, such as department stores, distilling issues, moving pictures, luxury items, etc. It was also discovered that the base patterns of a great many other issues indicated ultimate objectives considerably above their 1946 highs. Such issues were, in most instances, in the heavy industry group. This would indicate that the market leaders of the next stage of the bull market will be in entirely differenct groups and that the previous market leaders will be relegated to the background. The broad distribution area built up during the early part of 1946 indicated a sizable reaction, both in the averages and in the individual issues. The down swing occurred in several waves with the averages extending the lower range of the 160-170 area on five or six different occasions from September, 1946, to May, 1947. Individual issues also did not reach their downside objectives at the same time, but were spread out during the September to May period. One of the earlier issues to reach its downside objective was Chrysler, which indicated a dip from 140 to the 84-74 level and actually made a low of 75¼. One of the later issues to reach its ultimate downside objective was American Telephone, whose distribution area indicated a decline from over 200 to 152. This objective was reached just recently. During this nine-month period between September and May, the averages have built up a substantial base pattern. When the averages penetrated the downtrend lines drawn through the May, 1946 and February, 1947, highs, the trend was definitely indicated as up and bore out my contention, reported over and over again from September, that the 170-160 area was a major buying range. The base area built up in this range indicates that the 196-201 area is the objective of this intermediate term upswing. After that, I would expect a corrective phase that may carry back to 185-180 level before the advance is again resumed This next upswing should decisively penetrate the 1946 highs. I expect the advance to be extremely selective. Charts of individual issues show quite diverse patterns, with some issues, such as the oils, having apparently completed their accumulation area and in an advancing phase. Other groups still apparently have further consolidating moves before their base pattern is completed. The groups which appear to have the most advanced technical patterns and indicate sizable appreciation possibilities are the oils, chemicals, automotive equipments, agricultural implements and some of the heavy machinery issues. This list is by no means all-inclusive. There are many issues in other groups that also indicate substantially higher levels.

196-201 the Intermediate Objective

While I expect the intermediate term objective for the advance to be the 196-201 area, I would be inclined to be cautious at this stage of the advance. The rally from 162 to 183 has been rapid and would expect a correctionary phase or, at least, a consolidation period before the ultimate intermediate term objective is reached. I would expect any decline to meet strong support in the 178-175 area.

In analyzing the more favorable groups, the oils, as I said before, have the most advanced patterns. They have broken out of their base area and indicate higher levels over the intermediate term. For example, Barnsdall indicates 41-45, Gulf Oil 86-89, Standard Oil of N. J. 92-100. One of my favorites in this group is Cities Service which we have been recommending in the 26-29 area. It may have reached temporary resistance at the market in its quick run to over 39, but it appears to be a purchase in the low 30s. The ultimate technical indication is above 60.

Chemicals Technically Attractive

The chemicals also have attractive technical patterns. Union Carbide has broken out of a large base area and indicates a price objective of 154-157. du Pont has also broken out of its price range and indicates an ultimate objective of around 300. American Cyanamid also looks attractive. The automobile accessories also have favorable technical patterns. They have not yet broken out of their base area, but believe they will shortly. My favorites include Borg Warner, Doehler Jarvis and Electric Autolite in the higher-priced group and Houdaille Hershey and Mullins Mfg. in the lower-priced group. My selections in the farm emplement field are Deere & Co. and Oliver Corp. In the heavy machinery group, E. W. Bliss is outstanding with a price objective of over 50. National Supply also appears to have a favorable pattern and indicates an objective of around 30. Worthington Pump is still in a trading range, but has dynamic upside possibilities. Other favored issues in other groups include Chrysler with an ultimate price objective of 160, Pepsi-Cola, which I believe will sell around 55, and United Fruit, which indicates above 75, and Westinghouse Electric with an indication of 38-40. Other issues that have not yet penetrated resistance but have potentially favorable patterns, are Colorado Fuel, Howe Sound, Phelps Dodge and Shamrock Oil and Gas.

Let me again repeat that while I believe the intermediate term objective is about 196-201, the pace of the recent advance has been rapid and I would expect a correction or at least a consolidation from these levels. I would buy on dips.

Accomplishing Economic Stability

(Continued from page 6)

"to maintain take-home pay," "to increase purchasing power," "to close the deflationary gap," etc., etc. Thus despite the fact that our problems today are so utterly different from those of the 1930's we seem to have a recrudescence of what was then called "pump priming." Today's "pump priming" has a more elaborate rationalization in what is miscalled the "purchasing power theory of wages."

In plain language, it is the simple essence of this theory that, by taking toll of consumers in general, for the benefit of selected groups of organized labor, the total of our purchasing power is somehow increased. Our total purchasing power is somehow supposed to be increased, for example, by giving consumers less coal—and less of all the things that coal helps to make—for their dollars, in order to give the John L. Lewis constituency some $13.00 a day for digging it.

Whether $13.00 a day is too high, too low, or just right is *not* the point at issue. What is at issue is the straightness of the way we think about it.

Our total purchasing power cannot be sustained or increased by taking it away from consumers in general for the benefit of this, that, or some other occupational group. In fact, even these organized special occupational groups reduce each other's differential gains—because these groups are themselves made up of consumers.

The essential process of robbing Peter to pay Paul cannot make both of them better off—even though Peter eventually gets around to taking a turn at robbing Paul, with the protest that his purchasing power has recently been reduced. And far too many —in fact most of our consumers, whose purchasing power is reduced by rising prices, have no prospect of *ever* getting *their* turn.

These successive wage jumps have not translated themselves into mass unemployment only because of the war-created liquidity of individuals and business. They leave lagging many wage rates and incomes of some sectors of the economy and may in time make it difficult to clear all markets.

The uncertainty of fiscal and monetary policy and of wage and tax policy has placed a considerable cloud over the future of business. A year or two of good profits promptly sets the labor movement on fire, causes high administration officials to encourage further wage increases and to denounce profits and organize a campaign to "talk down" prices. In spite of good profits as a whole, investors hesitate, enterprisers and risk-takers hesitate in uncertainty and the stock market follows a cautious course, not conducive to equity-financing. When the outlook is uncertain, the chances of recovering investments become dim, to say nothing of the chances of earning a return on the outlays.

If this is a valid, though unduly brief and over-simplified analysis, what can your Committee do to set straight the thinking of our people so that proper balance may be restored? The Nation's concern with industrial potential in terms of both national defense and a rising standard of living, should indicate the supreme importance of this matter.

The substantial profits earned by American business today (between 4 and 5 cents per dollar of sales, or 3.5 cents per dollar of assets) are not earned by an omnibus corporation, but by hundreds of thousands of separate enterprises. Meantime, railroads, airlines, aircraft manufacturers and others are operating close to the break-even point or at a loss. We must permit those adjustments which will keep the *individual* enterprise producing those things which the consumer wants and is willing to pay for. For this reason *average* wage rates, *average* profits and *average* prices, cannot tell us whether danger points are beginning to emerge. There is always danger in the use of these aggregates, because *incentives* are individual.

Because correctives must be individual, selective and designed to fit the specific malady, it is very difficult for government to do anything positive about these problems. Government usually uses a *generalized* remedy, which has little capacity to cure the particular sore parts which need corrections. It is only as the government and special interests help to open the way for natural adjustments to make themselves operative, that permanent remedies can be developed.

Because of lags in prices and costs, current profits may be misleading. It may take from a few days (an automobile manufacturer) to many years (a job printer) for the full effects of a general across-the-board wage increase, say in steel, to make itself fully felt in all sectors of the economy. Only when the printer replaces his presses and other equipment will he be confronted with higher steel prices. For this reason, it is probable that many businesses have not yet felt fully the rise in the *wartime* wage increases, to say nothing of the several postwar increases.

Depreciation rates are generally calculated on the historical cost of equipment. When the day of replacement comes, businesses generally will be confronted with much higher replacement costs. The large aggregate net cash and other liquid assets may not help the individual enterprise. Many of them will have to borrow, and others will issue stock if the market is favorable. In other words, we face a very considerable problem of not only capital expansion, but also capital replacement. It will not be easy.

The Committee's Tasks

Your Committee, Mr. Chairman, must be concerned primarily with legislation. It must also be conscious of the problems of administering existing and new legislation—that is, *legislation in action.*

But in economic affairs things usually are not what they seem. Social security may bring some security to the individual, but it has many repercussions on fiscal policy, on work incentives, on the mobility of labor, on the application of labor and the allocation of resources. A low interest rate saves the government some debt charges; but it may cause excessive demand for capital and discourage thrift, under certain circumstances. It may help create an old-age problem for the government by driving down earnings from savings, and it forces upward (inflation) a revaluation of all earning assets—farms, real estate, etc. A new minimum wage law may say to the worker, "You shall not work for less than 75 cents an hour." Does the law, however, assure the worker of a job? Does it stimulate inflation? Would it at other times retard recovery?

In considering legislation, the Committee should always examine the full implications as to its effect on costs, on prices and on output. There is always great danger of fixing one's eye on one of these and ignoring the compensatory and other reactions set in motion by a law or ruling, which may be adverse with respect to the one or both of the other factors.

The Committee must always be conscious of the inter-relation of wages, prices and profits, the cost of borrowed capital, the problem of incentives. It must always be conscious that there is great danger in dealing in generalities and aggregates. Profits are not earned by "business" but by innumerable separate concerns. Perhaps nobody earns the average wage rate.

It has been said that no *progress* was made in determining whether or not civilization had progressed until the concept of "progress" was broken down into its constituent elements: Freedom from pain, from suffering, from oppression, freedom from tyranny of government and tyranny of private groups, central house heating, reduction of cares, adequate and balanced diet, etc. The Committee, to be most useful, should similarly tackle these basic overall problems by breaking them down into the forms in which they are in reality, and then examine their interdependencies. We know now that Government-inspired, 18-cent-per-hour wage increases, for example, were too much of a "blunt instrument" type of therapy. They had an enormous differential impact and solved no problems.

Basic Methodology

The Committee members should ask themselves from time to time:

(1) What is there that we don't like about the present economic picture?

(2) Can the Government really do something about this picture?

(3) If the Government does what is proposed, what secondary and tertiary effects, which are not wanted, will flow from the action taken?

(4) Is it possible to determine in advance the short-run, the long-run and the intermediate-run implications of this or that projected policy?

(5) If the Government did all that needs doing, would it do a really good job, and what kind of economy would we have?

(6) How far would the Government have to go in many details and many directions in tying up the loose ends in this sector or that aspect of the economy if proposed policies are to be carried through?

Basic Philosophy

We have taken our form of government and our voluntary economic system for granted for a long time. Except in the case of revolutions, the loss of liberty has occurred largely on a concealed step-by-step basis. Governments were pressured into bringing about cures, and, having failed to heed the foregoing standards, these cures frequently set in motion so many adverse effects that the economy bogged down and malfunctioned to the point where more cures seemed called for.

Fortunately, the Employment Act of 1946 throws its authority in favor of a voluntary individualistic society.

We have not been fully conscious of the perfectly enormous virtues and potentialities of this type of society. The 3.6 million separate business enterprises plus 6 million agricultural enterprises provide our economy with nearly 10 million foci of energy, of drive and of ambition. Most of these enterprises are engines for fostering capital formation. Most of them are ever alert to use more mechanical horsepower per worker. Many of them are looking for innovations and improvements. We have 10 million places where experiments may be tried, where no outside authorization is needed to launch the new—all driving the standard of living of our people upward.

Our economy operates under about 10 million separate, private business budgets. No regimented or overall planned economy can hope to compete in the dynamic drive that an economy has which possesses nearly 10 million individual centers of initiative. Economic progress with a rising standard of living for the masses is absolutely assured under this system if we can bring peace to the world and can create domestic peace and coordination between savers, investors, management and labor, between government and its citizens and groups.

The Chamber of Commerce would like to assure you that it will do everything in its power to help make this voluntary society function effectively. This does not mean complete freedom from government. Government has a role to play, primarily in establishing the rules of the game, in creating a sound currency and banking system, providing statistical information not otherwise available, and in administering the now very large budget in a way which will release incentives where they need releasing most.

Of importance at least equal to the future potential economic progress under our system is the fact that we retain personal and political freedom under it. "All power corrupts and absolute power corrupts absolutely," said Lord Acton. Under a competitive economic system we have a great diffusion of power and authority. (An asset we have lost in parts of the labor supply.) No one business establishment can have much enduring power over you or me. Government should foster an anti-trust policy which, while not hostile to so-called big business, will forever keep open the opportunity to launch new enterprise. This is the source of liberty, freedom and economic progress. "Freedom of entry" should become the foundation of anti-trust policy for both economic and political reasons.

Before war's end our Committee on Economic Policy prepared "A Program for Sustaining Employment," a brief pamphlet setting forth practical policies for business, for labor and for government, designed to bring high level stability to our economy. If in your judgment, Mr. Chairman, a useful purpose would be served thereby, we shall be glad to have you include this pamphlet in the record of these Hearings.

But again we want to emphasize the enormous difficulty of achieving economic stability, unless we can achieve international peace and bring about a genuine peaceful state of mind throughout the world.

Flexible Public Debt Policy

(Continued from page 9)

should then enact a tax program based upon a level of national income, one which could be assumed to employ substantially everyone; that would produce total revenue sufficient to meet not only the range of expenditures fixed, but would provide, say $2 or $3 billion in addition for debt retirement. If the national income exceeds the level used as a basis for the tax program, the Treasury would receive more revenue, in which case it could consequently retire more debt. On the other hand, if the national income should decline below the prescribed level, the Treasury would get less revenue and thus have less surplus with which to retire debt.

A Plan of Automatic Tax Reduction

As a further desirable step in this program, it would be extremely helpful if the Congress could adopt some method whereby taxes could be reduced automatically when it definitely appears we are heading for a depression. A sharp tax reduction first under such conditions would, it seems to me, be the best and the most effective stimulant that could be offered. To be most effective it would have to work quickly, and it would lose much of its effectiveness if it had to wait months while the Congress debated the subject, and while the country was sinking lower and lower into a depression.

As a part of this overall policy, as much as possible of our whole public works program should be held up during prosperous times, and State and local governments should be encouraged also to hold back on their programs; although plans for proceeding with these programs should be formulated and constantly kept current. Then if the automatic tax reduction does not provide the necessary stimulant, we could go forward with the delayed public works program of both the Federal Government and the State and local governments. From the standpoint of the taxpayer depression periods would seem to be the most favorable time for proceeding with these public works programs because they would be carried on during a period of lower prices, and at a time when they could stimulate employment; and for this reason they would be most beneficial to the country as a whole from the standpoint of economic conditions.

Now I would like to say a few words about some criticisms that have been directed at the fiscal authorities. One, for not refinancing the bank-held debt with a longer term bond at a higher coupon rate, which would be available to only permanent non-bank investors. The other is criticism of the Federal Reserve System for not being more independent in taking control of the credit situation. I wonder sometimes if the critics looked closely at the record. As for the first criticism, I think they have overlooked the fact that the Treasury has during the past year refunded a substantial amount of the short debt into long-term debt. You will recall that it borrowed more funds than it needed in the Victory Loan Drive of December 1945, largely because of the huge amount of long-term 2½% bonds sold to non-bank investors. The proceeds of these borrowings were used over a period of a year beginning March 1946 to retire for the most part certificates of indebtedness held by the banks. In view of the fact that further refunding of the short debt into long-term will result in a higher cost of carrying the debt, we must use great care in any such program to see that it meet those tests, but they should credit and debt management policies. No doubt there will be occasions when such refundings will meet those tests, but they should be arranged so as not to deprive any funds available in the market from going into private investment opportunities, and so that we do not bring back into use the practice used during the War Loan drives whereby non-bank institutions sold shorter term obligations to the banks to raise funds with which to subscribe to the non-bank issues put out in those drives. That operation only added more money to the already oversupply and further monetized the debt. I have no fear that the fiscal authorities will adopt any program which will bring this practice back into use.

Federal Reserve Independence

Criticism of the Federal Reserve System to the effect that it is not doing its duty as defined by the Congress and that it has come under the jurisdiction of the Treasury, seems to be to be not founded on fact. I have never felt that the Federal Reserve System has lost any of its independence or prestige. It certainly has developed its own independent views about credit policies, has advocated them strongly, and it has carried some of them through on its own independent motion. I must insist that it has done a magnificent job in maintaining a stable market and in helping in other ways to manage the debt. But earlier in this talk I referred to the fact that the debt is now so vast that it is a major factor in our economy and that no important decision on our economic front can be made without considering its influence. You just cannot discuss credit and monetary policy now without bringing into the picture debt management in all of its phases. This only means that the Treasury and the Federal Reserve System have to work together on all of these interrelated problems with due regard for each others' responsibilities. There are bound to be some differences, but they are not and never have been insurmountable, and I believe that whatever there were they are being gradually overcome to the benefit of all.

In closing I should like to say that while the debt is large, I see no reason to worry unduly about it. I think it can be managed, but it does have to be watched. In its debt management work the Treasury should, of course, keep its policies extremely flexible, keep constantly alert to changing conditions, and it should continually resurvey the position of the various investor classes in the light of the current economic environment. Thus, in the atmosphere of full awareness, the Treasury will be in a position to do the right thing at the right time. I know the officials in charge of this important task are as anxious to do a good job of managing the public debt as you are to have them do it.

But it is inevitable that there will be some disagreement on debt management policies among bankers, businessmen, economists, etc. There are always many sides to a given issue—particularly one as large as this. Even in the field of debt management this is a constructive thing because it emphasizes the alternative courses of action open to the fiscal authorities. I am sure that the Secretary of the Treasury and the Federal Reserve officials are anxious to get all sides of the important questions involved in public debt management, so that they can give proper consideration to them before making their decisions. It is the duty of the Secretary of the Treasury upon whom the Congress has placed the responsibility for properly handling the public finances, to weigh all points of view in reaching decisions on public debt management. I am sure that these decisions will always be made in the best interests of the country as a whole and not just in the interests of a few.

Donald S. White Forms Own Investment Firm

Special to THE FINANCIAL CHRONICLE

CINCINNATI, OHIO — Donald S. White is forming D. S. White & Company with offices in the Union Central Building to engage in the securities business. Mr. Schultz was formerly local manager for L. J. Schultz & Co. for many years.

Charles Graham Opens Firm in San Antonio

SAN ANTONIO, TEXAS — Charles R. Graham has formed Graham and Company with offices in the Frost National Building. Mr. Graham was previously a partner in McRoberts, Graham & Co.

With Vercoe & Co.

Special to THE FINANCIAL CHRONICLE

COLUMBUS, OHIO — William F. Pryor has joined the staff of Vercoe & Company, Huntington Bank Building, members of the New York Stock Exchange.

Economic Instability: Causes and Remedies

(Continued from page 18)

possible as Government expenditures are reduced. We in CED have a deep conviction that tax reduction is essential to the dynamism of the economy. On the need for tax reduction there is widespread agreement. The issue is how much and when. Part of the present Federal cash surplus arises from abnormally inflated prices and incomes in some parts of the economy which will come back into line as competition reasserts itself. There are, moreover, uncertainties as to the demand for exports. In the present circumstances with less than two million unemployed, numerous shortages and inflated prices, a substantial cash surplus is needed. In view of the uncertainties we face, we should be conservative in applying the principle of balancing the consolidated cash budget at high employment. We should proceed by steps, putting into effect a partial but substantial cut in the near future and further cuts later as we can see more clearly the level of national income to be attained under a stable price level at high employment. But we must get taxes down from their wartime levels—and that means continued, vigorous efforts to reduce Federal expenditures.

The great need, of course, is for a recast of our tax system aimed at producing the needed revenues with a minimum of interference with the attainment of dynamic stability. In 1944, CED issued a policy statement under the title of "A Federal Tax System for High Employment." We are now engaged in a restudy of Federal taxation and expect to issue a report on the subject early this fall. Copies of the 1944 statement are available to any one of you who wants it.

Unemployment Compensation—So far we have made only limited use of unemployment compensation as a social tool, but its effectiveness has been dramatically demonstrated. It gives people the confidence in continuity of income which is so essential to the achievement of greater stability in our economy. It also makes a tangible contribution through maintenance of purchasing power. We should not allow the circumstance that there has been considerable mal-administration of unemployment compensation insurance blind us to its benefits. Our aim should be to extend it as far as practicable to all workers, and to increase benefit standards in those states where standards are now low. Payments, of course, should not be large enough to make unemployment attractive.

Monetary and Credit Policies—If it were possible to do business by barter, we should have little, if anything, in the way of booms or busts. Booms occur when people, businesses, and governments in total try to increase their expenditures by drawing down their cash balance; or by borrowing (especially from banks). Busts occur when they try to decrease their expenditures to accumulate more cash or pay off debt (especially bank debt). I say "especially bank debt" because the money supply rises as banks increase their loans and investments and falls as they decrease them.

Money and credit provide the medium through which booms and busts cumulate and feed upon themselves. The severity of the great depression from 1929-32 was induced by large scale liquidation of debt and a sharp contraction of the money supply. The war and postwar inflation we have been going through was induced by enormous expansion of public debt including heavy bank borrowings and concomitant creation of additional money.

In so far as possible, it is desirable to reduce the cyclical expansion and contraction of money and credit, and even, perhaps, to change it to a counter-cyclical pattern. But in this area, it is easier to state objectives than to show how to achieve them.

Some few points are clear, however. In prosperous times, loans should not be made which will turn sour in a depression. In a period of depression, loans should not be called if they are still good risks. Bank examiners should bear down more heavily in good times than in bad. Federal Reserve discount, reserve and open market policies should be directed to restraining the expansion of credit in periods of prosperity and easing credit in periods of depression.

Money and credit are areas in which many billion dollar questions remain unanswered. We need more research to find out what happens to money balances, cash flows and credit in business fluctuations. We need also a careful realistic appraisal of our money and credit institutions to see whether they could serve us better, contributing less to instability and more to the stability of our economic system.

Foreign Trade—Our objective should be the increase of peaceful trade among the peoples of the world. The postwar prosperity of all nations and prospects for continued peace would be advanced by the re-establishment and increasing development of world trade. The interchange of goods, international travel, and communications between peoples can make for better world understanding. If the barriers to trade increase after the war as they did before the war, each nation will have to look inward, primarily to its own resources, and the higher and richer ways of life made possible through world trade will be lost. The pressures to restrict are strong; vigorous effort to expand world trade is necessary to overcome them.

The United States has a major interest in the expansion of world commerce. We are a powerful industrial nation. We need vast quantities of goods and services of many kinds. Normally we have a large margin of efficient, productive capacity which can be put to work making things for international trade. We can exchange these things with the people of other countries who, themselves, make other things available for trade—other things better or cheaper or different than we can or want to make.

A restrictive course by America toward foreign trade is contrary to American interest. It will be followed by restriction abroad. Inevitably pressures will be built up which will limit private trading and foster trading on the part of governments. Governments which have a monopoly on international trade find it quite natural to expand their controls over domestic trade.

In my opinion, we should give full support to the State Department in the battle in which it is now engaged to bring about a great reduction in the artificial barriers to trade between nations, whether they take the form of tariffs, import quotas, restrictive exchange practices, subsidies, or restrictive business agreements.

In the world situation today, however, a vigorous program to reduce tariffs and remove trade barriers is not enough. There is overwhelming need for world reconstruction and rehabilitation.

The first step should be a realistic appraisal of world needs, as has already been suggested by ex-President Hoover. The next step is to propose, as Secretary Marshall already has in the case of Europe, to the country or countries which need help, that they themselves develop a plan of action for their own reconstruction. Once we have an accurate picture of the needs and sound programs we should, in my opinion, within the limits of our resources, extend help to get these countries back on their feet. If we do nothing and wait for the world to fall to pieces, Russia will be there to pick up the pieces.

The greatest single contribution which the United States can make to high levels of trade and employment throughout the world is to maintain a high level of employment, production, and consumption within its own borders. In serving ourselves by maintaining our own prosperity, we serve all other countries as well.

Agriculture—On this subject, I should like to refer you to the testimony of Chester C. Davis, Vice-Chairman of the Research and Policy Committee of CED, which he presented before the Agriculture Committee of the House of Representatives June 7, 1947.

In passing, I quote from the concluding section of his testimony:

"We have to try to see farming in the right perspective in our complex modern life. It is impossible to consider agriculture by itself, the way you can fence off and cultivate an eight-acre field. All of our interests are interwoven in a tight, complicated, fast-moving economy. In the long run, conditions under which farmers raise and market their crops will be greatly influenced if not controlled by developments entirely outside of agriculture. Decisions in foreign capitals, in the houses of Congress, in board rooms of great corporations, or in labor union halls will help determine whether farmers suffer or prosper in the years ahead.

"If I could be granted the fulfillment of one wish for the growth and prosperity of agriculture, it would be this: let the nonagricultural industries and labor find the way to keep working at full efficiency and capacity turning out goods and services that can be absorbed by this country in a high standard of living—in better homes, equipment, electrification, refrigeration, sanitation, clothing, *ad infinitum*. With steady work and efficient production, prices could go down without cutting profits or wages. Real wages would increase, for the laborer is like the farmer—it isn't the number of dollars, but what he can buy with his product or his labor, that counts.

"Under such conditions, the farmer could produce abundantly and still trade on good terms for what the other man makes; he could prosper at lower price levels. I think that really is the way out."

Industrial Peace—The views of the Research and Policy Committee of CED on some of the problems in attaining industrial peace were presented in a policy statement entitled "Collective Bargaining, How to Make It More Effective," issued in February, 1947.

Instead of attempting to summarize that report, I should like to leave a copy of it with you. We are continuing our study of the subject and hope to issue another policy statement as our staff research progresses and as we clarify our own views on the remaining issues.

This discussion of the responsibilities of government in maintaining high productive employment is not exhaustive but it does highlight the major areas we have studied in CED.

Responsibilities of Businessmen

To help make our economy dynamic and stable there are certain things that businessmen can do.

The primary responsibility of a businessman is to operate his business profitably. He owes this to his stockholders, his workers, his suppliers, and customers, and the public. Only a profitable business can offer security and opportunity to its employees.

Operating profitably requires constant efforts to increase efficiency and lower costs. Only through use of better equipment and better methods can workers continuously raise their output. Only through such increased productivity can workers obtain higher and higher real wages.

Businessmen must push forward the search for new products and services. New products can enrich our lives and fill needs of which we are unaware today. Radio is the most recent example of such a product. We can get some idea of the debt we owe commercial research if we stop to realize that more than 50% of our people today are employed in manufacturing and servicing products that were unknown 50 years ago. The automobile industry alone provides jobs for over a million people. Whether you design a new airplane or work out a better way to deliver milk, you have added to the total dynamics of our economy.

Businessmen should exercise scientific control of sales expenditures. If we are to have stabilized market demand, selling pressures must be maintained—perhaps increased—at the first sign of a decline in business. We must avoid spending sprees when business is good, so that reserves will be available when extra pressure is needed. I know of no single way business managers can do more to help stabilize market demand than through greater stabilization of sales and advertising expenditures.

Every employer should regularize employment to the greatest extent possible. Much already has been done, but we can do more to flatten out the seasonal curve of employment in individual businesses and industries.

Businessmen should avoid unnecessary expansion of inventories and launching of capital expenditures in boom times. Such action is limited by operating needs and costs, but when opportunity exists such policies should be pursued in the interests of stabilizing the operation of other businesses and thus of all business.

Businessmen should look to the long run in their pricing policies. This means foregoing additional profits now in order to expand markets, improve competitive position, or encourage greater internal efficiency. Lower prices and greater volume will not be possible, however, if in the future we continue to have each year a tidal wave of wage demands unrelated to increases in productivity. Such demands, if granted, result in higher prices, lower output, less employment.

Participation in a sound program for industrial peace is a responsibility of employers. They share this responsibility with labor leaders and in special cases with government. In this connection I refer again to the CED policy statement on Collective Bargaining.

It is the responsibility of every business leader to provide conditions which will encourage the growth and development of those associated with him. Far above the responsibility of management for its products are its responsibilities for its people. Business managers are in a very real sense the trustees of the potentialities of those who work for them. It is people who make a business. Show me a business where people are growing and I will show you a business that is making a true contribution toward a dynamic America.

Short-Run Measures to Cope With Boom or Depression

In coping with booms and depressions our main reliance should be on build-in dynamism and built-in stability. These should be supplemented by definite permanent policies in regard to public works and other deferrable expenditures and in regard to money and credit.

Only by adopting these basic measures and policies can we avoid the need to improvise in emergencies. Such improvising is dangerous. Emergency remedies are likely to be half-baked measures which fail to work as expected and which hamper rather than help full recovery and future progress. Only by achieving the maximum of built-in dynamism and built-in stability can we minimize the need for reliance on fallible human forecasts.

I recognize, however, that in coping with booms and depressions there are usually special circumstances in each case which provide opportunities for special temporary measures to supplement our basic policies.

Measures to Restrain Further Inflation—Today our productive resources are being used almost to the limit to meet the demands of consumers, businesses, government and foreign countries. While shortages are now being made good in one area after another, while some prices are declining, and while there are signs on the horizon that the demands for capital formation are beginning to ease, nevertheless we must recognize that the present situation is potentially, even though it is not currently, strongly inflationary. Consequently, I believe that many of the recommendations previously made by CED to fight inflation are still in order. These include:

(a) Continuing efforts by management, labor and government to break bottlenecks, increase productivity, and void interruptions to production.

(b) Restraint by all in raising prices, wages and salaries, in recognition of the common interest in avoiding a further wage-cost-price spiral.

(c) Restraint by individuals and businesses in making deferrable expenditures at the present time.

(d) A vigorous and continued effort to reduce government expenditures not urgently needed now, and to maintain sufficient revenues to yield a substantial excess of receipts over expenditures.

(e) A monetary policy to help prevent further expansion of expendable funds in the hands of the public. This includes restraint on the part of the Federal Reserve System and the commercial banks in the further expansion of loans and investments.

(f) A vigorous campaign to increase the sale of government bonds, especially E and F bonds, to the public.

(g) Limitation of exports to essential requirements of foreign countries, except for goods in fully adequate supply.

Measures to Counter Deflation—We should not get the jitters at the first signs of any slackening in demand. We have become so used to a sellers' market, that desirable adjustments in prices in response to normal competition are sometimes interpreted as evidence that depression is here.

We should be careful also not to over-correct. In particular a large-scale, made-work program could prevent needed cost-price readjustments and create additional inflationary pressures in the ensuing recovery.

Above all, we should beware of restrictive policies designed to protect special groups from the rigors of competition at the expense of the public. Such restrictions fence in segments of the economy and limit the opportunities for production and trade. We cannot achieve abundance by producing less, by artificially jacking up prices or wages, or raising barriers to trade. Higher tariffs, NRA type restrictions and a tidal wage of wage increases do not cure depression and they weaken the dynamic powers for expanding output and increasing productivity.

When a recession comes, businesses should take advantage of it by moving rapidly on planned capital expansion—to improve their competitive position at low cost in anticipation of recovery. This now makes as good sense as did bold expansion in the post-war transition to realize on expanded markets. As I have already suggested, sales and advertising effort should be maintained and intensified. And new products should be introduced in order to maintain volume and exploit the full opportunities of better times to come.

Government should take the steps I have already indicated in my discussion of the basic policies required for high employment. In particular, I refer to the fiscal and monetary policies appropriate in depression, including easing of restrictions on credit, and the prompt execution of previously-made plans for public works.

In addition, there are certain special measures appropriate to counter a deflation if it comes in the near future. These include:

(1) Reduce tax rates immediately so that the cash consolidated budget would be in balance at a high level of employment, if this has not already been accomplished.

(2) Liberalize or eliminate any remaining restrictive controls on production, trade or credit.

(3) Accelerate the stockpiling of strategic war materials.

These lists of special measures to combat inflation and to counter depression are short. They should be short. We cannot save our economy by repeated emergency measures. We must concentrate on building more dynamism and stability into the system and developing a body of continuing policy on which we regularly rely to offset the recurring tendencies toward boom and bust.

Beyond the measures which I have discussed there is need for intensive research by government, educational institutions and private groups on problems for which the answers are still obscure. The shockingly small amount that has been spent on fundamental economic research is a national disgrace. As a nation we have been willing to spend hundreds of millions of dollars for research in technology, but pathetic amounts have been devoted to research that will help build a society that will use that technology for the public welfare; that will administer that research wisely. The research going on in the principles of administration, in the understanding of our economic and social environment, and in the field of human relations is today tragically small.

In concluding this testimony I would like to shift from discussing problems to discussing prospects; in the first instance the prospects for achieving stability. In a free economy we can never have absolute stability. However, by adopting appropriate measures of the type I have discussed we can, I believe, hold the swing between the peaks and valleys to perhaps 15 to 20%.

We can live and prosper with that. We cannot live with fluctuations such as that which took place between 1929 and 1932, when business volume dropped more than 50%. Another collapse of that magnitude might cost us our free economy.

Now as to the prospects for further progress. If through wise action we can make our economy operate more effectively the real income of most of our people can be doubled within 25 years. We can largely realize the age-old dream of abolishing poverty. Most important of all, on this material foundation we can build conditions which will provide not only equality of opportunity but certainty of opportunity for every man, woman and child in this country.

The State of Trade and Industry

(Continued from page 5)

comparable part of 1946, and was almost double the production of the first half of 1939.

For 25 consecutive weeks beginning at the start of 1947, operations were maintained between 90 and 97% of capacity. The average for the full six months was 93.4% of capacity.

Hope that President Truman's plea for a stay in the rise of steel prices would be effective received a severe jolt this week when the price of steel scrap zoomed at all major markets, according to "The Iron Age," national metalworking weekly. "The Iron Age" scrap composite price this week for No. 1 heavy melting steel was only $1.92 a ton below the all-time high reached in the week of March 18 of this year. The composite price this week went from $35.58 a gross ton to $37.75 a gross ton, a jump of $2.17 a ton.

The average price of scrap this week is 54c a ton above the previous record made in June 1917 when the average price reached $37.21 a gross ton. More significant, and causing the steel industry considerable anxiety when viewing its operating costs, is the fact that the average price of scrap today in the three major consuming centers, Pittsburgh, Chicago and Philadelphia, is already $8.25 above the low for 1947 reached around the middle of May, the magazine states. Practically all of this increase has accumulated since the steel contract was signed earlier this year.

It was not known early this week just what practical effect the White House plea on prices would have. If upward adjustments are not made, earnings will fall off and some companies claim investors will not supply the money needed to further modernize and expand steel capacity, the paper points out. Labor rates both in steel and coal are fixed for the life of the contracts, but steel prices are subject at all times to the demand or lack of demand for steel products. Steel firms are also confronted by increased costs as the steel operating rate recedes from record levels.

There are some in the steel industry who early this week were privately voicing the opinion that the scrap price rise made necessary an increase in steel prices of more than an average $5 a ton. It is unlikely, "The Iron Age" notes, that any steel company would be willing to face public opinion and governmental censure by naming unusually high steel prices in the near future. The U. S. Steel Corp. is still expected to take the lead in posting new steel quotations.

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 91.5% of capacity for the week beginning July 14, 1947, as compared with 78.9% one week ago, 95.8% one month ago and 87.9% one year ago. This represents an increase of 12.6 points, or 16.0% from the preceding week.

The week's operating rate is equivalent to 1,601,200 tons of steel ingots and castings compared to 1,380,700 tons one week ago, 1,676,400 tons one month ago, and 1,549,100 tons one year ago.

ELECTRIC PRODUCTION 9.0% ABOVE A YEAR AGO

The Edison Electric Institute reports that the output of electricity decreased to approximately 4,530,533,000 kwh. in the week ended July 12, 1947, from 4,189,624,000 (revised kwh.) in the preceding week. Output for the week ended July 12, 1947, was 9.0% above that for the corresponding weekly period one year ago.

RAILROAD FREIGHT LOADINGS 7.4% BELOW 1946

Car loadings of revenue freight for the week ended July 5, 1947, totaled 629,204 cars, the Association of American Railroads announced. This was a decrease of 216,937 cars, or 25.6% below the preceding week, and 50,571 cars or 7.4% below the corresponding week for 1946. Compared with the similar period of 1945, a decrease of 97,459 cars, or 13.4% is shown.

AUTO PRODUCTION UP ABOUT 2,500 UNITS IN WEEK

Output of cars and trucks in the United States and Canada last week was estimated by Ward's Automotive Reports at 91,670, compared with 74,015 units a year ago and 114,318 units in the corresponding week of 1941.

The revised figure for the four working days of the previous week is 63,460. Last week's daily volume, accordingly, is up nearly 2,500 units over the previous week.

The above trade authority predicts that output for the current week may reach the 104,000 mark, unless difficulties arise.

SUMMARY OF TRADE

The volume of consumer purchases for the past week continued at the high level of the previous week and was moderately above that of the corresponding week of last year. Weekly comparisons of retail sales in the current year with those of 1946 measure at present two periods of free pricing; there was a temporary lapse in OPA controls after June 30, 1946. Clearance sales in the past week were numerous and consumer response to seasonal merchandise improved.

Wholesale volume in the week declined slightly from the level of the previous week but continued to exceed moderately that of the corresponding week of last year. Wholesale operations were somewhat curtailed by the Independence Day holiday and resulting four-day week.

COURSE OF THE STOCK MARKET

Termination of the coal stoppage and predictions of good business in the months to come had a strengthening effect upon the stock market last week. Stock prices advanced to new high peaks since Feb. 13, but by the middle of the week profit-taking induced sharp selling which turned out to be of short duration. On Thursday the market perked up and recovery of all of the previous day's losses was complete.

Both the steel and rail shares came in for much attention as a result of the labor settlement in the one case, and in the other by the forecast of the Association of American Railroads that earnings of the carriers will amount to about $200,000,000 in the first five months of 1947, compared with a deficit of $37,000,000 in the like period of 1946.

At the close on Friday prices were higher, in keeping with their advance for the seventh week out of the last eight.

BUSINESS FAILURES DIP IN HOLIDAY WEEK

Commercial and industrial failures fell off in the holiday-shortened week ending July 10 to the lowest number for any week since March, reports Dun & Bradstreet, Inc. Forty-nine concerns failed, representing a sharp decline from the previous week's 82. Compared with 1946, failures in the week just ended were over three times as numerous as in the corresponding week a year ago when only 15 concerns failed.

Almost all of the week's failures involved liabilities of $5,000 or more. Totaling 42, concerns failing in this size group turned down from 62 last week but exceeded by a wide margin the 11 reported in the same week of the previous year.

FOOD PRICE INDEX EDGES HIGHER IN LATEST WEEK

Continuing the upward movement of the previous week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 2 cents to stand at $6.41 on July 8, as compared with $6.39 on July 1. This represented an advance of 2.7% over the $6.24 recorded two weeks earlier, and was 31.3% above the comparative 1946 index of $4.88.

DAILY WHOLESALE COMMODITY PRICE INDEX RISES SLIGHTLY

During most of the past week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., remained at a slightly higher level than in the preceding week, although it declined rather abruptly on the closing day. This was due largely to an apparently sharp drop in wheat prices resulting from the adjustment from an old to a new crop basis. The index finished at 259.80 on July 8, as compared with 259.27 a week previous, and with 221.60 a year ago.

Grain markets were generally stronger last week with corn again the dominant feature in trading. All deliveries touched new seasonal peaks, with the July option reaching a new all-time high of $2.17¼ per bushel. Chief influences in the rise were the current outlok for a much smaller crop than last year, the extreme lack of country offerings and continued large premiums demanded for cash corn.

Other grains strengthened in sympathy with corn. Moderate quantities of cash wheat for export were secured by the Government. Buying of flour for export and domestic use was inactive but the price tone was stronger. Rice prices remained firm at the recent advance following decontrol of that cereal. Cash lard prices were irregular and slightly lower, but lard futures rose more than 2 cents per pound over recent lows as the result of active speculative trading.

After a firm start, cotton values turned downward the past week. Early strength reflected the rise of 12 points in the mid-June parity prices of the staple and the report that the Army would purchase 300,000 bales of American cotton to meet Japanese requirements before the end of October. The reaction in late dealings was attributed to liquidation influenced by uncertainty as to what the forthcoming Government report will disclose as to this year's cotton plantings. The general belief is that acreage for the new crop will be larger than the estimates of private authorities. Spot market sales were relatively small in volume and inquiries were very limited. Mill buying was largely for forward delivery with more interest displayed in new crop cotton. Reflecting the holiday and the seasonal mill shut-downs due to vacations, the carded gray cotton goods market slowed down perceptibly last week. Demand for print cloths remained strong and inquiries for broadcloth and sheetings increased. Prices were firm with occasional advances noted.

The improvement in wool buying noted in the Boston wool market during the month of June continued into the first week of July. Trading in domestic wools was very active and included large quantities of both government-owned and privately held wools. Substantial buying was also reported from growers in the wool growing States with fine staple wools commanding good prices. There was very little activity noted in foreign wools and offerings of fine foreign wools continued scarce. Prices in foreign primary markets remained firm.

RETAIL AND WHOLESALE TRADE BEARS UP WELL

Retail volume during the holiday shortened week reached the high level of the previous week and continued to exceed moderately that of the corresponding week last year, according to Dun & Bradstreet, Inc. in its current survey of trade. Clearance sales increased consumer interest in seasonal merchandise and last minute Fourth of July shopping lifted sales volume. The buying public continued to be descriminatory and response to low-quality goods was poor.

Food volume was steady at high levels with stocks of most foods abundant. Consumers purchased considerable supplies of picnic foods, cold cuts, dairy products and soft drinks. Sales of fresh fruits and vegetables declined. Frozen foods were in plentiful supply. Demand was good for meats, fish and poultry.

Mark-down sales stimulated consumer buying of seasonal lines of clothing. Beachwear, casual Summer dresses and men's lightweight suits sold well. Demand was brisk for sportswear, blouses and lingerie. Sheer hosiery in dark shades continued to be popular. Demand for accessories was confined principally to white purses and white gloves. Sales of fabrics and dress trimmings increased. Men's and women's shoes sold well. Consumers evidenced interest in Fall merchandise. Some orders were placed for Fall tailor-made clothing.

Holiday and mill vacation shutdowns resulted in a slight decrease in wholesale volume from the level of the previous week, but order volume remained above that of the corresponding week of 1946. Buying policies continued to be conservative with quality stressed.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 5, 1947, increased 8%* above the same period of last year. This compared with an increase of 3% (revised figure) in the preceding week. For the four weeks ended July 5, 1947, sales increased by 5% and for the year to date by 10%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to July 5, 1947, increased 13%* above the same period last year. This compared with no increase (revised) in the preceding week. For the four weeks ended July 5, 1947, sales rose 6% and for the year to date 9%.

*In using year ago comparisons for this week allowance should be made for the fact that last year many stores were closed for two days in observance of the Independence Day holiday whereas this year they were closed for only one day.

Production and Movements of Gold

(Continued from page 17)

and also gives an aggregate estimate of the amount of gold held in unreported reserves at the end of the years 1944, 1945 and 1946.

Total reported reserves rose from $25.7 milliard at the end of 1938 to $30.2 milliard at the end of 1946, i.e., by 18%. If account could be taken also of the change in unreported reserves, the percentage increase would no doubt be more considerable; it should be remembered, in particular, that at the end of 1938 the reserves of the United Kingdom, amounting at that time to a countervalue of $2,690 million, were included among the reported reserves, while it has not been possible to give a figure for the corresponding reserves as at the end of 1946. Attention may be drawn to the fact that the subscription of the United Kingdom to the International Monetary Fund was announced to have included £52 million paid in gold, from which it may be calculated that the British gold reserves on Sept. 12, 1946, were approximately £512 million net, a figure to be compared with a gross total of £642 million in gold and dollar balances held at the end of December, 1946. The equivalent of £512 million is about $2,060 million.

The most conspicuous increase in monetary reserves during 1946 is the gain by $623 million in the monetary gold stock of the United States ($159 million in the Exchange Stabilization Fund not being included in the table of United States gold stocks given herewith).

In the years before 1941 the increase in the U. S. gold stock was largely due to a flight of capital from Europe, with an additional reason for transfer of gold once the war had begun, in that dollars were needed for current payments (purchases of raw materials, etc.). After the United States had itself become a belligerent, the country began to use gold for payments abroad. In the period 1941-45 the U. S. gold stock was reduced by $2,673 million in all, this reduction corresponding to net exports of $566 million during the four years in question and an increase of $2,079 million in the gold earmarked in the United States; the two latter figures add up to about the same total as the reduction in the gold stock (the domestic production having lost in importance as a source of new gold).

But the figures from the trade statistics and the earmarking do not always tally with those showing changes in the monetary gold stock. According to the table above net imports of gold in 1946 amounted to $312 million, with a decrease of $465 million in earmarked gold, and domestic gold production was at the rate of $57 million, the three items together giving an amount of $834 million, while in the same year the increase in the U. S. monetary stock of gold was only $464 million. This figure does not include, however, changes in the gold holdings of the Exchange Stabilization Fund, which is administered by the U. S. Treasury. According to the review published by the Department of Commerce on "International Transactions of the United States in 1946," the net increase in the gold stock (including the holdings of the Exchange Stabilization Fund) is given as $623 million for 1946. The review also mentions that total net purchases of gold from abroad (including foreign gold going into industrial uses) amounted to $705 million. Deliveries of gold for industrial purposes would seem to have risen, the high level of prosperity increasing the demand for gold ornaments, etc.

Detailed U. S. statistics of imports and exports of gold to and from other countries being now published once more, it is interesting to note that in 1946, apart from minor movements, the United States received $344 million in gold from Canada and $119 million from South Africa, but exported $134 million to Latin American countries (excluding Mexico).

Next on the list as a recipient of gold in 1946 comes Switzerland, which added a net amount of $88 million to its monetary reserves, notwithstanding the efforts made to stave off conversions of gold into Swiss francs. In order to sterilize gold, so that its purchase should not increase the monetary circulation, not only have the Swiss monetary authorities sold gold coins, but the Federal Government had actually acquired as much as Sw.fcs. 1,239 million by the end of 1946 (Sw. fcs. 210 million during the year 1946), paying for the gold not with money derived from the National Bank but with funds borrowed in the market.

Cuba benefited by the sale of sugar and was able to increase its monetary reserves by $35 million. Apart from a slight increase in Italy, Belgium is the only ex-belligerent country in Europe whose reported gold reserves were higher at the end of 1946 than they had been at the end of the previous year.

Among the countries which report a reduction in their gold holdings for 1946 are France, the Argentine, Mexico and Sweden. If account is taken of unreported holdings, Canada likewise had a decline in its gold reserves during 1946. As mentioned in the report of the Foreign Exchange Board in Ottawa, exports of non-monetary gold, i.e., of gold from current production, amounted to Can.$96 million, while the official reserves of gold and U. S. dollars were reduced by U. S.$263 million—an amount which covered part of the deficit of Can.$303 million on the current account of the balance of payments in relation to the United States. The remainder of the deficit was met from other sources, including Can.$150 million in gold purchased from the United Kingdom in connection with the Anglo-Canadian Financial Agreement. For the whole year 1946 Canada had in its balance of payments with all countries a surplus of Can.$458 million on current account (the surplus being Can.$351, excluding mutual aid and relief), but in relation to the United States there was the above-mentioned deficit of Can.$603 million.

The U.S.S.R. has resumed the export of gold, the United States having, according to its statistics, received $34 million during 1946; but it is not known to what extent these and other exports of gold from the U.S.S.R. have affected the total of the country's accumulated gold reserves.

In 1946, France shows a reduction in the gold reserves by the equivalent of about $300 million, which is, however, less than one-half of the decrease (of about $700 million) shown for 1945. According to a statement issued on May 9, 1947, by the International Bank for Reconstruction and Development when granting its first loan to France, the official French gold and "hard" currency holdings were reduced from the equivalent of $2,614 million at the liberation to about $1,000 at the end of 1946. In 1946, a beginning was made with the requisitioning and liquidation of French-owned foreign balances. In addition, since its liberation, France has borrowed abroad the equivalent of $2,600 million, mainly in the United States.

Mexico shows a reduction of $113 million. Added to the value of the country's gold production (equal to about $17.5 million), this gives a total of $130 million, which is compatible with the estimate that, over certain periods during 1946, sales of Mexican gold averaged half a million a day.

Sweden's gold reserves rose from $160 million at the end of 1940 to $482 million at the end of 1945, moving around the latter figure until the Autumn of 1946. At the end of October the reserves still stood at $469 million. But a period of great losses then set in: by the end of 1946 the gold reserves were down to $381 million and in the middle of May, 1947, to $199 million. These losses were to some extent a consequence of the revaluation of the Swedish crown by 16.6% in July, 1946.

As may be seen from the table on gold reserves of central banks, the increases and decreases in the reported gold holdings cancelled themselves out in 1946, but for the unreported holdings there has probably been an increase equivalent to $200 million. This compares with a gold output of about $960 million, from which the conclusion can be drawn that some $750 million in gold "disappeared" into other hands than those of monetary authorities. One reason for this disappearance has no doubt been an increased industrial use of gold, but a considerable amount of the metal has gone into hoards, the distinction between the two destinations being no longer as sharp as previously, since ornaments may, like gold coins, appeal to purchasers as a form of wealth which can easily be concealed and, if need be, transported from place to place.

Hoarding of Gold

From about 1924 to 1941 the accumulated increase in the world's total gold stock resulting from the annual output of gold corresponded roughly to increases in the reported monetary reserves the industrial use of gold being probably met, by and large, out of scrap gold and such additions as from time to time, were obtained from hoards in the East, especially India, China and Egypt (this having been the case, in particular, in the years 1932-34).

A remarkable decline which began in 1942 in the reported gold stock was partly due to the hoarding of gold, but partly to a shift into unreported reserves, especially those of the British Equalization Account, whose gold holdings were largely reconstituted in the years 1942-45, after having been completely exhausted in the Spring of 1941.

The ways in which gold went into private hoards may briefly be described as follows:

(i) During the war, several governments, including the United States Government, sold gold in India, China and elsewhere for the primary purpose of obtaining local currencies at a relatively favorable price and the secondary purpose of checking inflationary tendencies by the absorption of the most volatile money in circulation.

(ii) After the war, a similar method of financing was employed in China and, it would seem, also in Greece, which received part of its foreign credits in the form of gold coins, subsequently sold on the market.

(iii) The Bank of Mexico has sold gold from time to time, requiring payment in U. S. dollars. From June 14, 1946, the price was $40.51 per ounce, this being 16% higher than the official U. S. price of $35 per ounce. On Jan. 28, 1947, the sale of gold was suspended, the reported reason being the heavy fall in Mexican reserves; but sales were resumed at the end of March, when the price was increased to $42.9 per ounce. This was, however, a higher quotation than the market could bear and a reduction was made to the former level in the first part of April, and to $39.76 per ounce in May, 1947.

Arbitrage in Mexican gold would seem to have taken place on a considerable scale, some of the coins finding their way into Mediterranean countries and even farther east. The result of these and other gold shipments to eastern countries was that the free price of gold usually fell—for instance, by over 20% in Egypt between August, 1945, and the Spring of 1947. In Bombay, however, where steps had been taken to check the sales of gold, the price for the metal rose by about 60% in the same interval.

(iv) The monetary authorities in Switzerland have sold gold at a rate which in 1946 averaged about Sw.fcs. 1 million per working day. In some respects these sales can be regarded as a sterilization measure, since in that way the Swiss authorities were able to absorb funds from the market and, consequently, to convert further amounts of gold into Swiss francs for foreign customers. In its annual report for 1946 the Swiss National Bank announced that from 1941 its sales of gold coins and bars to the market and to Swiss industries exceeded Sw.fcs. 1,000 million, of which Sw.fcs. 307 million were sold in 1946.

(v) Much of the gold from Switzerland and from other sales found its way to France, where considerable amounts had been purchased by the public in recent years. It is estimated that at the beginning of 1947 private gold holdings in France reached the high figure of 3,000 tons, equivalent to about U. S. $3,400 million, or nearly five times as much as the gold reserves of the Bank of France.

The internal gold movements in France have shown that gold is apt to pass into and out of hoards for a number of reasons, many of them purely psychological. One interesting development has been the adoption of a somewhat restrictive credit policy early in 1947, which would seem to have forced some holders of gold to sell in order to procure French francs for current wage payments, etc. It is indeed likely that this credit policy has been one factor in bringing the price of gold down on the French market. As may be gathered from the graph, this decline has also had an effect on the quotations for French banknotes on the Swiss market, on which the value of the French franc showed an improvement at a time when the quotations for most other currencies were sagging.

* * *

In the latter half of the first world war (including the first postwar year 1919) gold disappeared from the reported monetary reserves very much as it has done in the corresponding period during and since the second world war. Obviously, the great increase in the circulation of paper money, which forms part of war financing, has the effect of making people seek refuge in other kinds of property which they regard as less dependent upon administrative manipulations.

To countries which have suffered great changes in their cur-

GOLD RESERVES OF CENTRAL BANKS AND GOVERNMENTS
(In Millions of U. S. Dollars)

Reporting Countries—	End of— 1938	1944	1945	1946	Loss (—) or Gain (+) During 1946
*United States	14,512	20,619	20,065	20,529	+464
†Switzerland	701	1,159	1,342	1,430	+ 88
Cuba	#	111	191	226	+ 35
South Africa	220	814	914	939	+ 25
‡Belgium	728	732	716	735	+ 19
Colombia	24	92	127	145	+ 18
Venezuela	52	130	202	215	+ 13
Uruguay	69	157	195	200	+ 5
Italy	193	24	24	28	+ 4
Egypt	55	52	52	53	+ 1
Spain	§525	105	110	111	+ 1
Belgian Congo	6	16	16	16	--
Brazil	32	329	354	354	--
¶Canada	192	6	7	7	--
Czechoslovakia	83	61	61	61	--
Denmark	53	44	38	38	--
Iceland	1	1	1	1	--
El Salvador	7	13	13	13	--
Hungary	37	24	24	24	--
India	274	274	274	274	--
New Zealand	23	23	23	23	--
**United Kingdom	2,690	1	1	1	--
Portugal	69	60	60	††263	--
Norway	94	54	55	54	— 1
Iran	26	128	131	127	— 4
Peru	20	32	28	24	— 4
Turkey	29	221	241	237	— 4
Holland	998	500	270	265	— 5
Chile	30	79	82	65	— 17
Sweden	321	463	482	381	—101
Mexico	29	222	294	181	—113
‡‡Argentina	431	1,111	1,351	1,185	—166
§§France	2,430	1,777	1,090	796	—294
¶¶Reserves—Reported	25,700	30,700	30,200	30,200	--
Unreported	#	6,200	7,600	7,800	+200
Total	#	36,900	37,800	38,000	+200

#Not available. *Not including gold held in the Exchange Stabilization Fund: $80 million at the end of December, 1938; $12 million at the end of December, 1944; $18 million at the end of December, 1945, and $113 million at the end of September, 1946. †Including gold owned by the Swiss Government, amounting to $240 million at the end of 1945 and $288 million at the end of 1946. ‡Not including gold held by the Treasury: $44 million at the end of December, 1938; $17 million at the end of December, 1944 and 1945. §End of April, 1938. ¶In May, 1940, gold belonging to the Bank of Canada transferred to the Foreign Exchange Control Board. Since then, gold held by the Ministry of Finance.

**Not including gold held by the Exchange Equalization Account, viz: $759 million at the end of September, 1938. No figures have been published for the end of 1944, 1945 and 1946. Gold holdings of the Bank of England reduced to nominal amount by gold transfers to British Exchange Equalization Account during 1939. ††Figure not comparable. According to the new method of presentation, gold reserves for 1946 include gold bars and gold coins. ‡‡Including gold of Central Bank held abroad and belonging to Argentine Stabilization Fund. §§Not including gold held in the Exchange Stabilization Fund and in the Caisse Centrale de la France d'outre-mer, viz: $331 million at the end of 1938, $220 million at the end of 1944 and $468 million at the end of 1945. No figures given for the end of 1946. ¶¶Partly estimated, and including other countries.

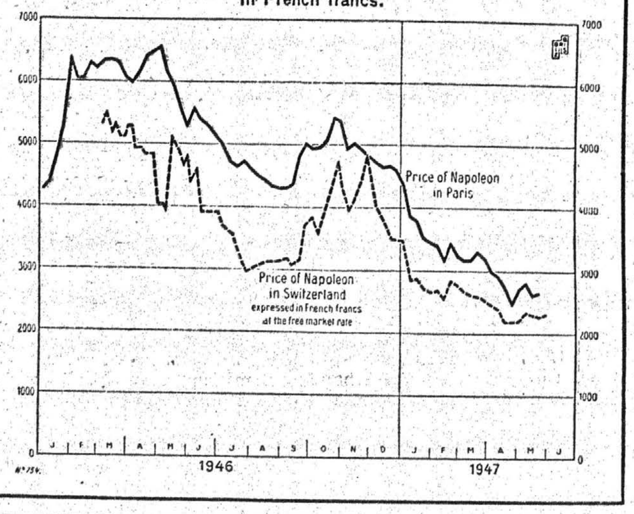
UNITED STATES MONETARY GOLD STOCK: ANALYSIS OF CHANGES
(In Millions of Dollars)

Year	Changes in Monetary Gold Stock— Increase (+) or Decrease (—)	Net Imports (+) or Exports (—)	Earmarked Gold	U. S. Gold Production	Other Factors	Gold Stock at the End of the Year
1937	+1,503	+1,586	—200	+144	— 27	12,760
1938	+1,752	+1,974	—334	+149	— 37	14,512
1939	+3,132	+3,574	—534	+162	— 70	17,644
1940	+4,351	+4,745	—645	+170	+ 81	21,995
1941	+ 742	+ 982	—408	+169	— 1	22,737
1942	— 10	+ 316	—458	+125	+ 7	22,726
1943	— 789	+ 69	—804	+ 48	—102	21,938
1944	—1,319	— 845	—460	+ 36	— 50	20,619
1945	— 554	— 106	—357	+ 32	—123	20,065
1946	+ 464	+ 312	+465	+ 57	—370	20,529

rency values, the link with gold seems an indisputable guarantee of stability. Where prices have risen by five or six times or even more, minor price variations or even the wartime doubling of the price level in other countries seem rather unimportant in comparison. But countries which have escaped major monetary disasters may not make little of the changes which occur in prices even on a gold basis. The great fall in the price level by 30-50% between 1930 and 1932 has not been forgotten and at the moment of writing (in the Spring of 1947) there is clearly a great fear in many countries that, although the link with gold is not in jeopardy, commodity prices will continue to rise. It is not only that people with fixed money claims, including many salary earners, would lose part of their real income through the rise in prices, but, also, the lesson taught by experience, that a "boom" is likely to be followed by a "bust." Since fresh additions to a country's gold stock may tend to have an inflationary effect, it may be thought that, from a purely monetary point of view, there is at present no great objection to the flow of gold into private hoards. But that is not the whole story: when there is a great demand for hoarding purposes, the price paid for gold will normally rise and, since that price is often regarded as a "true" measure of the value of a currency, the hoarding habit tends to increase the psychological danger of inflation. This danger, moreover, may more than offset the advantage connected with an absorption of funds. There is, in fact, a fine balance in the argument: in some cases official gold sales may both lower the price paid for gold and absorb volatile funds, and then the sales may have a useful influence on the market, even though the tendency to hoard is a sign of distrust in some currency or another. But another state of affairs is conceivable—one characterized by the disadvantage that the flow of savings into gold will deprive a country's credit institutions of a possible reconstitution of deposits. Typical of the general attitude was a speech made by the President of the Swiss National Bank at the annual general meeting of that bank on March 8, 1947. Referring to a demand that the Swiss authorities should once more issue newly-minted coins, he observed that to reintroduce gold coins into circulation would mean that the franc would once more be tied to gold in a fixed relation, with all the inconveniences which would result for the currency and the economy from modifications of any consequence in the international price of gold. He also quoted from a recent speech by the President of the Federal Reserve Bank of New York, who had expressed the opinion that a gold coin circulation was not an indispensable condition for a well-conducted monetary policy and that its reintroduction would constitute a backward step in currency development.

The fact that uniform changes in the price of gold may be made under the Articles of Agreement of the International Monetary Fund has already given rise to discussion as to whether such a step would be advisable at once, considering the rise in commodity prices and production costs which has occurred since 1939. As long as the sellers' market lasts and commodity prices still show a tendency to rise, an increase in the price of gold would add an unnecessary stimulus to the boom. But, even if there were a setback in commodity prices, it is quite possible that the decline would be relatively moderate and would not interrupt the advance in general business activity for a long while. Such an expedient as a uniform alteration in the price paid for gold should be used, if at all, in a really severe depression only, in which the balance between costs and prices has been fundamentally upset by, for instance, a sharp fall in the general level of prices. It must also be remembered that the Act providing for the participation of the United States in the International Monetary Fund and the International Bank for Reconstruction and Development expressly prescribed that, unless Congress by law authorized such action, neither the President nor any person or agency could, on behalf of the United States, propose or agree to any change in the par value of the U. S. dollar under any of the provisions of the Fund.

Quotations of Gold Coins in Paris and in Switzerland.
In French francs.



Opening of Private Trade with Japan

(Continued from page 16)

raw materials in return for which they will take finished products.

Problem of Exchange

Perhaps the greatest headache for private traders is the inability to establish an exchange rate. We were faced with the problem of pulling a rate out of the air, which would undoubtedly have to be changed in the near future, or trying to develop a process whereby commercial transactions may be completed without the use of an exchange rate. The latter plan was overwhelmingly decided upon by the conferees.

Under this procedure a foreign purchaser that is authorized to enter Japan may get in contact with the Japanese supplier and settle the details of his contract so far as the quantity of goods, quality, design and delivery dates are concerned, after which he will discuss with SCAP the price to be paid for the goods in his currency. At the same time while he is discussing the dollar or other foreign currency price he will pay, the Japanese supplier will discuss with Boeki-cho the yen price he will receive for the goods. The two price discussions will proceed simultaneously and will not necessarily have any bearing on one another. Many businessmen have felt that it would be impossible to do business on this basis. I feel that that is not true in view of the fact that a businessman is going out with the intention of buying certain commodities. He knows what he wants and he knows what he can afford to pay. Therefore a contract can be completed without any reference to the actual amount of yen received by the Japanese producer. It is our sincere hope that this situation will not have to prevail for too long a period. After sufficient transactions have been carried through, it is possible that an exchange pattern may develop. There is no exchange pattern at the present time simply because the price pattern varies from commodity to commodity. Also in many instances the Japanese producer is not able to ascertain the yen cost of his production since the government frequently allocates raw materials without informing him of the final cost, in addition to which his wages may consist of money, rice or assistance in rebuilding homes, etc.

The occupying authorities have agreed to open transactional communications and were striving to accomplish this by July 1. However, that target date seems to be a little beyond their reach at the present time but they have assured us that they will be open at the earliest possible date and well in advance of the August 15 date. Thus it will be possible for contracts to be entered into by latter or cable and obviate the necessity of sending a representative to Japan when the volume of business does not warrant the high expense. At present there are no foreign banks able to furnish commercial banking facilities. Applications are being processed for foreign banks to open branches in Tokyo for this purpose at a date which will be announced. In the meantime foreign purchasers should arrange their line of credit with their regular commercial banks and for a short time it will be necessary to cable such banks to deposit the funds with the appropriate depository designated by SCAP. As soon as all commercial banks have had a reasonable time to open a branch, it will be authorized and the date will be published by the Department of Commerce through all facilities at its command. Particularly I want to advise businessmen to keep in touch with the district and regional offices of the Department of Commerce where information will be available as quickly as possible.

Representatives of insurance and shipping companies are also being authorized to proceed to Japan at once to make necessary facilities available to commercial interests by August 15. In view of the fact that some commercial interests have been in Japan throughout the war, namely, those of neutral countries, and some contracts may have been discussed unofficially by occupying officials, it was felt necessary to include in our agreement a provision that no contract could be consummated prior to September 1. This allows for other commercial representatives to get into the country and try to obtain the business they desire.

As in the case of Germany, it was necessary to make special arrangements with the United States Bureau of Customs so that the dollar price shown on the invoice will be taken as the dutiable value for the imports.

Because of previous commitments raw silk, cotton textiles and the 1947 tea crop have not been made available at this time to private trade.

Businessmen desiring to go to Japan should make application through the District and Regional offices of the Department of Commerce. The Office of International Trade will screen the applications and issue the appropriate approval on the basis of information furnished by SCAP on commodities available, raw materials required, etc. The past history of firms in the trade of Japan may also be a factor. New traders will not be barred if proof can be presented of ability to aid in the development of the Japanese economy. SCAP will keep the Office of International Trade informed of changes in availabilities, etc. This information will be passed on to the trading community as rapidly as possible.

In all of this we must bear in mind that the Japanese economy had collapsed. It must be rebuilt from scratch, just as the Japanese philosophy of government must be rebuilt. It is not an easy task and will take the combined cooperative efforts of all.

Popular Economic Misconceptions

(Continued from page 23)

tence by hand labor unaided by modern tools and machinery.

Take our own country. In 1890 it required some 8,600,000 farmers to produce food for a population of 63 million people. In 1940 it required only 10,400,000 farmers to produce food for 133 million people with large amounts for export.

In 1900 it required 54 manhours of labor to produce a ton of steel, while in 1942 it required only 24 manhours. In 1900 the steel worker worked some 68 hours a week for an annual wage of some $750. In 1942 he average about 39 hours a week and received $2,300 a year. Because the manhours per unit were cut in two the workingman's hours were decreased more than 40% and his dollar pay more than tripled.

Such figures could be duplicated for hundreds for other industries all showing that the lion's share of benefits from increased output per man goes to the workingman.

Skill of Management

A large part of the credit for increasing the output per worker must go to the skill of management backed up by the risk capital of investors. It is they who have devised the methods and provided the tools that have made these accomplishments possible. Labor through its cooperation has greatly assisted and the end of such increases in output has by no means been reached. As an index of this we note that industrial power requirements have more than doubled since 1939, going from 79 billion kilowatt hours in that year to 162 billion in 1945.

In all of this the labor of the workman has been greatly lessened. His hours of work have declined by at least one-third and with modern machinery the physical effort necessary has been greatly decreased. All that is asked is that the workman give an honest day's work for an honest day's pay.

There are certain other things that are happening today in the field of labor that give us reason to pause and to be concerned. In a very laudable effort to raise the level of pay for workers, customs and rules have grown up which insist on equal pay for everyone on a given job. This means that the person who loafs on the job gets as much money as the one who gives an honest day's work. This removes a large part of the incentive of individual competition. The only way that any of us in this room ever got ahead was to do a better job, probably work harder, than someone else engaged in similar work. When you take away the incentive to greater effort you remove a large part of the element of pride in a job well done. When you remove pride in craftmanship you destroy self respect. Without self respect life becomes an empty shell.

I am not at all sure but that a goodly portion of the discontent we find in many quarters today arises from this cause. No one can be really happy unless he takes a pride in whatever it is he is doing and has the feeling that his work is an important cog in the general scheme of things.

Do you think the bricklayer who stops work in the middle of the afteroon because he has laid the allotted number of bricks which his union says constitutes a day's work, really takes pride in his accomplishment? Do you think the plumber who has to wait for a carpenter to drive a nail or the painter who has to refuse to use a sprayer or a brush wider than 4 inches really feels that he is doing his part of the world's work? The fact that it takes workmen of 19 different crafts to build a bungalow is one of the reasons why the building industry today is pricing itself out of a market and out of jobs.

The reason these things can be and are being done is largely the failure to understand a few relatively simple economic facts. The first and most important of these is that the only way the standard of living can be increased for the average man is to increase the production per man. To do this all that is required of the workman is an honest day's work not limited by some arbitrary rule.

The second fact that needs to be understood is that industrial profits are not exorbitant, that they are necessary to bring in more capital to furnish more and better tools for more and better jobs. Also that if all profits could be given to labor they would furnish only an insignificant increase in wages.

In the third place we need to find some method of restoring an incentive system to the individual workman, to restore pride in craftmanship and the feeling of self-respect that comes from the knowledge of a job well done. Even Russia has found it necessary to inject an incentive system in its socialized economy. There the workman who does a better job gets his food ration raised or a better place to live.

Unless we can find some means to restore these simple principles in our economy we face a declining standard of living in this country. If you know how these lessons in simple economics can be gotten across to labor you will have conferred an enormous blessing upon mankind.

F. Aubrey Nash With Wm. L. Burton & Co.

William L. Burton & Co., 25 Broad Street, New York City, announce that F. Aubrey Nash is now associated with the firm as manager of the retail department.

Mr. Nash has been in the securities business since 1923 and was formerly with Kalb, Voorhis & Co. and Richard J. Buck & Co.

World-Wide Better Living Standard Is Road to Peace

(Continued from page 19)

country may bear little comparable relations to the aspirations of another.

However, these economic objectives will all have one common characteristic, I believe; and if we can accept that, we are well on the way to a major agreement of some significance. It it the quality of constant betterment.

People of all countries will want something which will seem to them an improvement over what they now have. As an example of this longing, they are all likely to want something better for their children than what they themselves have had.

The lower the scale of present living, the smaller and more material one's ambitions are apt to be. The man who has had difficulty maintaining a thatched roof over his poor cottage will not aspire to aluminum shingles. But he will despair of a society and its management which do not promise him some betterment. Many men will not venture to wish for an automobile or an electric refrigerator, but most men will have a vital interest in earning enough by their labor to buy shoes or shirts or bread, and they will increasingly insist that some decent part of the return from a day's work be available for items of living that are not merely bare essentials.

So while the objectives that constitute this variable standard of living will differ from place to place, the tools that management will use will not show such differences. The challenge to this Congress, as I see it, is to picture those tools and their use in such form that management everywhere may be able usefully to employ them in raising all standards of living.

I made earlier reference to the inspiration that I think you will find in the papers presented by the authors from the United States and Canada. I have had no opportunity to see any of the European papers, but from the standing of the men who prepared them, I am sure that they will be equally impressive in the contributions they make to raising the standard of management procedure everywhere, in business and industry, in labor, in government, in agriculture and the home. As these papers are read by the thousands of eager men and women everywhere who have not been able to attend this Congress, they will provide courage and knowledge for an attack, with new vigor, upon the problems of reconstruction.

After the decision had been reached to hold this meeting, I made it a first point to ask the National Committees of each country to give me a brief appraisal of what had happened to the management movement in their respective countries since our last meeting. I find everywhere in these reports convincing evidence that good management is at least as well appreciated today as it was at the time of the Seventh Congress.

In the occupied countries, particularly, management activities have apparently been a powerful spiritual force in maintaining courage and confidence.

In Greece, for example, where one might assume that any concerted management activities would have been impossible, where the environment was the severest, public meetings were not permitted. Their place was taken by circulars and pamphlets, and underground gatherings were held in the interest of rehabilitation. With liberation, such a spirit turned interestingly to a few basic activities such as special education, organization and research, and the attempt to apply management principles in national reconstruction. Here obviously we see management fighting, not for an improved standard of living, but for the bare existence of living.

Where the pressure of the enemy took a different form, perhaps, we find study committees, courses, and lectures being favored, as in the Netherlands.

In Belgium, research and inquiry centered upon materials, products, equipment, labor, and working methods, because of the extreme economic scarcity.

The Czechoslovakian report relates how scientific management, brought under a cloud of criticism as a result of the long depression before the war, fully regained its prestige during those dark days and is now widely looked to for guidance.

The report from France brought out the significant point that during the war the thinking swung away from so-called scientific management, in its narrower technical sense, to that type of management which concerns itself with administrative, economic and social problems. The whole French report is truly an extraordinary statement.

In many of the occupied countries, an inverted development took place. Good management turned on itself and became skilled in the art of sabotage in production—a curious and under the circumstances, proper inversion of the art and science.

In England, the prolonged bombing and the difficulties in which the British lived and worked during the war unquestionably placed obstacles before the management movement. Here we see the necessity for maximum production amidst the difficulties of survival developing an extraordinary growth of interest in associations, institutions and the like for the express purpose of disseminating management principles. British management is quite obviously anxious to speed the improvement of new ideas for the proving ground to widest national application in the least possible time, and so to make maximum impact on the standards of living of that country.

The recent formation of the new central body of the British Institute of Management, with substantial funds at its disposal, will provide a mechanism through which these aspirations of British management may be given a noteworthy opportunity for development.

The reports from neutral countries have been so brief as to give little basis for comment. One readily understands the hazardous position in which they found themselves for so long, the sharp limitation of many of their critical materials, and the constant state of tension in which their management was carried on. Our visit here will give us the opportunity of evaluating the progress of Swedish management and further comment from me at this time would be superfluous.

As to the United States, I hope not to be misunderstood if I speak at some length. Citizens of the world recognize that the sudden development of natural resources and the cumulative impetus of a century and a half of free enterprise have brought her to a top position in world affairs.

At a time when there is still so much misery and actual hunger in so many parts of the world, I would not for a moment want anyone to consider that my remarks about the United States are made boastfully. I am not unmindful of the fact that this was one of the few countries at war whose physical plant was undamaged, but rather found itself larger at the end of the war than before. Civilians had few of the physical hazards of war and management was relatively free to perfect its methods.

In the light of these resources, I think I am justified in pointing to a growing determination on the part of the responsible leaders in all walks of American life—and they reflect the desires of the people—that the economic resources of the United States shall be used to implement the deep-seated wish of the American nation for lasting peace based on an increasingly better standard of living for the individual citizen of the world.

One may fairly point to the record of production of the American people during and since the war as an evidence of what can be done by a democratic people with good management.

In the light of the universal concern over America's economic stability, I should particularly emphasize the growing consciousness in America of the problem of maintaining employment. In the meeting at Washington you will remember the emphasis which many American authors placed on the responsibility of management to the various segments of the economy, to the customer, to the employee, to the public and last, but not least, to the stockholder. This concept has continued to meet with wider and wider acceptance, and there are very few American corporations today which are not studying the problem of finding ways and means of welding the components of the economy together to achieve better understanding and closer community of interest. The successful application of this philosophy is not without consequence to the rest of the world for the reason that the important part played in world trade by the United States will inevitably have farreaching repercussions on international prosperity.

Effect of Management Upon the Living Standards of People at Work

The papers presented by the representatives of this group from the United States speak effectively on the relation of management and living standards. If I seem to base my comments so largely on the American papers you will understand that it is because they are the only ones to which I have had access; I assume that the papers from other countries make similar contribution to a better understanding of this objective.

Production Standards and Social Standards

There is a noticeable emphasis upon raising the living standards of people at work. In reading the papers concerned with production I have come to the conclusion that the rise in working standards (which are also living standards) really mark a rise in social standards. For example, better building design conserves the non-working time of employees; improved plant layout increases human convenience; better materials handling techniques lessen physical effort; more precise planning and control eliminate unproductive idleness and loss of continuity. Work simplification, which has been widespread, is in reality no more than fitting the process and the equipment to the man, rather than reverse.

Working Conditions

Improvement of working conditions has had much attention. It is obvious that the objective of bettering the surroundings at the workplace is regarded as increasingly important. The wartime need for the greatest possible volume of output, coupled with the shortage of labor, unquestionably made such policies worthwhile from the standpoint of production. One gain to come out of the war has been the widespread realization that people live the most important part of their waking existence at their work, and when they look back at their work, they are, in general, looking back at their life. This improved environment incorporates mental health and safety no less than physical security. Much more remains to be done to improve conditions in such fields as equity of wage relationships, closer adjustment of human abilities to job requirements, and the like.

Lessening of Physical Effort

In a preceding paragraph in connection with the subject "mechanized materials handling," reference is made to the lessening of physical effort. This improvement deserves a subdivision of its own, particularly in the agricultural industry where increasing power machine usage has unquestionably raised productive standards of living tremendously. I think it can safely be said that heavy physical effort is now irrevocably obsolete in American industry. This advance is perhaps one of the greatest outgrowths of the war for its natural development was hastened because of wartime exigencies, particularly through the increased use of female labor, requiring that power take the place of muscle. Prior to the war there was a steady growth in the availability of power per worker in the United States. During the war years, for reasons not quite clear to me, that growth lagged; but under conditions of peace it re-emerges as a desirable objective, and there is every indication that the years to come will show a constant increase in this power availability per worker. The results, in terms of living standards at the workplace, will be obvious.

Training

Good management in the education and training areas has unquestionably been responsible for marked contributions to the worker's standard of living. Not only has his potential capacity thus been released so that he has been enabled to train himself for positions of larger compensation but, more importantly, his continued adjustment to the rapid changes brought about by research and development has been made possible. The noticeable reduction in the hazards of unemployment as a result of technological improvement, is to a considerable extent a matter of facility in readjusting skills and capacities to the ever-changing requirements of process and operation. In the United States the period of the war showed extraordinary progress in this field.

Personnel Activities

The current great growth in the field of personnel management has a salutary effect upon working and living standards, inasmuch as its concern is with the "total working situation." I can foresee no dissent from the conclusion that personnel administration, in its broadest sense, is essentially devoted to the rise of living standards of the industrial worker.

Agriculture and the Home

The above statements apply with equal emphasis to production on the farm and in the home. Much of our living takes place in or around the home and the farm, and it follows that any contribution of management in these areas will directly enhance the standard of living. Here the objective toward the living of free, rich and satisfying lives will manifest itself most obviously as a possibility of better management. In the United States there is the challenge today to assist in maintaining standards of living in the middle-class families where domestic paid help has always been a problem, but is a particularly acute one now when postwar conditions have almost eliminated reliable domestic help from the market.

Great strides have been made in improving the standards of work in the office. Here we may discover the interesting fact that not infrequently working conditions, conventions and customs are definitely in advance of those at home. Living standards of many people are thus more affected by office than by domestic standards.

Effect of Management Upon the Living Standards of People as Consumers

Again and again I find reiterated in various papers the statement that it is, after all, the products in the markets available to the consumer which have the greatest effect upon living standards. While industrial goods will be those first thought of, the largest share of the individual income goes for items having to do with food, shelter and clothing. These are the bases of normal existence, and it is important to note that they are also essentially industrial goods. Food management in production and in distribution of consumer goods has the effect of increasing quality, improving service, and enlarging the opportunity of use. It strikes clearly in the direction of enhanced living standards. The platform, so widely emphasized in the Seventh Congress, of more goods for more people at lower prices is accepted by the authors of the papers for this Congress with even greater unanimity.

Purchasing Power

While we are apt to think of producer income as related only to production, it is in reality an aspect of consumption as far as living standards are concerned. The larger the purchasing power of the public, the higher its living standards; the better the management, the higher the individual return as a result of economic and efficient operation. It is now generally accepted, I think, that human wants are well-nigh insatiable and, speaking broadly, depend only upon purchasing power for their satisfaction. There apparently is no doubt in the minds of the American authors that the United States, at least, has the production capacity to make all that it needs and in ample surplus. Better worldwide management will increasingly find the means of making that surplus available to other parts of the world whose mechanization is less adequate.

Distribution

Good management in the field of distribution will create a powerful and direct thrust towards higher standards of living. Granting the premise in the earlier paragraph that human wants are insatiable, they must necessarily be guided and directed toward those areas where satisfaction is both practicable and possible. Here, the marketing functions having to do with publicity and sales promotion, exert a direct and vital influence upon living standards. Good management is of the essence of progress, for it tends to stimulate consumer wants which can be practically and commercially satisfied in terms of purchasing power.

Research and Development

In the papers which deal with research and development, the significance of management in its bearing upon the consumer may be seen. Through organized innovation, new and improved ratios of value to process can be conceived, and it is these which will make for the heightened industrial flow which lies at the base of national prosperity.

The new managerial developments in *planned research* will unquestionably have more bearing on the acceleration of extensive improvement, and its corresponding enlarged employment, than any other immediate influence. It will be this development which will tend to compensate for the hazard of that unemployment which comes with intensive improvement. The use of this comparatively new management tool—product planning and development—is still in its elementary stages, but it offers definite promise as a constructive and powerful influence in the enhancement of living standards.

Quality Control

I think one of the most interesting facts to come to light has been the effect of management in quality control upon standards of living. The development of statistical control and what the authors term "quality plateaus" is contributing to the ability to produce high commercial quality at costs materially less than those characteristic of lower quality lines manufactured under earlier and poorer practices. Progressive management in quality control is demonstrating that high product quality can be obtained at relatively low unit cost where the quantity is sufficient to justify high precision, mass production techniques. As these principles can be utilized, they should have a direct and revolutionary impact upon consumer living standards of the future.

I have heard this line of development succinctly expressed in the following words:

"The phenomenal growth of American industry and the accompanying improvement in our standard of living is the result of one of the most powerful chain reactions in economics, i.e., from technological improvement to lower costs—from lower costs to wider markets—from wider markets to mass production—from mass production to still lower costs and from lower costs to still wider markets."

Cost Accounting

Progress in cost accounting drives squarely and constructively into areas of living standards, inasmuch as it is chiefly through cost control that effective cost-price relationships and resulting industrial flow can be pre-planned and assured. The heightening of this flow means the raising of living standards.

Postwar requirements call for individual analyses in individual establishments of cost factors whose balanced inter-relationships contribute to high manufacturing turnover. This, the cost division alone can do. It is significant to note that the cost accounting function has been increasingly recognized as an effective tool of management and this function has acquired a new relation to broad company objectives, policies and procedures.

Effect of Management Upon the Living Standards of People as Citizens

Up to now I have been discussing contributions of the American papers to the living standards of people at their work. There is an interesting group of papers which propose to relate the management behavior in the field of government to the living standards of people as citizens. These papers deal with administration on the local level, on the regional level, on the national level and on the international level. Through all of them runs the thread of conclusion that improvement in the quality of government administration is intimately associated with the standards of living of the people.

Municipal Administration

In the home area, particularly, there are many things which *municipal government* alone can do. The insurance of public health and sanitation standards, the protection from fire hazards, and the maintenance of law and order are but a few of the many areas in which science in municipal management may directly influence a community's living standards. Conversely, economies in municipal operations may either serve to release funds to futher these activities or to lessen the burden of taxation upon the individual. In either event, living standards are immediately affected.

Regional Planning

The discussion on *regional planning* which centers upon the Tennessee Valley Authority, is a challenging one. Without proposing to express any opinion as to the desirability of the production of power through public or private sources, I shall assume that TVA may properly be cited as an example of how planning and freedom can be compatible and creative within the framework of democratic tradition. An area of acute distress, crossing many boundaries where the standard of living was undeniably low by any measure and steadily worsening, underwent an extraordinary change for the better.

It would be a mistake to interpret the meaning of this undertaking merely in terms of cheap power. That has been rather a by-product even though an essential one. Even the critics of the project, who will assume that it could have been carried out by some other means, will agree that standards of living for most of the people in these seven States have been given new direction and purpose, that the inhabitants have greatly improved health, that employment opportunities are strengthened, that recreation facilities exist where they were barren before and that the whole region has been reborn with this experiment in management for the public good.

National Planning

In the fields of national and international administration, the same general conclusions obtain as in the municipality. In most countries national taxation is a measurable burden on the income of the individual and so vitally influences his standard of living. The gains resulting from advanced techniques in public administration lie mainly in the achievement of operating efficiency without loss of democratic guarantees, even in times of national emergency.

International Relations

In the management of international relations, it almost goes without saying that living standards are immediately related to advances in the quality of international administration. As the possibility of conflict between countries is definitely lessened and the atmosphere for worldwide peace and prosperity improved, there is a lightening of the tax load of the citizen which will add to his spendable income and so relate itself vitally to living standards. As improvement in communication and transportation inevitably continue to develop more intimate international dealings, a corresponding improvement in the management and administration of these activities is vital.

The more acute the need for bettering the living standards in any country or group of countries, obviously the greater premium for good management. In the war-worn countries, for example, the need for early and substantial lifting of the existence of the individual above the barest minimum is so desperately impelling as to speak for itself; men whose food, clothing and housing resources are but barely removed from the starvation and freezing limits of existence, will be grateful beyond words to those skills of management which promise to lift their crushing load at the earliest possible moment. The opportunities for management to demonstrate its value in a relatively rich and unhurt economy, such as that of the United States, may be open to more precise definition; but from the tragically burdened people of wartorn regions there will be little likelihood of challenge. I have no doubt that the papers to be presented by our European authors will clearly and forcibly develop this comparison.

Effect of Management Upon the Standards of Living of the Individual

Much of the preceding discussion has concerned itself with man's living standards as influenced by the conditions which exist at his workplace on the grounds that this environment constitutes the larger portion of his waking hours. There are other considerations of large importance to the better living of the individual and these I now propose to discuss.

Leisure

The first has to do with the contribution to the larger life which good management will unquestionably make by increasing the amount of *leisure* time available. A generation or two ago the usual hours of factory work were 60 per week, and a man had little free time remaining. Weekly working hours are steadily declining and the worker in industry now finds himself with a substantial sector of his time available for recreational and avocational pursuits.

In farm management, the use of scientific principles coupled with the increasing availability of power machinery, have likewise greatly shortened the farmer's working day. Whatever the use of his free time, its availability constitutes a major contribution to the possibility of an improved standard of living.

Education

One of the outstanding characteristics of the last decade has been the extraordinary acceleration of educational activity throughout industry. As never before, employees no less than executives, have been urged to form the habit of acquainting themselves with the changing conditions, procedures and opportunities about them; and this is but the beginning of a movement which will inevitably provide a new managerial class who will bring a renaissance of creativeness and inquiry throughout the working group.

An unusual characteristic of this tendency is its all-embracing quality. It seems to be worth emphasizing that the possibility of better education for youth in those countries where one of the results of better management has been to provide larger worker incomes, is a compelling satisfaction to the parent. For the individual himself to have an enhanced opportunity for self-expression as the result of his own individual thought is to make a direct contribution to better living, for man is at best a thoughtful creature, and to give outlet to his mental potentialities is to add to the dimensions of his existence.

Security

The development of man as an individual is closely related to the degree of security which life offers to him. It is only when security is present that long-term advances in personal status can be reasonably assured. Good management, as it continually contributes to economic stability through effecting favorable relationships between the prices of its products and the purchasing power of its markets is thereby building up its own security and that of its employees. Other aspects of good management which incorporate general policies favoring stabilization of output and thereby of employment, serve directly to promote higher standards of living of the individual. It is here, perhaps, that industry makes its greatest contribution to the enhancement of the existence of the worker's family and dependents no less than of the worker himself.

Conclusion

And now I come to my conclusion. It is that the responsibilities of management are now viewed against the wider background of their social and human contributions instead of merely measured, as in the past, by their purely technical and scientific achievements. In this connection I can quote with agreement from the French report which states: "This widening of the organization's horizons, from the technical to the social (have) become more pronounced so that within the organization it is now felt that not the scientific matter so dear to the disciples of Taylor, but the definitely human character of its concern should prevail."

Planning is after all man's way of controlling his environment. As someone has said, "We control the present only as we plan the future." Good management uses foresight in order that the future may be assessed and directed before it become reality. The standards of living under such intelligent planning are likely to be far more favorable than those where the future has not been studiously assessed.

Again, the setting of goals, which lies at the heart of scientific management, is nothing more than the definition of an attainable ideal. The human creature has always risen to the challenge of a set standard, whether its goal be the "quota" as in production, the "budget" as in accounting, or "par" as in golf. More than this, the elasticity of human effort is so large that, once the goal is fairly set, its attainment results from will no less than from work.

As long as there have been animate creatures on earth, there has doubtless been some form of organization, and good management as it employs the principles of good organization only renders environment more satisfying to the human creature. With millions of years of gregarious existence behind him, man tends naturally to cooperate and live with others. It is only when poor organization or faulty custom or convention interfere with natural tendency that ineffective action results. Once again, good management aims but to release a human tendency.

As before stated, much if not all of the study of methods is directed toward a more favorable adjustment of work demand. The early advent of machinery reversed this trend for a century or more, but now the once ebbing tide is in full flow and on every hand there is evidence that the work of the world is rendering machinery subservient to the convenience of the individual rather than the contrary.

Finally, human effort may be said generally to be the component of four influences, namely: the hope of reward; the fear of penalty; the assurance of promise; and the inspiration of an ideal. Good management serves to implement all of these to the end that man fulfills his function as a creature of action—a dynamic entity.

In the world of today and tomorrow, good management is well-nigh synonymous with ever-higher standards of living. For good management is guidance and good guidance brings advance.

Seaboard Container Stocks on Market

Herrick, Waddell & Co., Inc., and associates publicly offered July 15 a new issue of 75,000 shares of 5½% cumulative convertible preferred stock, $20 par value, of Seaboard Container Corp. and 112,500 shares of the company's class A common stock, par value $1. The preferred was offered at $20 per share and the common at $6. Of the class A common shares being offered, 37,500 are being sold by the corporation and the remaining 75,000 by certain stockholders.

Of the net proceeds to be received by the corporation, estimated at approximately $1,490,173, about $270,000 will be used to redeem, at 105, the $250,000 five-year 6% debentures due 1950; approximately $452,500 will be used to repay a loan with interest and premium in the amount of $450,000, and the remainder, together with funds to be raised later, will be applied toward the construction of a new plant in Bucks County, Pa., where the company intends to move all of its operations. The new plant will house all of the company's activities, except those of its wholly owned subsidiary, Seaboard Paper Co., which will continue to be conducted in Reading, Pa.

The company manufactures and sells corrugated fiber board and cartons made therefrom, and through its subsidiary produces for its own use chip board and interior packing materials. The new plant will be so designed that the company will be able to double its production when additional supplies of paperboard become available by making fuller use of its present manufacturing equipment.

Investors Syndicate Announces Elections

MINNEAPOLIS, MINN.—E. E. Crabb, Chairman of the Board of Investors Syndicate and Investors Syndicate of America, Inc., was elected to serve also as President of both companies at the annual meetings of the boards of directors. He has been Chairman since 1945, and has been with the organization since 1925.

Investors Syndicate is the parent of six investment companies, of which Investors Syndicate of America, Inc. is one.

Galen Van Meter of New York was elected Vice-Chairman of Investors Syndicate. He is a prominent financial adviser and consultant, and has been associated with Reynolds and Co. for the past several years.

Clyde J. Moore, Vice-President and Director of Sales for Investors Syndicate, and Grady Clark, General Sales Manager, were elected Vice-Presidents of Investors Syndicate of America, Inc. Mr. Clark also was named Vice-President of Investors Syndicate. Both were also elected Vice-Presidents of Investors Mutual, Inc., another member of the Investors Syndicate group of investment companies.

R. W. Peterson was elected Secretary of Investors Syndicate of America, Inc. and James B. Racey was voted Secretary and Norman Waag Comptroller of Investors Syndicate.

New directors of Investors Syndicate of America, Inc. are Hal E. Roach, President of Hal Roach Studios, Inc.; Don Loftus, President of Permanesque Homes of America, Inc. and of Beverly Realty Corp.; and B. C. Gamble, Chairman of the Boards of Gamble-Skogmo, Inc. and Western Auto Supply Co.

B. C. Gamble, Carl C. Raugust, E. E. Crabb, and Charles R. Martin, were re-elected directors of Investors Syndicate. Mr. Crabb, Carl C. Raugust, George M. Stewart, David West, and Guy H. Ramsey were re-elected as directors of Investors Syndicate of America, Inc.

U. S. vs. Communism in One World

(Continued from first page)

The split is there because of Russia's refusal to join in such a proposal. As a result it is more clear than ever today that there will be a continuing major competition and clash of economic systems and of ideologies between Russia and the United States. It is the greatest competition of systems of all history. It is of basic importance that we recognize this fact and that we seek to understand just what it means. The hope of mankind is that a decision may be reached on a basis of a competition of economic systems and of ideas and not through a resort to force.

I have abiding faith in the rightness and the strength of the fundamental concepts of our American system with individual freedom of men and women, economic freedom as well as social and civil and religious freedom, and with respect for the individual dignity of a human being.

I have deep confidence in our modern American capitalism and in our representative form of government of free citizens as together constituting an excellent system to give expression to these basic concepts.

What Russia Must Understand

But I can also understand at least partially from the history of Russia and her Czars and her revolutions and from the nature of her present form of government and economic system, why the rulers of Russia do not now share that faith and that confidence.

I do not believe that there will be a major change in Russian policy for the better until the members of the all-powerful Politburo, including Generalissimo Stalin, become convinced of two things: First, that notwithstanding the strains of war and postwar conditions, our economic system can continue to function with high production and high standards of living and without a major economic crash and devastating depression; and second, that the Communist Party cannot successfully infiltrate and dominate or sabotage this country or any other one of the major powers of the world.

If they become convinced of these two things, both of which I am confident are true; and if at the time they reach that decision America is strong and resolute in its military position; then there is grounds for hope of a major favorable change in Russian policies; and her friendly, vigorous people, who want peace as badly as any of us do, will then take their place in sharing constructive leadership in a peaceful, progressing world.

Policy Fundamentals

On the basis of this analysis there are three fundamental developments of our American policy I urge tonight. First: that we move promptly and effectively to assure the success of the European program developed at Paris. Second, that we do not abandon the eight nations of Europe who did not accept the Paris conference invitations. Third, that we proceed promptly with an intelligent, coordinated program, to clear up Communist infiltration in the United States.

Clearly our first priority now must be the success of the economic group that is being formed in Paris. It is good news for us and for the world that the Administration is moving in the direction of a continued helping hand in the rebuilding of this war-torn area. It was dark news when statements were made in early May that no more was to be done this year. It was bright news when the indication of the change of policy came forth in June. Action is urgently needed for their future and for ours before another grim winter sets in over Europe.

Speed is essential. The Administration should confer with the leaders of both parties in Congress to see whether preliminary authorization cannot be given to an appropriate agency of the government to place advance orders for the articles that will be critically needed. Our American manufacturers can then expand their production of these items, such as coal-mining machinery and equipment, farm implements, hydro-electric installations, and transportation facilities. Authorization to place a half-billion dollar order for this type of equipment, extended before this session of Congress ends, can make a major difference in the success of the economic program being developed in Paris, and can also ease the ultimate strain on the American economy, which is home base for the success of our entire future. If these orders are not placed early, later when the plans are finally complete, sudden heavy orders will place a sharp burden on already crowded manufacturing facilities in America, without proper time for expansion, will increase our shortages of these same items and will delay the reconstruction of Europe. The actual delivery of these supplies should properly await the deliberated major Congressional decision, probably at a special session in the Fall, after the European plan is presented. But a beginning now on our production for peace program is of major importance.

World Prefers Our Economic System

It is my view that the majority of the peoples of every other nation of the world prefer to move in the direction of a system of individual freedom and human dignity, and yearn for opportunities and means and methods to do so. The peoples of Finland and Poland and Czechoslovakia and Yugoslavia and Rumania and Hungary and Bulgaria and Albania, do not want to turn away from us, do not want to turn further and further away from individual freedom. But is it not equally clear that these small nations located as they are cannot defy Russia? It would be a major world tragedy, if because of our request for a joint European program, and the declining of invitations by these countries, it would be interpreted now that we abandoned them. The reply that the division was actually caused by Russia's refusal to join and by her insistence that these countries decline, is not a sufficient excuse. Clearly the peoples of these eight nations did not cause the decision by Russia. If our original proposal took this particular form to cause Russia to show her hand, that has been accomplished, and we should now continue our economic program with due humanitarian regard for all the peoples of the world.

We should also keep in mind that the economies of these eight countries are not entirely socialized and collectivized, the land is still peasant-owned, the merchants are nearly all individual operators and not state-possessed, and the people do not wish to move toward a complete, socialized, regimented economy, and if these peoples do not move further in the regimented direction, the ultimate working out of our world economic and ideological relationships will be easier to attain.

Conditions of Assistance to Russian Zone

I consider it to be imperative in this world-wide competition of ideas and economic systems that we immediately make it clear that we do not turn our backs to these eight countries, that we do not foreclose the probability, under proper conditions, of extending to them desperately needed economic assistance.

The conditions of such aid clearly must include that the press and radio be able to report to the outside world without censorship what is happening within the country, that the assistance should reach the people for the purposes for which it is intended, that it should not be used to decrease their individual freedom or to clamp down additional socialization upon them, and that the people should be given the facts of the aid program.

As one specific example, the peasant farmers of Poland desperately need farm machinery. Their own was almost entirely destroyed or taken away as the grim tides of war swept their homelands over and over and over again. These peasant farmers are on their own farms. They are not collectivized. Europe desperately needs the food they could raise. If their government will agree that the farm equipment we would send them would go to the peasants themselves and would not be held by the government as a lever for collectivizing their agriculture, if they would agree that our press could report without censorship the developments, and that they would announce to the people the amount of aid delivered, then I would be in favor of granting aid in farm machinery to Poland.

Must Make Our Policy Clear

We must ever make it clear that we are not narrow or selfish or bigoted, that we sincerely desire the advancement of mankind, that we want others to share the freedom and the plenty that we enjoy, and that we believe that the best way for them to so share is to be set free within their own countries to work and to trade, to manage and invest, to speak and to assemble, to vote and to worship.

We should constantly make it equally clear that to attain these objectives they do not need now or ever to subjugate themselves to us, that we believe basically that men should be free, that they should not be slaves to other men either within or without their own borders.

Action Against Communist Infiltration

As the third phase of our prompt action, I consider it to be imperative that we do develop and place into effect a well thought out, effective program, to not only decrease the infiltration of Communism in America, but also to make it very clear to Russia that this infiltration cannot succeed. If we permit the Politburo to miscalculate the extent of the effectiveness of Communist infiltration in America, this could be almost as serious to future world developments as an actual dangerous infiltration. With their very limited numbers Communists have already caused a disproportionate disruption in labor relations and in false propaganda within our country.

The center of Communist activity in the United States is New York. This is the location of their publication, "The Communist Daily Worker." It is their headquarters. It has been revealed that it was the scene of the activities of Gerhart Eisler, recently convicted key Communist. Known facts that have been reported show that a disproportionately high percentage of the known paid membership of the Communist Party is in New York. In fact according to official government reports 40% of the known enrolled Communist members of the entire United States are in New York. Most of the serious inroads in organized labor by the Communist Party stems from New York. It should be recognized of course that the fact that New York is a news and communication and trade center and a gateway from and to Europe has made it especially attractive for concentrated effort by the Communists.

Needed, and needed badly, is a vigorous, coordinated, and comprehensive bi-partisan program developed and put into effect through the cooperation of the President and the Attorney General of the United States, the Governor and the Attorney General of the State of New York, the Mayor and the Prosecutor of the City of New York, to clear up this center of Communist activity.

Steps to Clear Out Communism

I suggest these 12 specific steps as the most effective way of clearing Communist infiltration:

One—Expose thoroughly the identity of all known Communists and "fellow travelers." Give the exact evidence of their connection. Some of the press have made an excellent start.

Two—Insist that they stand up and be counted and speak out in their genuine capacity, that they do not hide behind false fronts, false names, or false issues.

Three—Prosecute them vigorously for their violations of law with the effective cooperation of Federal, State and local governments, making certain that the people understand the nature of the violations so that they are not made martyrs.

Four—Have basic faith in the American working people and keep them fully informed of the facts.

Five—Meet squarely, through frank discussion on the merits, the issues the Communists raise.

Six—Move continually to correct deficiencies, maladjustments, or evils which they point out in our American social, economic, or political rights.

Seven—Expose the unsound and disruptive proposals that they make.

Eight—Urge our fellow citizens to refuse to associate with them in organizations, insisting that they either be expelled to form organizations of their own, or else the citizens who do not wish to follow their line withdraw and label the organization as a definite front.

Nine—Do not lightly use the charge of "Communist" against anyone unless we are certain of the evidence, then present the evidence with the charge.

Ten—None of them should be permitted on public payrolls, Federal, State or local.

Eleven—See to it that the members of labor organizations have a chance to vote by secret ballot on their own officers so that the workers can themselves remove union officers who are exposed and proven to be Communists.

Twelve—Take all these actions with complete respect for civil liberties and for legal rights.

By this approach I am confident that not only the influence of Communists in America would be sharply decreased but it will also soon become evident to the members of the Politburo in Russia that Communists cannot successfully infiltrate or subvert or sabotage the American political or economic system.

I am confident of the effectiveness of this 12-point approach because it worked in Minnesota. In 1937 and 1938 Minnesota had one of the centers of Communist activity in the United States. Minnesota then had more than its share of labor violence due in part to their influence. A third political party captured State control and Communist "fellow travelers" moved into key positions. Our Republican Party took a direct position in the first campaign of November 1938 that we would clear them out, would not permit them on public payrolls, and constructively would seek the cooperation of the working people to decrease their influence in organized labor. With the cooperation of Federal and local governments we were able to make a sharp change in their whole disruptive practices in labor and in political and social events. The third political party was defeated and eliminated. Within a few years, with the active assistance of the loyal organized labor men of the State and of an alert citizenry, the situation was greatly improved and now for years Minnesota has had less than her share of the national Communist difficulties.

I emphasize emphatically that this program should not be approached on a basis of any hysteria and should be carried on with full recognition and respect for civil rights and liberties. But it is important, not simply because of the dangers of their activities, but because of the even greater dangers in the world situation if we do not make it clear to the Politburo in Russia that Communists cannot successfully infiltrate in America.

I emphasize these major developments of our policy in the world economic field and on the domestic subversive front because I believe prompt action is needed and I have confidence in our ability to move upon them. We must constantly keep in mind that physically and geographically and scientifically this is one world, and that while there is and there will be sharp competitions and conflicts and clashes of ideas, and of economic and social systems, the world cannot be successfully divided. If we consistently and fairly present and advocate our dynamic ideas of individual freedom and human dignity on which our America is based, then I have a sober optimism that we can win peace and plenty and freedom for ourselves and for others in the years ahead.

First Boston Offers Iowa-Illinois Bonds

A banking syndicate headed by The First Boston Corp. is offering today an issue of $22,000,000 first mortgage bonds, 2¾% series due 1977, of the Iowa-Illinois Gas & Electric Co. The bonds are priced at 101.40 and interest. The issue was awarded July 16 on a bid of 100.779.

Iowa-Illinois Gas & Electric Co. is a subsidiary of the United Light and Railways Co. The new funds will be used to redeem presently outstanding bonds and to construct and acquire additional property.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Richard H. West, Vice-President and Director of **Irving Trust Company of New York** was on June 26 elected to the newly created office of Executive Vice-President of the Company, it was announced at the bank. A native New Yorker, Mr. West remained in Europe for a number of years after service in the First World War. With headquarters in Paris he was engaged in industrial reorganization, in the reconversion period. Later he organized and conducted a merchandising business which acted as Europeon purchasing agent for American and Canadian firms engaged in wholesale and retail trade. Joining the Irving staff in 1930, Mr. West was first engaged in handling reorganizations. Later he served as head of the Mortgage & Real Estate, personal and Corporate Trust Divisions. More recently he has been the Company's senior loaning officer. In these positions, and as a member of important committees, Mr. West has participated in all phases of the Company's business.

W. Nelson Young has been elected Assistant Secretary of the Irving Trust Company, according to an announcement made by the bank on July 1. Mr. Young is a graduate of Johns Hopkins University and of the Graduate School of Banking of the American Bankers Association. Until he entered the United States Army in 1942 he had some years experience in Wall Street and after his discharge from service in 1945 with the rank of Captain he joined Irving Trust Company.

* * *

THE FIRST NATIONAL BANK OF NEW YORK

	June 30, '47	Mar. 31, '47
Total resources	$847,187,900	$762,406,987
Deposits	703,820,719	619,464,487
Cash and due from banks	167,500,731	131,014,053
U. S. Govt. security holdings	467,312,087	462,522,606
Loans & bills discounted	123,515,072	80,802,431
Undivided profits	26,089,371	25,818,016

* * *

THE COMMERCIAL NATIONALL BANK AND TRUST CO. OF NEW YORK

	June 30, '47	Mar. 31, '47
Total resources	$220,580,558	$220,102,393
Deposits	194,744,808	194,034,661
Cash and due from banks	48,164,216	46,608,542
U. S. Govt. security holdings	125,965,824	121,039,172
Loans & bills discounted	42,137,795	46,492,962
Undivided profits	2,265,038	2,112,024

* * *

THE CONTINENTAL BANK & TRUST CO. OF NEW YORK

	June 30, '47	Mar. 31, '47
Total resources	$195,100,750	$193,483,875
Deposits	181,086,898	179,620,409
Cash and due from banks	49,059,495	50,024,032
U. S. Govt. security holdings	75,799,313	70,140,386
Loans & bills discounted	52,107,538	55,118,397
Undivided profits	2,040,100	1,938,721

* * *

Election of Gayer G. Dominick to the Board of Trustees of the **Greenwich Savings Bank of New York** at their meeting on July 11 is announced by President Earl Harkness. Mr. Dominick is a limited partner of Dominick & Dominick and is a Director of the Shell Union Oil Corporation, Fidelity & Casualty Company of New York, National Bond and Share Corporation, also President of the Roosevelt Hospital.

* * *

Total deposits in the four offices of the **Dollar Savings Bank of the City of New York** now exceed 300,000,000, it was reported by Robert M. Catharine, President. The bank serves more than 235,000 depositors.

The People's National Bank of Brooklyn, New York, has declared a regular dividend of 50 cents per share and an extra dividend of 25 cents per share, payable Aug. 1, 1947.

* * *

The Office of the Comptroller of the Currency reports that the **Port Washington National Bank and Trust Company of Port Washington, N. Y.,** has increased its capital, effective June 24 from $229,500 to $413,1000 by the sale of new stock to the amount of $183,600.

* * *

Tentative approval to establish and operate eight new branches in Port Chester, Tarrytown, Yonkers, Larchmont and Mount Kisco was received July 11 by **The County Trust Company of White Plains, N. Y.,** from the Board of Governors of the Federal Reserve System, according to an announcement by Andrew Wilson, Jr., President of The County Trust Company. Approval by the Federal Reserve becomes effective when the stockholders of **The County Trust Company, the Washington Irving Trust Company of Tarrytown,** and the **Bank of Westchester of Yonkers** approve the proposed merger of the three banks at a meeting to be held later this month. The proposed merger was referred to in our issue of June 26, page 3380.

* * *

Allen W. Holmes, President of the **Middletown National Bank of Middletown, Conn.** since 1932, died on July 7. Mr. Holmes, who had also been a director of the **Federal Reserve Bank of Boston** since 1942, was 59 years of age. He had also served as President of the Connecticut Bankers Association.

* * *

The Sussex and Merchants National Bank of Newton, N. J., has increased its capital, effective June 23, from $200,000 to $400,000; $100,000 of the increase represented a stock dividend, while $100,000 came through the sale of new stock of that amount.

* * *

At a special meeting of the Directors of the **Provident Trust Company of Philadelphia** on July 10, W. Logan MacCoy was elected Chairman of the Board of Directors and William R. K. Mitchell was elected President of the Company, effective Sept. 1. At the same meeting Mr. Mitchell was also elected a Director of the Company.

* * *

Karl R. Bopp has been appointed a Vice-President of the **Federal Reserve Bank of Philadelphia,** it was announced on July 1. He will be in charge of research.

* * *

James M. Large was elected Executive Vice-President of the **Tradesmen's National Bank and Trust Company of Philadelphia** by its Board of Directors on July 3. Mr. Large, previously Vice-President, has been associated with the bank since 1928. The Philadelphia "Inquirer" reports that during the war, Mr. Large was on a leave of absence from the bank for four years, distinguishing himself with the Navy. The same paper said:

"Also promoted at the meeting of Tradesmen's directors July 3 was A. F. Hauck, who was advanced from Assistant Vice-President to Vice-President.

"The following appointments were announced: Harold Entwisle, Assistant Cashier to be Assistant Vice-President; George W. Geuder, Assistant Cashier to be Assistant Vice-President; Joseph McDonald, Manager, credit department, to be Assistant Cashier; Fred A. Stocker, Assistant Cashier to be Assistant Vice-President, and Joseph R. Roberts, Assistant Manager credit department, to be Assistant Cashier."

* * *

Directors of **Union Bank of Commerce of Cleveland, Ohio** on July 10 declared a dividend of 75 cents a share on the 353,000 shares of $10 par value capital stock, payable July 25 to stockholders of record at the close of business July 15. It may be noted that on May 27 1946, the par value of the bank's stock was changed from $100 to $10, ten new common shares being issued for each old $100 par share. An initial dividend of 75 cents was paid on Jan. 25 of this year.

President John K. Thompson reported on July 10 that the bank's net profit after transfers to reserves for the six months ended June 30, 1947, amounted to $360,540, equal to $1.02 per share. The capital stock of Union Properties, Inc., although of substantial value, continues to be carried on the bank's balance sheet at the nominal figure of $1 and no Union Properties earnings are included in the bank's earnings figures, Mr. Thompson said.

* * *

The consolidation is announced, effective as of the close of business June 28, of the **Old National Bank of Delphos, at Delphos, Ohio** (Capital $75,000) and the **Peoples Bank of Delphos** (Capital $50,000). The office of the Comptroller of the Currency reports that the consolidation is consummated under the charter of the Old National Bank of Delphos (Charter No. 12196) and under the title of "The Peoples National Bank of Delphos," with common capital stock of $200,000, divided into 2,000 shares of the par value of $100 each, and a surplus of $200,000.

* * *

NATIONAL BANK OF DETROIT

	June 30, '47	Dec. 31, '46
Tot. resources	$1,166,381,355	$1,168,892,277
Deposits	1,102,221,168	1,095,361,796
Cash and due from banks	293,188,534	263,760,708
U. S. Govt. security hldgs.	597,683,969	632,488,213
Loans and bills discounted	169,775,299	163,350,622
Undiv. prof.	5,140,648	3,961,195

* * *

MERCANTILE-COMMERCE BANK AND TRUST CO., ST. LOUIS, MO.

	June 30, '47	Dec. 31, '46
Total resources	$350,093,304	$360,121,707
Deposits	320,275,756	329,899,860
Cash and due from banks	83,516,709	89,618,312
U. S. Govt. security holdings	149,715,962	149,341,532
Demand and time loans	92,419,148	90,066,419
Undivided profits	4,743,340	6,509,705

* * *

The **Third National Bank of Nashville, Tenn.** reported as of June 30, 1947 total deposits of $86,354,738 and total assets of $91,682,280 compared respectively with $90,494,782 and $95,569,281 on Dec. 31, 1946. The bank on June 30 held cash on hand and due from banks of $27,457,155 compared with $28,867,674 on Dec. 31, 1943; holdings of U. S. Government bonds are now (June 30) shown as $26,517,428, compared with $32,459,725 on Dec. 31, 1946. Loans and discounts of $32,009,853 at the latest date compare with $28,027,611, on Dec. 31, 1946. The bank's capital account is unchanged at $1,000,000 and its surplus remains at $3,000,000. Undivided profits have risen from $438,162 at the end of the year to $605,654 on June 30.

* * *

The Atlanta "Constitution" of July 4 reported from Savannah July 3 (through its State News Service) that Edward J. Wilson, who has been associated with the **First National Bank and Trust Company in Macon** for the past 11 years, was elected Vice-President and Cashier of the **Liberty National Bank and Trust Company at Savannah** at the meeting of the Board of Directors July 3, Charles S. Sanford, President, announced. It is further stated that Orell B. Bell, who has been with the Liberty National in various positions since 1938, was promoted to the position of Assistant Cashier.

* * *

The Board of Directors of **The First National Bank of Galveston, Texas,** announce the election of John M. Winterbotham, Jr., as Vice-President, effective July 15.

* * *

Directors of the **San Francisco Bank, of San Francisco, Calif.** have declared a dividend of $330 a share on the capital stock, said

(Continued on page 40)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Top signs increasing despite continued strength.

This week's column will probably remind you of a merry-go-round. I don't think I can give you a single thought that will change anything you read here last week. Last week I said the market was reaching for the top. In many stocks I thought this top had already been reached.

* * *

As I look out of the window, I loosen my collar and grunt at solicitous inquirers whose idea of starting a conversation is to ask, "Hot enough for you?", I see little in the market of the past few days to change the general picture. The selling I was concerned about is still going on; and conversely the weak buying is also going on. During this exchange the underlying structure of the general market has not been strengthened. This sounds ominous except that I have to add that neither has it been weakened. I know this sounds like double-talk. I'll try to explain what I mean though I'm woefully weak on explanations.

* * *

Markets can't stand still for long. They fatten or wither. It might be argued that any dullness at this time would be a so-called fattening process because of something that is called news "which is all in favor of higher prices." Unfortunately markets seldom get their motivating power from news. They get it in anticipation of news. And when that becomes public property it is the public that capitalizes on it, not the so-called insiders.

* * *

I've just re-read the foregoing paragraph and I don't know if I made my point any clearer. I probably confused you more. That frequently happens when I go in for explanations. Actually I'm reaching for an explanation and whenever I do that I usually get my hands slapped.

* * *

So I'll forget the explanations and just talk about something I think I know something about. When I recommended buying a couple of stocks some three-four weeks ago the averages were down in the region of 170 (figure is approximate — it's too hot to look it up). I figured some stocks would go up based on an involved formula which in turn is based on what some technicians call a half-and-half formation. Don't try to figure that one out. It's too warm and anyway tossing a coin will give you equal results. Anyway all this pointed to a move to about 185 in the familiar averages. Obviously this 185 isn't a hard and fast objective. It can be bettered a couple of points; it doesn't even have to reach it (though it has). Applying this figure to individual stocks I decided that Bethlehem, U. S. Steel and Chrysler would probably be the ones to buy; so I said do. Bethlehem was to come in at 83, Big Steel at 66 and Chrysler was left open.

* * *

As this is being written the steels are about 91 and 76 respectively and the motor stock is about 118. On paper you have a nice profit. Whether it will be a still better one, or a loss, when you get around to cashing in, is something I can't foresee. I believe that the majority of stocks are now flirting with the highs. Whether this flirtation will develop into a romance I can't tell. I do know, however, that the holder of stocks today can guard himself a little with stops. These can't assure him the top eighth; nothing I know of, can do that, but a profit of some kind is still better than a loss.

* * *

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.]

News About Banks and Bankers

(Continued from page 39)

the San Francisco "Chronicle" of July 3, which noted:

"This is an increase of $30 a share over the previous semi-annual rate. The dividend is payable Aug. 1 to stockholders of record July 26."

A semi-annual dividend of $270 was paid by the bank from 1935 to 1945. On Aug. 1, 1945, the rate was increased to $300.

* * *

L. M. Giannini, President, of the **Bank of America of San Francisco, Cal.** reports that deposits as of June 30 totaled $5,113,290,000, including $13,000,000 in the war loan account, compared with $5,238,524,000 a year ago, including war loan account of $277,000,000. This represents an increase of $138,766,000 in normal deposits, exclusive of the war loan account. Total resources are now $5,469,783,000 as compared with $5,554,310,000 a year ago. Earnings for the half year were $32,737,000. From this total, $5,902,000 was reserved for depreciation of bank premises and other real estate and amortization of bond premuims, and $1,700,000 was set up in reserves and applied to the revaluation of assets and absorption of losses other than loans. President Giannini pointed out that loan losses are charged to "Reserve for Bad Debts," to which reserve an annual allocation is customarily made at the year end as insurance against any possible future loan losses. At June 30, 1947, this reserve stood at $30,344,000. After payment of $8,531,710 in dividends for the semi-annual period at the regular annual rate of $2 per share, and after a profit-sharing bonus to employees, capital funds were increased from earnings for the six months by $16,187,000, compared to $10,590,000 in the corresponding period last year. Capital funds now total $257,483,000.

Directors of **California Bank of Los Angeles** have declared the regular quarterly dividend of 50 cents per share payable Aug. 1 to shareholders of record July 18, and elected J. H. Steensen a Vice-President. Mr. Steensen, formerly Assistant Vice-President, will remain in the bank's Beverly Hills Office where he is associated with W. F. Brandt, Vice-President.

Ben R. Meyer, President of the **Unicn Bank & Trust Co. of Los Angeles, Cal.**, announces advancement of Herman F. Hahn from Vice-President to Executive Vice-President; election of Edward H. LeBreton to the position of Vice-President; promotion of W. C. Neary from Cashier to Vice-President and Cashier, and of A. J. MacLennan to the post of Assistant Cashier.

* * *

The advancement of four Assistant Vice-Presidents of the **People's National Bank of Seattle, Wash.**, to the office of Vice-Presidents, and the promotion of three other members of the staff as Assistant Vice-Presidents was announced on June 28 by President P. A. Strack, it was stated in the Seattle "Times" of June 29, which in part also said:

"Those advanced to Vice-Presidents were M. Clare Geddes, who joined the bank's staff in 1927; B. G. Morrison, who started as a messenger a year later; J. Franklin Eddy, who became Assistant Vice-President last year upon his return from service in the Navy, and T. R. Faragher, who is serving at the bank's First Avenue Branch.

"Promotions to Assistant Vice-Presidents went to John King, John C. Laughlin, Jr., and Frank Ward.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Aided by the usual heavy July investment demand, as well as the belief that the bark may be worse than the bite, the government securities markets turned up especially in those issues of which the powers that be do not have large enough holdings to make an impression on prices even if they were sellers of these obligations.... This resulted in the intermediate- and longer-term eligibles being moved ahead to levels which indicate that, at least a part of the funds that were waiting for a buying opportunity were being put to work. . . . Interest in the World Bank bonds and fear of a certificate rate change, cancelled part of these gains, on light volume. . . .

It was well known in the financial district that buyers would come into the market when the uncertainty over short-term rates was cleared up. . . .

The defrosting of Treasury bills did not, however, remove these conditions, but it has nevertheless resulted in many investors feeling more confident that the real effects of an unpegging of short-term rates will come only with the unfreezing of the certificate rate. . . . While the certificate could be unhitched on a moment's notice, the impression in some quarters seems to be that it will be some time before such action takes place. . . . Others, however, believe that a defrosting of the certificate rate is imminent. . . .

Because income is so important to investors, especially the member banks, they appear to be considering the income that would be lost by not investing now against the price depreciation that might take place, and evidently have concluded that it was to their advantage to put some funds to work at prevailing levels. . . . Also the scarcity factor, which will be much more evident in the next few years, had had a bearing upon the decision to pickup desired maturities of the bank bonds. . . .

CERTIFICATES STILL RETAINED

While the yield on Treasury bills is approaching the certificate rate, most of the large banks appear to be holding on to practically all of their certificates. . . . The opinion seems to be that the powers that be will probably think twice before they unpeg the certificate rate, and allow it to seek higher levels, because this action will really increase the cost of servicing the debt. . . .

To be sure, there has been switching from the longer into the shorter certificates, but this initial rush seems to have subsided somewhat since investors have had an opportunity to study the effects of unpegging of the bill rate. . . . The 1949 and 1950 maturities have a little better tone, with not so much selling now in these securities. . . .

RESERVE BOARD REPORTS

Undoubtedly the admission by the Federal Reserve Board in its annual report to the Congress that an unpegging of short-term rates is not a cure-all for what has been going on in the money markets, particularly the trend from shorts to longs, has been responsible in some measure for the better tone in the government market. . . . If the powers that be should win their case for greater controls over investment policies of the member banks, then these institutions might not be able to take on some of the issues they need for income purposes. . . .

Rather than take a chance on this happening, it was reported that some institutions are doing what is being classified as long-range scale buying.... A part of the funds are being invested now in longer-term issues with more to be put to work later on if prices should decline. . . . These new purchases along with the issues held at lower prices will give them a favorable average price and a satisfactory income. . . .

The Board, in seeking greater controls, seems to guarantee low interest rates, because the only way in which credit expansion could be discouraged would be through higher interest rates. . . .

INELIGIBLES DEPRESSED

The ineligible obligations are still being kept under pressure because of selling by the authorities. . . . There is no doubt about the demand that is around for these securities and unless the monetary authorities were supplying the market, prices of these issues would be substantially higher. . . .

The 2½s due 1962/67 and 1963/68 have been taken in rather sizable amounts by non-bank investors, along with the 2¼s due 1959/62 not only for maturity and income purposes but with a weather eye to the year 1952, when these issues become bank eligible. . . .

The appreciation that is possible to be obtained from these bonds would enhance considerably the total income from these purchases. . . .

BANK ELIGIBLES ATTRACTIVE

The bank eligible obligations have been in demand, with the last four maturities of the partially exempts the leaders along with the 2½s due Sept. 15, 1967/72. . . . The largest buying orders were reported to have been in the 2¾s due 1960/65 and the 2⅞s due 1955/60, with the 2¾s at one time showing quite a sizable advance. . . .

It is indicated that the 2⅞s were being bought in place of the 2½s due 1956/58 because of the more favorable tax-free yield. . . . The better showing of the eligible issues is attributed in part to the fact that the powers that be do not have enough of these securities to have any appreciable effect upon the large demand that still exists. . . .

GENERAL MARKET

It is reported that the smaller commercial banks, which have large amounts of savings deposits, are putting real pressure on their Congressional delegations for participations in any new issues of restricted bonds that may be issued in the future to non-bank investors. . . . It is indicated that the June 2s of 1952/54 have been getting better buying than the December 2s. . . . A good-sized order from the Pacific Coast was reported in the 2½s due Sept. 15, 1967/72. . . . The World Bank bonds, went over with a bang, as both issues went to a sizable premium.

Sees Leveling Off of Prices, Costs and Income Major Problem

(Continued from page 13)

1943, according to Treasury Department figures.

Admittedly, the profits of some industries currently are high but these often are the result of inventory paper profits and other purely temporary factors. These will disappear as supplies catch up with scarcities and the law of supply and demand brings back the keenly competitive conditions that normally characterize American business.

Any industry that seeks to maintain high profit margins makes itself extremely vulnerable, and runs the risk of pricing itself out of its market, as the building industry, which for the most part is composed of small operators rather than large corporations, already has done. It is my firm opinion that American business is heading for a period of extraordinarily keen competition.

Wages and Prices

Can the problem of distorted price relationships be solved by wage increases? What we often overlook in our economic thinking, is that the worker is a wage earner for only part of the day; for a goodly part of the day he is also a consumer. More important than the actual number of dollars he receives each week, is how much these dollars will buy in terms of goods and services provided by others. For example, the average factory worker today receives in exchange for his dollar only 39% as much farm products as he did prior to the war. To put it another way, a pair of shoes prior to the war was equivalent to 18 pounds of butter. Today a pair of shoes will buy only ten pounds of butter. The purchasing power of the farmers has thus risen at the expense of other workers.

The incomes of some groups of workers have risen a great deal; the wages of other groups have lagged. Wage increases, however, generally mean higher production costs and consequently higher prices to the consumer, who also turns out to be a worker. A circle is formed with higher prices being followed with demands for higher wages which, if granted will be followed again by higher prices. In addition to leading to further rise in prices, higher wage rates also set up rigidities which make eventual price readjustments extremely difficult.

If the present high level of wages is to be maintained, how then can we achieve the price reductions that should be made in order to bring about a better balance among prices, costs and income? The only basic solution lies in higher production per manhour and resulting lower unit costs. To bring this about, management must meet its responsibilities by improving methods and processes and by so planning operations as to eliminate waste. Labor must meet its responsibilities by making full and productive use of the tools management provides.

America's High Productivity

Actually, the major reason for the high productivity of our nation is the fact that the American worker, in addition to being better trained, is the best equipped worker in the world. In America, the average worker today is provided with more than $6,000 in equipment and tools to do his job, several times as much as workers in the most advanced foreign nations.

The economic and social progress of our country, in fact, reflects in large part the ever-increasing capital investment that has been made in tools that enable one man to do the work of many and to do it with less effort and in less time. As more and better tools have been provided American workers, arduous physical labor and long hours of work have diminished on the one hand, and on the other the standard of living of our population has continually increased.

Is the amount and quality of the tools and equipment provided the American worker primarily due to our unique creative ability and ingenuity? We might like to think so but we should remember that inventive genius is not confined to this country—history proves that other nations have their proportion of men with imagination and ideas. But inventive ideas have no practical value unless they are perfected and placed in production. The major reason that the American worker is the best equipped worker in the world is not so much inherent native genius for designing tools as the fact that America has provided an economic climate that has enabled individuals and business organizations to accumulate capital with which to finance the perfection and production of innumerable ideas for new and better tools. It is vital to all of our future hopes for higher standards of living to have an economic atmosphere that will assure ever-increasing capital investments per wage earner.

Summing up, our main economic problem today is the distorted relationship among prices, costs and income. Unless they are leveled off and then stabilized at some new level, some hesitancy or recession in general business activity looms as a probability sooner or later.

Outlook for Prosperity

About a year ago when most people were highly optimistic about the business outlook, I was much more pessimistic than I am today, I am encouraged by the fact that some of the needed adjustments have started to get under way. For example many luxury lines were marked down sharply months ago; today some food, textile and lumber prices are having corrective reductions.

The United States emerged from World War II with unprecedented resources for a prosperity in which the American standard of living could rise to new heights. History shows that the American way has always been a rising standard of living for the people, and that no other nation in the world has ever been able to approximate such a standard.

One of this nation's greatest wartime resources was the ability to produce beyond levels thought possible by American and foreigners alike before the war. This ability to produce fully must be carried on if the United States is to realize its prosperity potentialities.

I firmly believe that once this nation has passed through the readjustment period we will experience a very substantial prosperity for a considerable length of time. With the readjustments completed, there will be opportunity for us to bring into full use the many important technological developments that occurred during the war period and to make full use of the greatly expanded productive capacity of our nation. This should result in lower unit cost of goods and high wages; these in turn making possible further increases in the living standards of all the American people.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y. (8/11)

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. (7/22)

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 are offered for subscription to stockholders of record June 18 on the basis of one share for each three shares held at $40 per share. Rights expire July 21. Unsubscribed shares will be sold publicly. **Proceeds**—To be added to capital funds.

Allied Finance Co., Dallas, Texas

May 26 filed 25,000 shares ($20 par) 5% cumulative convertible preferred. **Underwriting**—None. **Offering**—Offered to stockholders of record May 10 in the ratio of one share for each two shares of common held. Rights expire July 15. Any shares not taken up to and including 18,750 shares will be purchased by Republic Insurance Co.; balance will be sold to or through the Dallas Texas National Association of Security Dealers. **Price**—$20 a share. **Proceeds**—To retire present indebtedness.

• Allied Grain Co., Phoenix, Ariz.

July 7 (letter of notification) 1,500 shares ($100 par) preferred. **Price**—$100 a share, with option to purchase one share of $10 par common at $10 a share. No underwriting. To build grain elevator at Phoenix.

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 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.

• Arkansas-Missouri Power Co., Blytheville, Ark.

July 10 (letter of notification) approximately 7,000 shares ($5 par) common on behalf of Gus B. Walton, Vice-President of the company who will act as own underwriter. Shares to be sold at market.

Arkansas Power & Light Co. (7/21)

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**—Bids for purchase of the bonds will be received at 2 Rector St., New York, up to noon (EDT) July 21.

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.

Atlantic City (N. J.) Electric Co. (7/22)

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). **Proceeds**—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. **Bids**—Expect that call for bids will be issued July 18, to be submitted on or before 11 a.m. (EDT) July 22 at 30 Church St., New York.

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.

Black, Sivalls & Bryson, Inc. (7/18)

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.

• Bluebook Associates, Inc., New York

July 8 (letter of notification) 7,000 shares of common stock. **Price**—$10 per share. **Underwriters**—None. For preparation, printing, distribution, etc., of "The Home Makers Blue Book," the corporation's product.

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.

• Bowman Gum, Inc., Philadelphia

July 11 (letter of notification) 5,000 shares ($1 par) common. Being offered on behalf of Jacque C. Morrell, Vice-President and General Manager of the company. Price not stated. No underwriting.

Brayton Flying Service, Inc., Robertson, Mo.

March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. **Price**—$5 per unit, consisting of one share of each. **Underwriter**—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

Brooklyn (N. Y.) Union Gas Co.

May 3, 1946 filed 70,000 shares of cumu. preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23, 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 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.

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.

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.

• Chicago Bridge & Iron Co., Chicago

July 8 (letter of notification) 2,080 shares ($20 par) common. **Price**—$144 a share. No underwriting. To be added to general funds.

Clary Multiplier Corp., Los Angeles (7/21)

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.

Coast Counties Gas & Electric Co. (7/18)

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.

• Coast Counties Gas & Electric Co., San Francisco (7/18)

Issue—65,000 shares of $25 par, series A 4% cumulative preferred. **Underwriter**—Dean Witter & Co., San Francisco. **Offering**—To the public. **Price**—$26 a share. The underwriting commission will amount to 50 cents a share. **Proceeds**—To retire its 5% first preferred stock and to reimburse its treasury for capital expenditures. **Business**—Public utility.

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.

• Colorado Oil Producing Co., Denver, Colo.

July 11 (letter of notification) 1,240,000 shares of common on behalf of the company and 1,260,000 shares of common on behalf of G. D. Fleetwood, President of the company, and Wm. McCullough Fleetwood, Vice-President and Treasurer. **Price**—10 cents a share. To be sold through the president and vice-president. For development of oil, gas and mineral properties.

• Colorado Placers, Inc., Denver, Colo.

July 11 (letter of notification) 40,000 shares (25c par) capital stock, being offered by Roy Godfrey Olson, President of the company, as a bonus offering concurrent with the offering of the issuer under letter of notification filed Aug. 1, 1946. Olson will offer two shares for each three shares purchased from the issuer. No underwriting.

(Continued on page 42)

NEW ISSUE CALENDAR

(Showing probable date of offering)

July 17, 1947

New York Chicago & St. Louis
Noon (EST)------------------------------------Loan

July 18, 1947

Black, Sivalls & Bryson, Inc.-------------Common
Coast Counties Gas & El. Co.-------------Preferred
Oil Forum, Inc.------------Preferred and Common
Staten Island Bowling Centre, Inc.---------Common
Virginia Dare Stores Corp.----------------Common

July 21, 1947

Arkansas Power & Light Co.
Noon (EDT)-------------------------------Bonds
Atlas Plywood Corp.---------------------Common
Clary Multiplier Corp.-----------------Debentures

July 22, 1947

Aetna Insurance Co.-----------------Capital Stock
Atlantic Electric Co., 11:30 a.m. (EDT)----Common
Pacific Power & Light Co., 11:30 a.m. (EDT) Bonds
Thermoid Co.----------------------------Common

July 24, 1947

Dow Chemical Co.-------------------2nd Preferred
Florida Power Corp.----------------------Common

July 28, 1947

Mississippi Power Co.---------Bonds and Preferred

July 29, 1947

Florida Power & Light Co.
1:00 p.m. (EDT)------Bonds, Debs. & Preferred

August 1, 1947

Franklin (Pa.) Housing Co.----Cl. A & Cl. B Stocks

August 4, 1947

Stevens (J. P.) & Co.-----------------Capital Stock

August 5, 1947

Rochester Telephone Co.------------------Preferred

August 11, 1947

Acme Electric Corp.-----------------------Common
Manhattan Coil Corp.-----Debs., Pfd. and Common

(Continued from page 41)

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.

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 Coast Electric Co.

Mar. 28 filed 60,000 shares of $10 par common. **Underwriters**—To be determined by competitive biding. Probable bidders include Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. The stock is being offered by East Coast Public Service Co., parent. Bids for purchase of the stock scheduled for May 19 has been postponed indefinitely.

Edelbrew Brewery, Inc., Brooklyn, N. Y.

Dec. 31, 1946, filed 5,000 shares ($100 par) 5% non-cumul. preferred. **Underwriters—None. Offering—To be offered at par to customers, officers and employees of the company. Proceeds — For corporated purposes including modernization and improvement of the manufacturing plant and machinery and equipment.**

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.

● **Engineered Plastics, Inc., Wilmington, Del.**

July 14 (letter of notification) 3,500 shares ($50 par) preferred and 15,000 shares ($5 par) common. **Price**—$50 a preferred share and $5 a common share. No underwriting. To purchase land, machinery and equipment for manufacture of textile bobbins.

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.

● **Finance Discount Corp., West Memphis, Ark.**

July 3 (letter of notification) 29,500 shares ($10 par) preferred and 29,500 shares (1 cent par) common, to be offered in units of one share of each for $10.01 per unit. Wm. R. Kennedy, President of company, and his associates, who are promoters of the sales, will be given an option to purchase 60,500 shares of common at par of one cent each. No underwriting. For operation of business.

● **Flamingo Air Service, Inc., New York**

July 10 (letter of notification) 37,500 shares ($1 par) common. **Price**—$1 a share. **Underwriter**—Hoit, Rose & Co., New York. **Proceeds** have not been earmarked for any particular purpose.

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 at 1 p.m. (EDT) at 2 Rector St., New York. Separate bids for the bonds, debentures and stocks will be received.

● **Franklin (Pa.) Housing Co. (8/1)**

July 11 (letter of notification) 900 shares ($100 par) class A stock and 600 shares ($100 par) class B stock. **Price**—$100 a share. No underwriting. For general purposes of company.

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.**

● **Goldwaters Inc., Phoenix, Ariz.**

July 8 (letter of notification) 3,000 shares of 5% cumulative preferred. **Price**—$100 a share. **Underwriter**—Refsnes, Ely, Beck & Co., Phoenix. To acquire real estate, retire indebtedness and for working capital.

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.

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.

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. Offering indefinitely postponed.

Illinois Power Co., Decatur, Ill.

June 17, 1946 filed 200,000 shares ($50 par) cumu. preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

● **Inglewood Gasoline Co., Beverly Hills**

July 7 (letter of notification) 100,414.8 shares ($1 par) capital stock. **Price**—$1 a share. To be offered to stockholders. Unsubscribed shares to be offered publicly through Bennett & Co., Hollywood. To purchase equipment, liquidate indebtedness, and for working capital.

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.

● **Irene, Inc., Beverly Hills, Calif.**

July 10 (letter of notification 40,000 shares ($1 par) common and 150,000 shares ($1 par) 5% cumulative preferred. **Price**—$1.25 a common share and $1 a preferred share. No underwriting. For lease deposit, equipment and working capital.

● **Jacksonville (Texas) Agricultural Foundation, Inc.**
July 10 (letter of notification) $25,000 of preorganization certificates to be surrendered for 1,000 shares of $25 par common. Price—$25 a share. No underwriting. To promote agricultural development in area of Jacksonville.

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.

● **Jardine (Mont.) Mining Co.**
July 7 (letter of notification) 80,000 shares of common. To be sold at market. **Underwriter** — Nugent & Igoe, East Orange, N. J. To repay loans and for working capital.

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.
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 advertised for July 14 has been postponed.

● **Kiest Beet Harvester Co., Inc., Pocatello, Ida.**
July 26 (letter of notification) 200,000 shares ($1 par) common and 1,000 shares ($100 par) preferred. **Price**—$1 a common share and $100 a preferred share. To be sold through Patrick J. Healy, director of finance and sales, and officers of the company. To purchase plant, machinery, and for working capital.

● **Knight (Harry) Hacienda, Chandler, Ariz.**
July 9 (letter of notification) 2,700 shares of 5% cumulative preferred and 3,000 shares of common. **Price**—$100 a preferred share and $10 a common share. No underwriting. For financing construction of guest ranch near Morristown, Ariz.

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.

● **Little Girl Mining Co., Hot Springs, N. M.**
July 7 (letter of notification) 300 shares ($100 par) common. **Price**—$100 a share. No underwriting. For exploitation of mineral properties.

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. (8/11-15)
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.

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.

Mississippi Power (7/28)
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 28 at 20 Pine St., New York.

● **Morgan & Bush, Inc., Las Vegas, Nev.**
July 7 (letter of notification) 92,500 shares ($1 par) common. **Price**—$1 a share. To be sold through officers and directors of the company. To purchase machinery and to exercise an option to purchase certain mining property.

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.

● **Mosher (L. A.) Co., Inc., Atlanta, Ga.**
July 8 (letter of notification) $35,000 of no par common and $35,000 of $100 par preferred. **Price**—$70 a common share and $100 a preferred share. No underwriting. For working capital.

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.

● **Oil Forum, Inc., New York (7/18)**
July 11 (letter of notification) 500 units, consisting of one share of $100 par preferred and one-half share of no par common. **Price**—$100 per unit. No underwriting. For working capital in connection with publishing monthly trade publication.

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. Offering indefinitely postponed.

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. (7/22)
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**—Bids for the purchase of the bonds will be received at 2 Rector St., New York up to 11.30 a.m. (EDT) July 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) 3½% conv. preferred series A stock. **Underwriter**—No underwriting. **Offering**—Shares will be offered to common stockholders of record July 15 on the basis of one share of preferred for each 15 shares of common held at $100 per share. Rights expire Aug. 4. **Proceeds**—For expansion of production facilities and other corporate purposes.

● **Pitney-Bowes, Inc., Stamford, Conn.**
July 9 (letter of notification) 7,500 shares of common. Being offered to employees under stock purchase plan at $9.28 a share. No underwriting.

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.

● **Potomac Electric Power Co., Washington, D. C.**
July 10 filed 140,000 shares ($50 par) preferred, entitled to cumulative dividends. **Underwriting**—To be determined by competitive bidding. Probable bidders include Alex. Brown & Son; Kidder, Peabody & Co.; The First Boston Corp. **Offering**—Stock will be offered in exchange for outstanding 5½% preferred, series of 1927, in the ratio of two shares of new preferred for each old preferred share, plus cash adjustments. Shares of new preferred not issued in the exchange will be sold to underwriters. **Proceeds**—The new stock will be issued for the purpose of refinancing the old preferred at a lower dividend rate. Cash proceeds will be used to make the cash adjustments and to repay temporary bank loans made for the purpose of redeeming old preferred shares.

Public Service Co. of Indiana Inc.
March 26 filed $11,077,800 15-year 2¾% convertible debentures. **Underwriters** — None. **Offering** — Common stockholders of record July 16 will be given right to subscribe in the ratio of $10 principal amount of debentures for each share of common held. Rights will expire Aug. 18. 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. It is expected that registration statement will become effective July 25.

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.

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 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

(Continued on page 44)

(Continued from page 43)

of new preferred not issued in exchange will be sold to the public. **Proceeds** — To finance new construction.

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.

● **Save Rite Drug Stores, Salt Lake City, Utah**
July 7 (letter of notification) 1,152 shares of common, 1,026 shares of 5% cumulative preferred, and $73,000 of 5% debenture bonds. The company has stated a selling price of $100 a unit. The offering includes $93,200 of common, $73,000 of bonds and $14,600 of preferred sold in 1946 in the belief they were exempt from registration, in order to afford past purchasers an opportunity to rescind their purchase by July 14. No underwriting. For operating capital.

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.

● **Staten Island Bowling Centre, Inc., St. George, New York (7/18)**
July 11 (letter of notification) 275,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. For purchase of land, construction of building, installation of bowling alleys and for working capital.

● **Stevens (J. P.) & Co., Inc., N. Y. (8/4-5)**
July 14 filed 200,000 shares ($15 par) capital stock. **Underwriters**—Morgan Stanley & Co. and Harriman Ripley & Co., New York. Price by amendment. **Proceeds**—All of the proceeds go to the estate of Nathaniel Stevens, owner of the shares. **Business** — Wool manufacturing firm.

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.

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. (7/21-22)
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.

● **Treasure Mountain Gold Mining Co., Denver, Colorado**
July 11 (letter of notification) 100,000 shares of common. **Price**—50 cents a share. No underwriting. For exploration and development on mining property.

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. Statement became effective July 7. Pending action on "blue sky" applications in a few remaining important states, including Michigan, it is expected the offering will be made in next few days.

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. Registration statement is expected to become effective next week.

● **United Utilities & Specialty Corp., Boston**
July 10 filed 75,000 shares ($10 par) 5% cumulative convertible preferred. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$10 a share. The underwriters will receive a commission of $1.50 per share. In addition, they will be granted warrants to purchase 50,-000 shares of the issuer's common at $5 a share. **Proceeds**—For additional working capital. **Business**—Retail door to door household merchandise business.

Utah Chemical & Carbon Co.
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. Registration statement became effective June 28.

● **Vapo-Bath Co., Inc., Dayton, Ohio**
July 10 (letter of notification) 250 shares (no par) Class A stock to be exchanged for 250 common shares of Vapo-Bath, Inc., the old company, the assets of which are being acquired; and 600 shares ($100 par) Class B shares. The Class B shares will be sold at $100 a share. No underwriting. To provide purchase price of assets of old company.

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.

● **Victor Chemical Works, Chicago**
July 15 filed 40 000 shares ($100 par) 3½% cumulative preferred, second series. **Underwriter** — F. Eberstadt & Co., New York. Price by amendment. **Proceeds** — To increase production facilities at Mt. Pleasant, Tenn., plant and for construction of new plant. **Business**—Chemical business.

● **Virginia Dare Stores Corp., New York (7/18)**
July 11 (letter of notification) 15,000 shares of common on behalf of Sidney M. Netzorg, President. To be sold at market through brokers and dealers whose names will be supplied by amendment.

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. **Proceeds**—To retire preferred stock and to reduce bank loans. Reported July 16 that the present plans will be entirely changed.

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.**

● **Wembley, Inc., New Orleans, La.**
July 14 (letter of notification) 12,000 shares ($25 par) preferred. **Price**—$25 a share. **Underwriting**—D'Antoni & Co.; Howard Labouisse Friedrichs & Co.; Weil & Arnold; Woolfolk, Huggins & Shober; Kohlmeyer, Newburger & Co., all of New Orleans. For operating capital.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● **American Telephone & Telegraph Co.**
July 16 directors voted to proceed with an offering of 2,800,000 shares of capital stock to employees of company and its subsidiaries under the Employees' Stock Plan previously authorized by stockholders. Company is preparing a registration statement to be filed with the SEC.

● **Central RR. of Pennsylvania (7/22)**
Bids will be received July 22 for the purchase of $3,750,000 1-15-year equipment trust certificates, series B. Probable bidders: Halsey Stuart & Co. Inc.; Harris, Hall & Co. (Inc.).

● **Hooker Electrochemical Co.**
July 16 reported that with the postponement of the offering of the preferred stock issue company is considering the public sale of some additional common stock. Smith, Barney & Co. may be underwriter.

● **Monongahela Power Co.**
July 14 reported syndicates are being formed to bid on some $11,000,000 bonds and preferred stock to be sold later this year or early in 1948. Probable bidders include W. C. Langley & Co. and First Boston Corp. (jointly); Lehman Brothers (bonds and preferred); Harriman Ripley & Co. and Lazard Freres & Co. (jointly) (bonds only); Glore, Forgan & Co. (bonds only); Halsey Stuart & Co. Inc. (bonds only).

● 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.

● Northern Natural Gas Co.

Aug. 20 stockholders will vote on reducing the par value of common stock to $10 from $20 a share, and on increasing the authorized stock to 5,000,000 shares, from 1,200,000 shares. The chief purpose of increasing the number of authorized shares is to pave the way for financing future property expansion, it is declared.

● Washington Water Power Co.

July 14 reported company plans refunding of $19,000,000 1st 3½% bonds of 1964 and the sale of $3,000,000 or $4,000,000 of new bonds to defray cost of expansion program. Probable bidders: Halsey Stuart & Co. Inc.; The First Boston Corp.

Export Boom Collapse Threatens Business Outlook

(Continued from page 4)

as much as France, and India has increased more than Italy, or Holland or Belgium.

Character of Exports

Confirmation of the theory that our export boom has been caused by inflationary foreign business booms rather than by relief and rehabilitation is furnished by Table II. This table shows by commodity groups the increase in 1947 first quarter exports (on an annual basis) over 1937.

Foods account for only 17% of the increase, whereas consumer goods (especially luxuries) account for 13%, and industrial materials for 22%. In other words, most of the increase went for more expensive living and expanding production. Consequently, when high-spending consumers begin to retrench and over-extended businesses reduce inventories, these exports will collapse.

TABLE I
Distribution of Export Increases by Countries
($ Million)

	Exports 1937	Exports 1947	Increase 1947 over 1937	% of Total Increase
All Countries	3,349	13,580	10,231	100.0
War-Torn Europe	1,290	4,464	3,174	31.0
War-Torn Asia	536	1,388	852	8.3
Total War-Torn	1,826	5,852	4,026	39.3
Sweden	64	376	312	3.1
Spain	6	40	34	0.3
India	44	384	340	3.3
Africa	152	732	580	5.7
Australasia	99	256	157	1.5
Canada	509	1,892	1,383	13.5
Central America	321	1,720	1,399	13.7
South America	318	2,280	1,962	19.2
Total War-Enriched	1,513	7,680	6,167	60.3

TABLE II
Distribution of Export Increases by Commodities
($ Million)

	Exports 1937	Exports 1947	Increase 1947 over 1937	% of Total Increase
All Commodities	3,299	14,140	10,841	100.0
Foods	235	2,084	1,849	17.2
Fertilizer	17	28	11	0.1
Farm Machinery	75	252	177	1.7
Industrial Machinery	241	1,200	959	8.8
Electrical Machinery	113	512	399	3.7
Office Machinery	38	96	58	0.5
Consumer Goods	933	2,868	1,935	17.7
Industrial Materials	1,035	3,428	2,393	22.0
Aircraft	39	144	105	1.0
Other Vehicles	16	1,160	1,144	10.5

Grains account for two-thirds of the increase in foods. Cotton goods, autos and tobacco account for most of the consumer goods increase. The chief industrial materials are rayon, coal, steel, and cotton. Other vehicles mean mostly ships. The individual groups do not add up to the total in each column, because minor commodities have been omitted.

When will our foreign cash customers pare down their spending to normal? Either when they run out of dollars or when their business booms bust. Sweden, Argentina and Brazil have already begun restricting imports in order to conserve rapidly dwindling dollar reserves. Canada has enough dollars to last till the end of this year, if she is willing to deplete her entire reserve.

Exports and Dollar Balances

Table III indicates how long dollar balances can finance our excess of exports over imports to certain war-enriched nations. Net exports are for the first quarter of 1947 adjusted to an annual basis. Dollar balances are estimated as of the beginning of the year.

Although Canada can live off her dollar fat for a year, Africa, Mexico, Argentina, Brazil and Sweden must either restrict imports soon, or use up the gold backing their monetary systems, or liquidate their investments here.

TABLE III
Net Exports Compared With Dollar Balances
($ Million)

	Net Exports	Dollar Balances
All Countries	8,748	5,989
Sweden	312	173
India	104	44
Mexico	372	152
Argentina	367	113
Brazil	222	174
Other Latin America	803	666
Canada	832	932
Africa	447	83
Australasia	72	54

What will be the effect on our economy when exports to war-enriched foreigners recede to normal? It will be like knocking a prop from under a leaning wall. Purchasing power and the resultant demand for goods has been propped up to a difficult-to-maintain height by several unstable economic factors, as shown in Table IV. The largest prop—plant and equipment—has ceased to grow and there are signs it is beginning to crack. The second largest last year—inventory accumulation—has already shortened substantially. The sudden jacking up of net exports alone has saved purchasing power from toppling down heavily so far this year. A decline in net exports to the $5 billion lend-grant program level will start a continuous crushing of the purchasing power props holding up our business boom.

TABLE IV
Purchasing Power Props
Seasonally Adjusted Annual Rate
($ Billion)

	1946 4th Qtr.	1947 1st Qtr.	1947 2nd Half
Government Contribution	—4.3	—3.4	—7.0
Residential Construction	3.6	3.6	3.5
Consumer Credit Change	4.2	3.0	3.0
Plant and Equipment	20.8	20.8	20.0
Inventory Change	9.7	5.6	0.0
Net Exports	3.8	9.0	5.0
Total	37.8	38.6	24.6

Once the decline in net exports and inventory accumulation get the economy falling over, plant and equipment, residential construction and consumer credit will be crushed below the levels shown in the last column.

Therefore, to time accurately the onset of the forthcoming recession it is best to get out our telescopes to see what is happening to dollar balances and inflationary business booms in Canada and Latin America. Observing prospective lend-grants to war-torn Europe may mislead us.

Dated July 1, 1947.

Our Neglected Sea-Air Opportunities

(Continued from page 12)

which are wholly owned by their shipping companies, and are the new tramp ships of the air.

Spain

In Spain the only partner of the Franco government in the Spanish air line, IBERIA, are the Spanish steamship companies. The three Portuguese air lines are all owned and controlled by steamship companies whose water routes parallel their air operations. In Holland the government, the steamship companies, and the Dutch air line —KLM—have all agreed that as a matter of principle the Dutch shipping companies' participation in KLM must be increased over its present status. The only thing still to be worked out is the manner of that participation. That it will be large is evident from the fact that KLM has already offered to have the steamship companies name five of its 13 directors.

British Policy

In Great Britain both Conservative and Labor governments have deliberately stated that England's only hope of successful competition with the United States in the sweepstakes of the air is by a coordination and integration of her air and surface transportation. Although the government holds the ownership of the three British airlines—BOAC, BEA, and BSAA —the management and control of all three has been turned over to England's steamship and railway interests. John Booth of the Booth Line — principal British steamship company operating to Latin America — has been made chairman of British South American Airways, through which England hopes to penetrate the Latin American market. BSAA was the only competitor of the Waterman Airlines (subsidiary of Waterman Steamship Corporation) for the purchase of TACA, key Central American airline. Had the CAB been successful in carrying its policy to a logical conclusion, this vital Caribbean route would today be in British and not American hands.

British European Airways is headed by Sir Harold Hartley of the British railways — which also control and own the shipping lines that connect England with the Continent, and England's internal air routes. BOAC — the airline flying from England to the United States and the Empire — has on its board John Booth and many others with steamship connections.

The Canadian Air Carrier

Trans-Canada Air Lines, principal Canadian air carrier, is owned by the Canadian National Railways, and keys its advertising to the advantages of coordinated sea-air-railway transportation. Canadian Pacific also operates an air line. British Commonwealth Pacific Airways has been certificated by the CAB to operate an air service from Australia and New Zealand to Hawaii, the Pacific Coast, and Canada. That route is operated for BCPA by Australian National Airways, which in turn is owned by Australian steamship companies.

France

Sea-air is a historic fact in France. For years before the war the French steamship company, Chargeres Reunis, operated its own subsidiary air line, Aero Maritime. In prewar days the French Line and Air France formed a joint subsidiary — Air France Transatlantique — to fly the North Atlantic routes. Today civil aviation has been nationalized in France, under the aegis of a Communist Minister of Aviation. But air and water transport have been integrated at the government level. Joint offices are maintained in all parts of the world—including Radio City, New York. Full page advertisements in American newspapers advertise "Travel the French Way — By Sea or Air."

The effects of preventing American steamship companies from offering air services at a time when their foreign competitors are enabled to offer such facilities may not be apparent today when there is generally a shortage of transportation, and most planes and ships traversing the oceans are booked to capacity. But when these shortages are overcome — as soon they will be — American shipping and American foreign trade will inevitably be at a disadvantage. For foreign planes are bringing European sources of supply closer to such areas as Latin America, which have been traditionally American markets.

Sea-air is an accomplished fact in Europe today. Our failure to utilize it may still be corrected— if we act in time. The House Committee on Interstate and Foreign Commerce, which has just concluded hearings on the sea-air problem, has shown a sympathetic understanding of what is at stake for America. A vigilant and alert Congress may still repair the damage which has been caused by the fanatic adherence of administrative officials to a curious economic ideology.

Our Reporter's Report

Rousing success marked the initial entry of the International Bank for Reconstruction and Development (World Bank), into the money market this week as had been forecast.

The Bank placed its $250,000,000 of 10-year 2¼s and 3% and experienced heavy oversubscription on both ends of the deal, so much so that it is likely there will be substantial scaling-down of some of the larger allotments.

But while the quasi-government operation was going great-guns, it appears that the corporate new issue market has run head-on into the mid-summer "dog-days" judging by the comments in investment banking circles these days.

In the words of these commentators the corporate market has entered the "work-out" stage, that is, it seems to become necessary to get right down into the harness and sell an issue.

The situation is characterized as a lot different from that which prevailed through the last three or four years when underwriters had a veritable bull market in bonds as a backdrop for their marketings.

Resistance to low yields is becoming positive again and the thought seems to be that when institutional portfolio men, who have come to be known in Street parlance as "the bureaucrats," decided not to buy, bankers handling a given issue are "out of luck."

Iowa-Illinois 2¾s

The only sizable corporate issue marketed through competitive bidding this week, $22,000,000 of Iowa-Illinois Gas & Electric Co., first mortgage bonds, due 1977, is being reoffered today by bankers at a price of 101.40 to yield 2.68% plus to the investors.

The successful group, which is making the public offering bid 100.779 to the company for the foregoing coupon so that the spread to cover marketing costs was only about 62 cents a $100 piece.

Three Issues Up Next Week

Bankers will be bidding for three utility issues next week, two of them bonds and the third a large block of common stock.

On Monday bids are due to be opened on $11,000,000 first mortgage bonds of Arkansas Power & Light Co., due 1977 to reimburse

(Continued on page 47)

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 19	91.5	78.9	95.8	87.9
Equivalent to— Steel ingots and castings produced (net tons)	July 19	1,601,200	1,380,700	1,676,400	1,549,100
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	July 5	5,065,200	5,109,100	5,064,200	4,905,450
Crude runs to stills—daily average (bbls.)	July 5	5,109,000	5,093,000	5,148,000	4,874,000
Gasoline output (bbls.)	July 5	15,759,000	16,070,000	15,350,000	14,537,000
Kerosine output (bbls.)	July 5	1,963,000	1,969,000	2,311,000	1,901,000
Gas oil and distillate fuel oil output (bbls.)	July 5	5,659,000	5,606,000	5,286,000	5,552,000
Residual fuel oil output (bbls.)	July 5	8,485,000	8,298,000	9,032,000	8,155,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 5	89,674,000	91,808,000	94,802,000	91,627,000
Kerosine (bbls.) at	July 5	14,857,000	14,369,000	12,678,000	14,597,000
Gas oil and distillate fuel oil (bbls.) at	July 5	43,000,000	41,721,000	37,173,000	40,166,000
Residual fuel oil (bbls.) at	July 5	49,151,000	48,490,000	46,779,000	47,475,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 5	629,204	846,141	900,747	679,775
Revenue freight rec'd from connections (number of cars)	July 5	505,452	682,258	666,071	636,144
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	July 10	$76,690,000	$105,599,000	$158,140,000	$150,593,000
Private construction	July 10	30,070,000	30,372,000	91,981,000	73,064,000
Public construction	July 10	48,620,000	75,227,000	66,159,000	77,529,000
State and municipal	July 10	34,887,000	45,190,000	40,201,000	37,371,000
Federal	July 10	13,733,000	30,037,000	25,958,000	40,158,000
COAL OUTPUT (U. S. BUREAU OF MINES AND NATIONAL COAL ASSOCIATION):					
Bituminous coal and lignite (tons)	July 5	1,940,000	8,000,000	13,500,000	6,667,000
Pennsylvania anthracite (tons)	July 5	98,000	1,105,000	1,108,000	666,000
Beehive coke (tons)	July 5	9,400	*80,800	130,300	77,400
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 5	207	245	293	192
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 12	4,530,533	*4,189,824	4,701,992	4,156,386
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 8	2.85664c	2.85664c	2.85664c	2.73011c
Pig iron (per gross ton)	July 8	$33.15	$33.15	$33.15	$26.45
Scrap steel (per gross ton)	July 8	35.58	35.58	32.00	19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 9	21.225c	21.225c	21.425c	14.150c
Export refinery at	July 9	21.425c	21.425c	21.425c	14.600c
Straits tin (New York) at	July 9	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	July 9	15.000c	15.000c	15.000c	9.500c
Lead (St. Louis) at	July 9	14.800c	14.800c	14.800c	9.350c
Zinc (East St. Louis) at	July 9	10.500c	10.500c	10.500c	9.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	July 15	121.62	121.42	121.61	123.95
Average corporate	July 15	117.00	117.00	116.80	118.80
Aaa	July 15	122.09	122.09	122.09	123.34
Aa	July 15	120.22	120.22	120.22	121.25
A	July 15	116.61	116.61	116.61	118.60
Baa	July 15	109.79	109.79	109.06	112.56
Railroad Group	July 15	112.00	112.00	111.25	115.82
Public Utilities Group	July 15	118.60	118.40	118.60	119.41
Industrials Group	July 15	120.63	120.84	120.84	121.46
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	July 15	1.57	1.59	1.57	1.48
Average corporate	July 15	2.80	2.80	2.81	2.71
Aaa	July 15	2.55	2.55	2.55	2.49
Aa	July 15	2.64	2.64	2.64	2.59
A	July 15	2.82	2.82	2.82	2.72
Baa	July 15	3.18	3.18	3.22	3.03
Railroad Group	July 15	3.06	3.06	3.10	2.86
Public Utilities Group	July 15	2.72	2.73	2.72	2.68
Industrials Group	July 15	2.62	2.61	2.61	2.58
MOODY'S COMMODITY INDEX	July 15	417.2	404.2	400.8	337.8
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	July 12	221.1	219.6	216.2	167.2
Fats and oils	July 12	212.2	208.2	204.3	183.7
Farm products	July 12	255.4	249.5	248.1	207.5
Cotton	July 12	362.5	351.1	354.5	322.1
Grains	July 12	253.1	256.7	252.8	237.2
Livestock	July 12	242.1	234.0	232.3	182.4
Fuels	July 12	178.6	172.2	172.2	138.6
Miscellaneous commodities	July 12	159.9	159.6	158.9	147.1
Textiles	July 12	221.6	219.7	217.8	207.8
Metals	July 12	148.8	*148.8	148.2	125.3
Building materials	July 12	184.6	185.7	185.7	169.4
Chemical and drugs	July 12	152.5	*152.4	155.6	127.5
Fertilizer materials	July 12	127.9	*127.9	126.9	116.6
Fertilizers	July 12	134.6	134.6	134.6	119.8
Farm machinery	July 12	126.6	126.6	125.3	109.0
All groups combined	July 12	201.1	*198.2	197.2	165.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 5	187,739	152,741	217,658	180,587
Production (tons)	July 5	137,207	176,814	171,655	118,542
Percentage of activity	July 5	78	102	98	70
Unfilled orders (tons) at	July 5	517,713	461,226	552,280	596,425
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 10	143.0	143.2	144.6	137.0
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	July 5	148.0	147.6	147.9	117.2
Farm products	July 5	179.5	179.0	179.5	152.9
Foods	July 5	164.6	162.2	163.1	121.1
Hides and leather products	July 5	171.7	170.0	166.6	124.0
Textile products	July 5	138.4	138.4	138.5	108.8
Fuel and lighting materials	July 5	105.1	104.5	104.4	89.5
Metal and metal products	July 5	141.6	141.4	142.5	112.6
Building materials	July 5	175.2	175.4	177.5	130.7
Chemicals and allied products	July 5	121.5	123.2	124.7	98.2
Housefurnishing goods	July 5	131.0	131.0	129.5	110.7
Miscellaneous commodities	July 5	115.4	115.8	115.9	98.0
Special groups—					
Raw materials	July 5	162.6	161.6	161.8	135.2
Semi-manufactured articles	July 5	142.5	142.1	142.5	106.1
Manufactured products	July 5	142.8	142.7	142.9	110.9
All commodities other than farm products	July 5	141.2	140.8	141.1	109.4
All commodities other than farm products and foods	July 5	132.1	132.0	132.1	106.3

*Revised figure.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	6,952,216	*7,329,497	5,625,773
Shipments of steel products (net tons)—Month of May	5,442,343	5,445,993	3,906,064
AMERICAN TRUCKING ASSOCIATIONS—			
Month of May:			
Number of motor carriers reporting	269	*269	269
Volume of freight transported (tons)	2,357,328	*2,388,494	2,301,265
METAL OUTPUT (BUREAU OF MINES)—			
Month of April:			
Mine production of recoverable metals in the U. S.:			
Copper (in short tons)	71,575	*74,443	†50,196
Gold (in fine ounces)	154,817	*138,603	†125,296
Lead (in short tons)	31,111	*31,116	†27,706
Silver (in fine ounces)	2,880,914	*2,686,720	†1,814,853
Zinc (in short tons)	56,510	*55,134	†47,149
NEW BUSINESS INCORPORATIONS (DUN & BRADSTREET, INC.)—Month of May	9,179	9,802	12,044
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of June	$94,474,000	$87,833,000	$86,655,000
COTTON SEED — DEPT. OF COMMERCE —			
Received at mills tons Aug. 1 to June 30	3,004,571	2,991,857	3,101,800
Crushed tons Aug. 1 to June 30	3,014,943	2,945,837	3,218,642
Stock tons June 30	107,334	163,726	99,942
COTTON SEED PRODUCTS—DEPT OF COMMERCE—			
Crude Oil—			
Stocks (pounds) June 30	20,144,000	33,593,000	24,538,000
Produced (pounds) Aug. 1 to June 30	948,582,000	925,296,000	1,003,579,000
Shipped (pounds) Aug. 1 to June 30	951,422,000	925,266,000	1,006,409,000
Refined Oil—			
Stocks (pounds) June 30	203,856,000	217,204,000	316,318,000
Produced pounds August to June 30	885,620,000	843,870,000	937,295,000
Cake and Meal—			
Stocks tons June 30	87,614	116,987	41,341
Produced tons Aug. 1 to June 30	1,328,020	1,297,571	1,415,495
Shipped tons Aug. 1to June 30	1,272,034	1,212,212	1,426,412
Hulls—			
Stocks tons June 30	39,955	44,718	33,158
Produced tons Aug. 1 to June 30	708,927	692,166	793,339
Shipped tons Aug. 1 to June 30	694,897	673,373	801,878
Linters—running bales—			
Stocks June 30	90,895	99,861	49,745
Produced Aug. 1 to June 30	968,054	945,325	975,234
Shipped Aug. 1to June 30	912,213	880,518	944,065
Hull fiber (500-lb. bales)—			
Stocks June 30	313	604	441
Produced Aug. 1 to June 30	18,631	18,291	16,862
Shipped Aug. 1 to June 30	18,821	18,190	16,744
Motes, gabbots, etc. (500-lb. bales)—			
Stocks June 30	11,656	12,841	2,390
Produced Aug. 1 to June 30	38,219	37,296	41,768
Shipped Aug. 1 to June 30	28,293	26,185	41,829
BUILDING CONSTRUCTION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR—Month of April:			
All Building Construction	$435,000,000	$382,000,000	$436,000,000
New residential	240,000,000	208,000,000	259,000,000
New non-residential	121,000,000	110,000,000	109,000,000
Additions, alterations, etc.	74,000,000	64,000,000	68,000,000
Non-Federal—All Building Construction	428,000,000	372,000,000	393,000,000
New residential	239,000,000	206,000,000	223,000,000
New non-residential	116,000,000	103,000,000	107,000,000
Additions, alterations, etc.	73,000,000	63,000,000	63,000,000
Federal—All Building Construction	7,000,000	10,000,000	43,000,000
New residential	1,000,000	2,000,000	36,000,000
New non-residential	5,000,000	7,000,000	2,000,000
Additions, alterations, etc.	1,000,000	1,000,000	5,000,000
COTTON ACREAGE—U. S. DEPT. OF AGRICULTURE—As of July 1	21,389,000	------	18,190,000
CROP PRODUCTION IN U. S.—U. S. DEPT. OF AGRICULTURE—Estimate as of July 1:	000's omitted		
Corn, all (bu.)	2,612,809	------	3,287,927
Wheat, all (bu.)	1,435,551	1,409,893	1,155,715
Winter (bu.)	1,092,122	1,093,071	873,893
All Spring (bu.)	343,429	316,822	281,822
Durum (bu.)	48,018	------	35,836
Other Spring (bu.)	295,411	------	245,986
Oats (bu.)	1,247,454	1,247,333	1,509,867
Barley (bu.)	284,867	268,319	263,350
Rye (bu.)	25,219	25,208	18,685
Flaxseed (bu.)	38,374	------	22,962
Rice (bu.)	75,485	------	71,520
Hay, all (ton)	103,182	------	100,860
Hay, wild (ton)	13,428	------	11,530
Hay, alfalfa (ton)	33,434	------	31,817
Hay, clover and timothy (ton)	33,198	------	34,330
Hay, lespedeza (ton)	6,870	------	7,182
Beans, dry edible (100 lb. bag)	16,145	------	15,797
Peas, dry field (100 lb. bag)	6,239	------	6,926
Potatoes (bu.)	351,674	------	475,969
Sweet potatoes (bu.)	61,897	------	66,807
Tobacco (lb.)	2,101,154	------	2,312,080
Sugarcane for sugar and seed (ton)	6,702	------	5,997
Sugar beets (ton)	11,888	------	10,562
Hops (lb.)	53,282	------	53,171
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of June:			
Manufacturing number	95	155	25
Wholesale number	36	51	4
Retail number	108	119	24
Construction number	23	20	13
Commercial service number	21	33	3
Total number	283	378	69
Manufacturing liabilities	$14,220	$10,971	$1,996
Wholesale liabilities	1,874	2,258	80
Retail liabilities	1,614	3,037	661
Construction liabilities	664	321	262
Commercial service liabilities	610	739	7
Total liabilities	$18,982	$17,326	$3,006
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—As of June 30	$258,375,903,294	$258,520,735,030	$269,898,484,033
General Fund Balance	3,308,136,929	4,063,388,541	14,237,883,295
Net Debt	255,067,766,365	254,454,346,489	255,660,600,738
Computed Annual Interest Rate	2.107%	2.095%	1.996%

Our Reporter's Report

(Continued from page 45)

the firm for expenditures already made and to finance projected construction.

Tentatively scheduled for bidding on Tuesday in what promises to develop into a lively contest, is the 522,416 shares of common stock of Atlantic City Electric, being sold by American Gas & Electric Co., in divestment proceedings.

On Tuesday also bids will be opened for $26,900,000 new first mortgage bonds of Pacific Power & Light Co., subsidiary of American Power & Light Co.

The total new issue here involves $29,000,000 but the difference is provided for by plans to exchange a portion of the new bonds for a like amount of Northwestern Electric Co. 4½% debentures which Pacific Power has assumed from American Power & Light.

Beware of Sharpshooters

The task of maintaining the price of an issue in the open market while additional stock is being sold is not always a simple one judging by recent experience of underwriters.

Sharpshooters seemingly have developed a new wrinkle for eking out a profit. In the case of Cleveland Electric Illuminating Co.'s 133,383 shares of common purchased recently by bankers from North American Co. and reoffered publicly, the bankers ran into it.

SEC had granted permission for stabilizing of the outstanding stock during the marketing operation. But it appears that some smart operators had gathered up a considerable block of the shares weeks ahead of the offering and took advantage of the syndicate bid to unload during the sale.

Stock Issue Today

A block of 60,000 shares of $2.50 cumulative $50 preferred stock of California Electric Power Co. was slated to reach market today, subject to SEC clearance.

Priced at $52 a share the stock would yield the investor an indicated 4.80% return. Original plans call for the sale of 80,000 shares but this was subsequently reduced. Proceeds will be applied to reduction of bank loans and to other corporate purposes.

Says Unit Labor Costs Still Going Up

National Industrial Conference Board survey shows predicted gains in output per man hour have not materialized.

Manufacturers' unit labor costs were still going up at the beginning of 1947 and the large gains in output per man hour which it was predicted would take place shortly after the war did not materialize, according to an analysis of productivity and labor cost trends which has just been completed by the National Industrial Conference Board.

An analysis by the Conference Board of productivity and unit labor costs in four industries (flour and other grain mill products; paper and pulp; leather; and boots and shoes) follows.

Flour and Other Grain Mill Products—In the last quarter of 1946, output per man hour in the manufacture of flour and grain mill products was 9% above a year earlier. Larger advances in payrolls resulted in a gain of 8% in unit labor costs over the same period. It was not until October-December, 1946, that productivity showed improvement over the end-of-the-war level. During the second quarter of 1946, output per man hour declined as mills reported difficulties in getting supplies and were still confronted with the problem of converting to the higher flour extraction rate set on March 1. After a year and a half of peace, output per man hour was only at 1939 rates while unit labor costs were 74% higher. Grain prices were even further above 1939 levels. The wholesale price of wheat in Minneapolis, for example, was 81 cents a bushel in 1939, as compared with $2.20 in October-December, 1946. In contrast, the wholesale price of wheat flour, Minneapolis, about doubled over the period.

Paper and Pulp—In the paper and pulp industry, productivity in the closing months of 1946 was back to about what it had been in 1939, but had not reached the 1940-41 levels. The index of output per man hour (1939=100) was 99 in October-December, 1946, as compared with 109 in the same quarter of 1941. Meanwhile, wages were increased. The combination of these factors raised unit labor costs 77% above the 1939 average and 62% above the last quarter of 1941. The sharp increases in labor cost and raw material prices since 1939 was accompanied by an increase of less than 60% in the wholesale price of paper and pulp.

Leather Industry—In the leather industry, output per man hour advanced about 15% during the war. No further gains took place in 1946. During the third quarter of 1946, curtailed production, partly caused by seasonal factors and partly by lack of supplies as animals were kept from slaughter in the previous months, was reflected in a drop in output per man hour. Unit labor cost, on the other hand, increased 13% in 1946, bringing the over-all increase from 1939 to 54%. The price of hides and skins increased about 130% in the seven years. The 90% rise in the wholesale price of leather products was moderate compared with these gains in cost.

Boots and Shoes—A reversal of the upward trend in unit labor cost took place after the end of the war in the boot and shoe industry. Unit labor cost in the fourth quarter of 1946 was 23% lower than during the last war months. As production of civilian boots and shoes, which require less labor "input" than heavy military footwear, increased sharply, output per man hour advanced about 50% during this period. Even after considering the postwar declines, unit labor cost at the beginning of 1947 was still 49% above 1939. The increased cost of leather and the gain in unit labor cost was not fully reflected in the wholesale price of shoes which advanced about 55%.

SITUATIONS WANTED

DIVIDEND NOTICES

Washington . . . And You

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

The Administration's drive for lower prices—of which you'll continue to hear plenty—is not to include pressure against farm prices. That's important. Also, it's a Truman retreat. It's important because farmers already receive a disproportionate share of national income. It's a retreat because only a few weeks back chief presidential economic advisor Edwin Nourse was assuring people farm prices had to be shrunk.

* * *

Dr. Nourse was positive about that—so positive he told newsmen he planned to stump the West in behalf of price whittling. Reporters were amazed, farmers shocked, by such candor. But. Dr. Nourse later hit the sawdust trail to farm price maintenance rather than the stump circuit he had promised. Now he says farmers can't be expected to accept less for their products, can be expected to take what the consumer will pay.

* * *

The end result looks like a timid downward tilt of the farm price index this Fall—then up again.

* * *

Don't misgauge Senate Banking Committee action in voting to continue Regulation W for six months in limited form. In terms of net legislation it means nothing. You can be sure that (1) the Senate Committee will insist W be retained; (2) House Banking Committee will insist W be junked; (3) no legislation will be enacted; and (4) W will be revoked by Presidential edict around Aug. 1.

* * *

SEC is to be brought home from Philadelphia before Summer's end. Congress is voting necessary moving funds for several agencies, is giving SEC first priority.

* * *

RFC isn't to be authorized to resume buying GI insured mortgages. In continuing the agency, Congress voted to end the secondary market for such mortgages, won't reverse this position despite mounting pressure. Reasons are mainly two: (1) RFC would exhaust its $2 billion overall lending program; (2) the government would find itself advancing a 100% guarantee and suffering a punishing loss if the real estate market sagged.

* * *

To June 15 RFC had bought $58,517,506 of such mortgages, had commitments for $18,396,511 more. Of this $77 million worth of paper, 63.6% was taken over from mortgage loan companies, 15.7% from state banks, and 9% from national banks. Such purchases by RFC mounted from $2,914,000 in January to $18,149,000 during the May 13—June 15 period, attained a daily average of $1,500,000.

* * *

Candy makers, peanut butter manufacturers, and salters may be priced out of substantial consumer markets by government support policies which point to a cost of 18½ cents-per-pound for edible nuts this year. That means fewer and more costly candy nut bars, less and more expensive peanut butter, and diminishing salted nut sales. Industry spokesmen are seeking relief from Congress, can't get it before adjournment, are gloomy on the outlook.

* * *

You can now bet—with reasonable confidence—that Congress adjourns without (1) increasing the minimum wage; (2) stimulating home construction; (3) reviving subsidy payments for copper, lead and zinc marginal mining; (4) enacting national health legislation; (5) legislating on prices.

* * *

Bills raising the minimum hourly wage from 40 cents to 60 cents have been given the nod by Republican traffic men but can—and will—be blocked by Southerners and the farm bloc. Plan on paying the higher minimum next year. The GOP will reap more political benefits from hiking the floor just before the Presidential election than now anyhow. That's to be the strategy.

* * *

Housing has them all bothered here. Most lawmakers would like to vote more homes into reality, don't know how, are going back to their states apprehensively. Republicans have the impulse but not the know-how to stimulate dwelling construction. Because they haven't been able to agree on a policy, nothing is to be done on this shortage before adjournment. Democrats in private aren't too unhappy about this, hope to profit at the polls, may if housing legislation of some sort isn't written early next year.

* * *

Subsidy payments for marginal copper, zinc and lead mining expired June 30, aren't to be revived. Reviving bills can't get through the Senate.

* * *

National health prescription has bipartisan backing but can't be written into statute now. Reasons are two: (1) it is to be costly in terms of taxpayer dollars; (2) its sponsors have found agreement on a specific formula impossible. You can look for both major political parties to exploit this issue in the 1948 campaign.

* * *

Prices will continue to spin on the spiral the remainder of 1947 without congressional fetters. There's to be no return of OPA, NRA, or any other price hobble.

* * *

But jot down this possibility: Congress may authorize a Summer inquiry into high prices by a special joint committee of Senate and House. Watch for news of this—one way or the other—in a day or two. Important Republicans right now incline toward the theory such a witch hunt might be politically wise.

* * *

Permanent legislation on synthetic rubber goes over until 1948. That's definite. Existing temporary controls expire March 31, and before that date the special House Armed Services subcommittee eyeing our rubber problems will draft recommendations. Here's the prospect: the subcommittee will (1) hold Summer hearings; (2) early in January propose compulsory consumption of a rather substantial amount of synthetic rubber to keep the industry at a satisfactory national defense tempo.

* * *

Here's a development to be remembered but not yet viewed seriously: Nebraska's Republican Representative Carl T. Curtis has introduced a bill imposing seven cent-per-pound Federal Tax on all rubber other than butadiene produced from grain alcohol. Actually, American farmers supplied raw materials for half of synthetic rubber during World War II. Congressman Curtis would help the farmer keep this new business through an excise.

* * *

Don't expect the government to do anything about increasing steel capacity before 1948. The Senate Small Business Committee plans to recommend expansion of steel-making facilities but won't do so before next session.

* * *

Memo for the aircraft industry: the Government's Aviation Co-ordinating Committee representing the State, Commerce, War, Navy, and Post Office Departments and Civil Aeronautics Board is undertaking a special survey to determine the size and shape of a peacetime aviation industry adequate for war needs and will report to the President early next year. Also, Congress is drafting and will OK legislation creating a group to consider the plight of the industry and recommend a national air policy to the White House and Congress.

* * *

Senate Appropriations Committee has handed the Federal Trade Commission and Securities & Exchange Commission a pat on the back and $500,000 to continue their joint collection and publication of corporate financial statistics. Weeks back the House withheld all funds for this activity. Don't be surprised if the Senate forces House members to bend the knee on this issue and open the purse zipper. There's a good chance the agencies will get most of that half million.

* * *

The joint SEC-FTC study of financial data covers 1,800 companies—substantially in excess of 50% of the corporate wealth of the U. S. Said the Senate Committee in restoring the $500,000: . . . "These statistics are highly desirable for adequate analysis of the economic trends of the country."

* * *

The approximate 16,000 banks that now qualify as cashing agencies of savings bonds are expected to provide adequate and rapid facilities for cash redemption of terminal leave bonds—after such redemption is authorized by Congress.

Sauce for Both Goose and Gander!

"Monopoly control of industry in the crucial areas of our economy spells doom unless such basic steps are taken. In order to attain full employment and full production it is essential that capacity and output of certain basic industries be increased. . . .

"Congress should give the Department of Justice the right to stop mergers resulting from large corporations acquiring the assets of small companies.

"American corporations should be banned from entering into international cartel agreements, such as those entered into with I. G. Farben and others before the war.

"In the light of present economic tendencies, it may become necessary to give serious consideration to public control, either through regulation or ownership, as a means of curbing monopoly practices.

"It may be also necessary, in order to stop monopoly, to subject the major privately owned corporations to some type of Government regulation."—The "Economic Monthly," organ of the CIO.

We, too, think monoply and "monopoly control" quite undesirable.

And we see no reason why they should be tolerated when practiced by labor unions.

Twelve New Funds for Nat'l Secs. Research

Henry J. Simonson, Jr., President of National Securities & Research Corporation, announces that 12 new funds will be offered on Aug. 1, bringing the total of "National" Funds up to 22.

Ten of the new funds will be of the industry group type in the following fields: Automobile Shares; Aviation Shares; Building Shares; Chemical Shares; Metal Shares; Oil Shares; Railroad Shares; Railroad Equipment Shares; Retail Trade Shares; and Steel Shares.

National also is bringing out a Balanced Series which is expected to yield about 4% on the initial offering price.

National's twelfth new fund, known as Institutional Series, will be something of an innovation. The portfolio will be of high quality with bond and preferreds predominating, although common stocks may be purchased up to 35% of the total portfolio. This Series is designed for wealthy individuals, corporations, fiduciaries, insurance companies, etc. Institutional Series is expected to yield about 3%, based on current levels of the market.

Henry Ford Named Man-of-the-Year

Henry Ford, 2nd, President of Ford Motor Co., has been named "man of the year" by the New York Financial Writers' Association, according to Robert Denver, President of the Association. Mr. Ford was the majority choice of the Association's members in the first such annual poll conducted by the group.

Henry Ford, 2nd

The election was held in accordance with membership decisions earlier in the year by two consecutive mail ballots. In the final poll limiting members' selection to four names, Mr. Ford's headed the returns "as the man in finance or industry who, in 1946, contributed most in advancing American economic ideals at home and abroad."

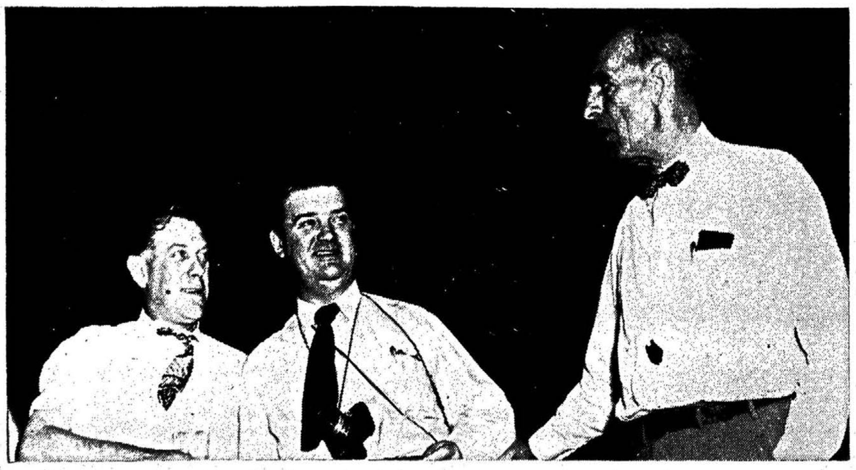
Mr. Ford was finally nominated "because he drastically reformed his company's labor policy; and because he combated successfully demagogic charges of labor interests in general by means of frank revelation of decreasing labor efficiency and increase in production costs."

Bernard Baruch polled the second largest number of votes by the membership which comprises financial and business writers of the daily New York press, of the wire services and certain approved periodicals in the economic field.

Kaufmann Opens Branch

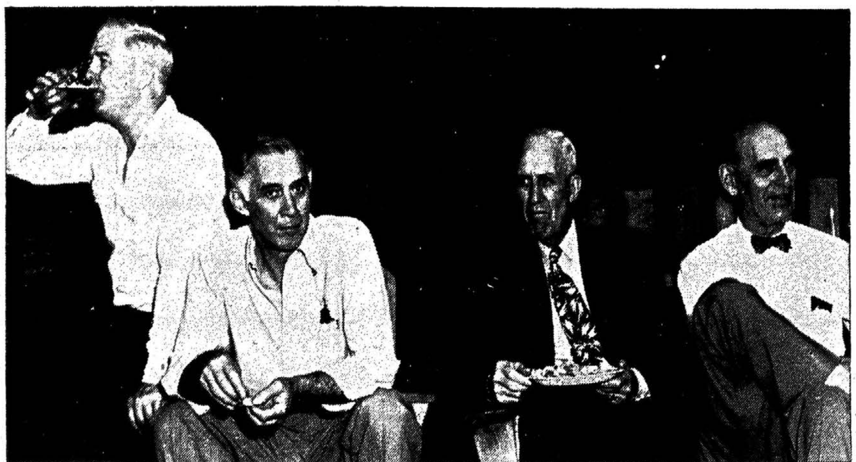
Jay W. Kaufmann & Co., members of the New York Curb Exchange, have opened a branch office on Main Street in Riverhead, Long Island, under the management of Wesley G. Tomlinson.

Columbus Stock and Bond Club



Bud Mahon, *First Cleveland Corporation;* Jack Nida, and John Otto of *Merrill Lynch, Pierce, Fenner & Beane*

Fred Kaufmann, *Vercoe & Co.* (back to camera); John Otto, *Merrill Lynch, Pierce, Fenner & Beane;* Bert Stowell, *Merrill Lynch, Pierce, Fenner & Beane;* John Albin, *The Ohio Co.;* Ray O'Connor, *Otis & Co.;* Harold Haughton, *The Ohio Co.*



Don Overly, *Merrill Lynch, Pierce, Fenner & Beane;* Warren Merrick, *McDonald & Co.;* Bert Stowell, and John Otto, both of *Merrill Lynch, Pierce, Fenner & Beane.*

Henry Thierman, *The Ohio Co.;* E. C. Carl, *Samuel & Engler Co.;* Henry Weisenbach, *Ball, Burge & Kraus;* Robert Herman, *The Ohio Co.*

R. P. Lucas, *Vercoe & Co.;* Mr. Barnhart, *Huntington National Bank;* Robert Herman, *The Ohio Co.;* chef; Roy Swabby, *The Ohio Co.;* George Scully, *The Ohio Co.*

Todd Cartwright, *Sweney-Cartwright & Co.;* Fred Kaufmann, *Vercoe & Co.;* Bert Linder, *The Ohio Co.*

Harold Roberts, *Merrill Lynch, Pierce, Fenner & Beane;* Herman Engler, *Samuel & Engler Co.;* Wilson Hoge, *Fahey, Clark & Co.;* John Samuel, *Samuel & Engler Co.*

Joseph Van Heyde, *National Association of Securities Dealers, Inc.;* Roy Swabby, *The Ohio Co.;* Chuck Andes, *The Ohio Co.;* John Joyce, *John B. Joyce & Co.;* Robert Ruhl, *Vercoe & Co.*

Frolic at Annual Picnic

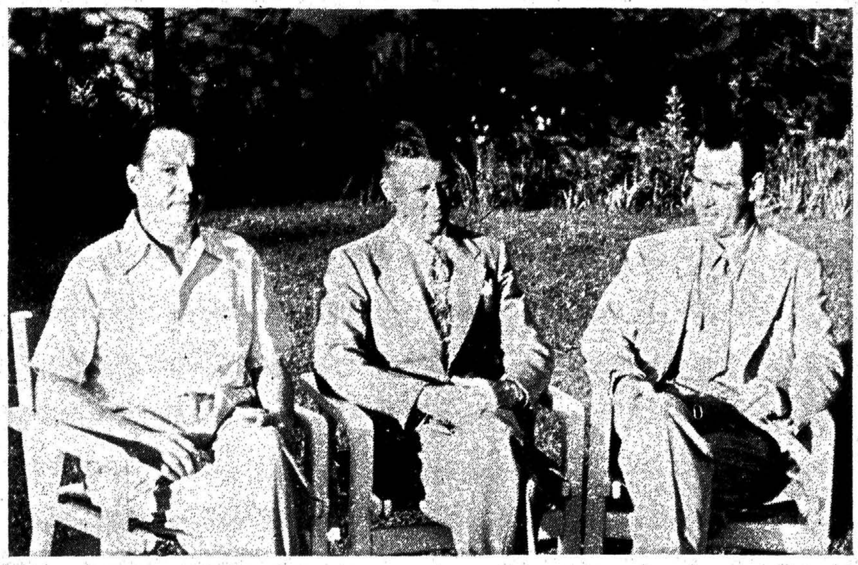
The River Patrol (retrieving balls knocked out of bounds): Edward Battin, *The Ohio Co.;* Roy Swabby, *The Ohio Co.;* R. P. Lucas, *Vercoe & Co.;* Robert Watts, *The Ohio Co.*

Dennis Murphy, *The Ohio Co.*, with croquet mallet, watched (left to right) by Ewing T. Boles, *The Ohio Co.;* Henry Richter, *The Ohio Co.;* Leland Walters, *Vercoe & Co.*, President of the Columbus Stock & Bond Club.

Morgan Penn, *Hayden Miller & Co.;* Lowry Sweney, *Sweney-Cartwright & Co.;* Henry Thierman, *The Ohio Co.;* Karl Leonharat, *Vercoe & Co.*

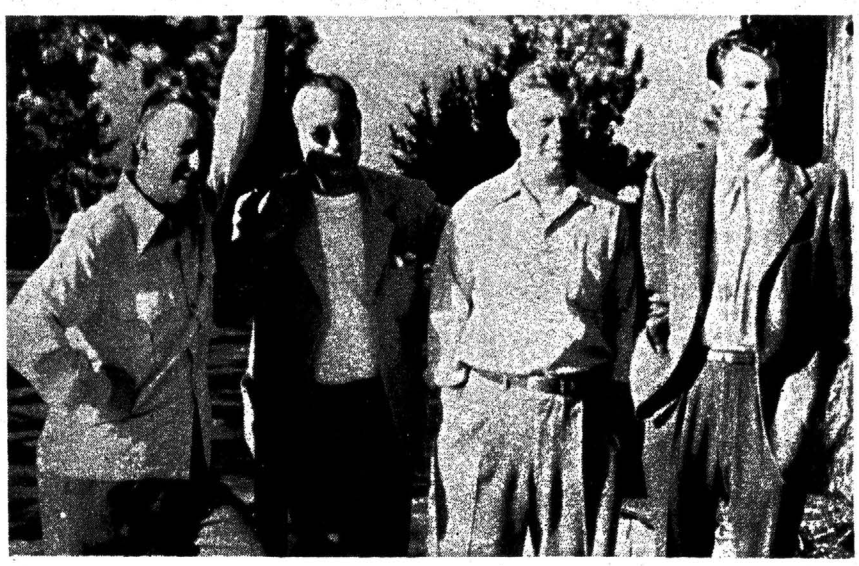
Los Angeles Traders at Play

Frank Link, *Fairman & Co.;* George Earnest, *Fewel & Co.;* Don Foss, *Lester & Co.;* Charles Holton, *Holton Hull & Co.;* Jack James, *Geyer & Co.;* Andy Peterson, *Wants & Offerings*



Joe Gallegos, *Pacific Co. of California;* Roy Warnes, *Hill, Richards & Co.;* Bob Diehl, *Wm. R. Staats Co.*

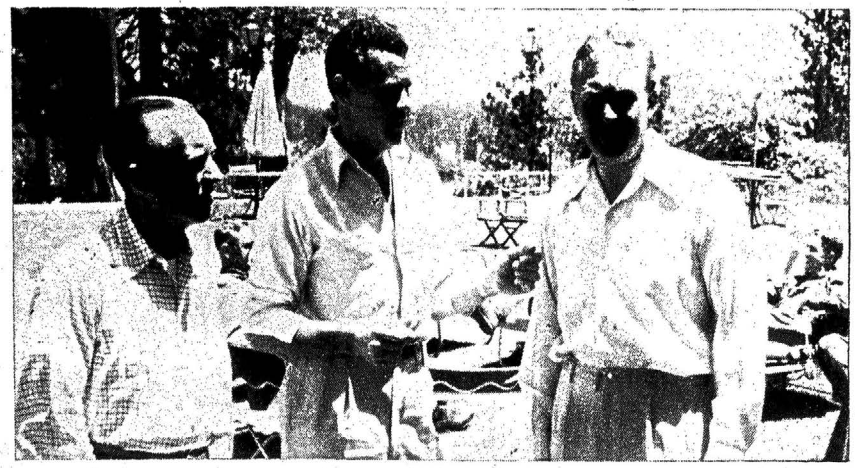
Ed. Nelson, *Kidder, Peabody & Co.*, New York; Jack Egan, *First California Co.*, San Francisco; Tom Kemp, *Thomas Kemp & Co.;* C. H. Perkins, *Crowell, Weedon & Co.*



Bill Walker, *Conrad, Bruce & Co.;* Bill Bunyan, *Edgerton, Wycoff & Co.;* Bud Tuttle, *Edgerton, Wycoff & Co.;* Lee Love, *Revel Miller & Co.*

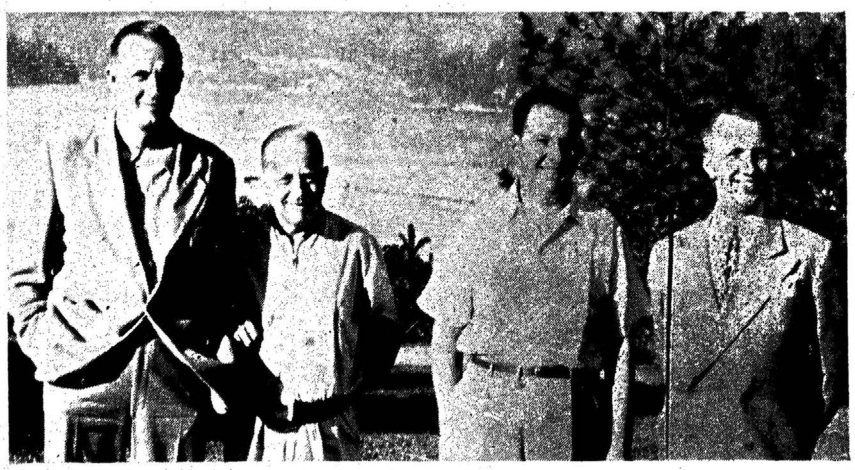
Security Traders Association of Los Angeles

Officers of the Security Traders Association of Los Angeles: Tom Euper, *Cohu & Torrey*, Vice-President; Bob Diehl, *Wm. R. Staats Co.*, Treasurer; Larry Pulliam, *Weeden & Co.*, President



Jack Hecht, *Butler Huff & Co.*; Pierce Garrett, *Butler Huff & Co.*; Jack Egan, *First California Co.*, San Francisco

Chuck Holton, *Holton, Hull & Co.*; Bill Bunyan, *Edgerton, Wycoff & Co.*; Andy Peterson, *Wants & Offerings*

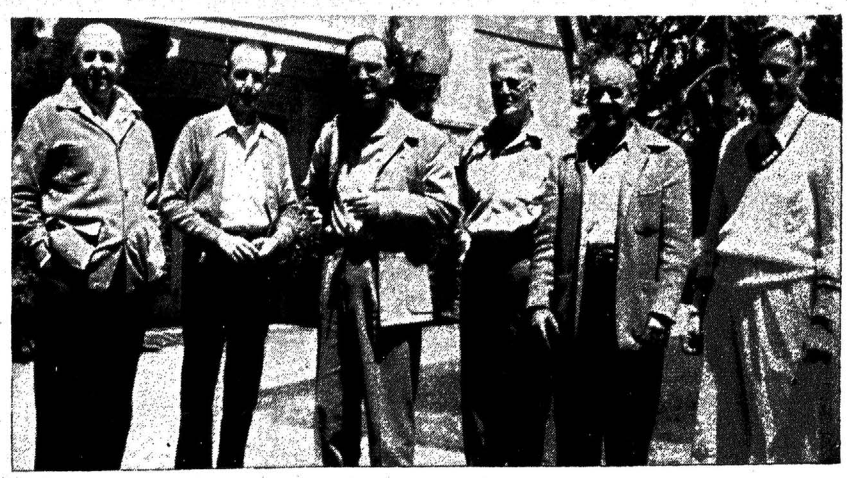


Jack Alexander, *Pledger & Co.*; Paul Goldschmidt, *Pacific Co.*; Joe Gallegos, *Pacific Co.*; Don Summerell, *Wagenseller & Durst.*

Bill Zimmerman, *Bingham, Walter & Hurry*; Larry Pulliam, *Weeden & Co.*; Ray Passavant, *Maxwell, Marshall & Co.*

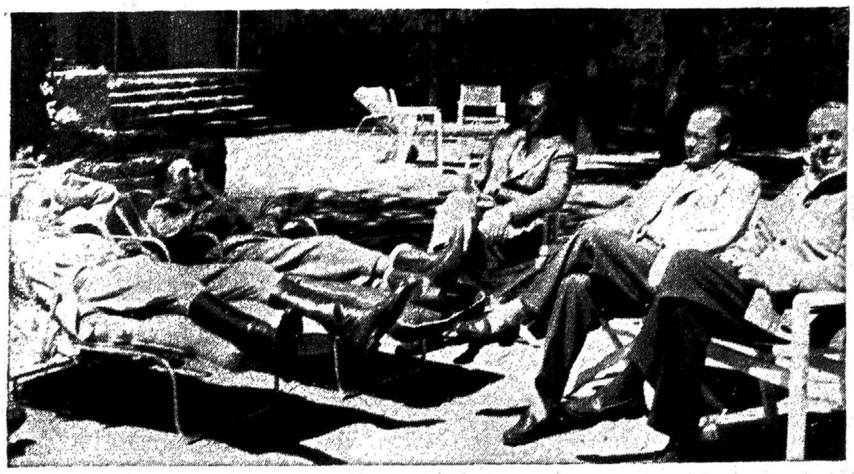
Cliff Hey, *First California Co.*; Larry Pulliam, *Weeden & Co.*; Bill Bunyan, *Edgerton, Wycoff & Co.*; Frank White, *National Quotation Bureau.*

Foster Paisley, *First California Co.*; Jim Fraser, *Stern, Frank & Meyer*; Ted Carlson, *Crowell, Weedon & Co.*, and a guest.



Bill Zimmerman, *Bingham, Walter & Hurry*; Tom Euper, *Cohu & Torrey*; Bud Beale, *Lester & Co.*; Frank White, *National Quotation Bureau*; Bill Wright, *Lester & Co.*; Parkman Hardcastle, *Dean Witter & Co.*

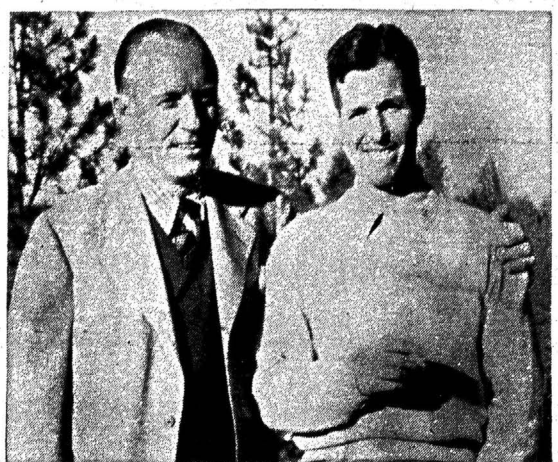
Annual Outing at Lake Arrowhead



Jim Fraser, *Stern, Frank & Meyer;* Foster Paisley, *First California Co.;* Ed Nelson, *Kidder, Peabody & Co.;* Bill Bunyan, *Edgerton, Wykoff & Co.;* Bill Zimmerman, *Bingham, Walter & Hurry*

Scotty Stout, *First California Co.;* Jack Alexander, *Pledger & Co.*

Del Brazeau, *Daniel Reeves & Co.;* Warren Hanson, *First California Co.*

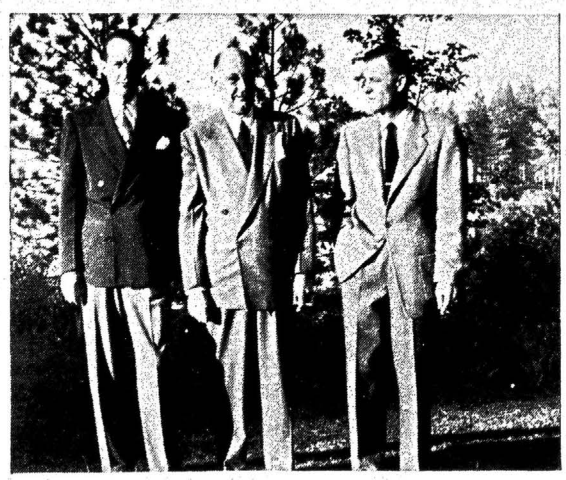


Jack Hecht and Bill Davies of *Butler Huff & Co.*

Bill Zimmerman, *Bingham, Walter & Hurry;* Bob Cass, *Morton Seidel & Co.*

Tom Euper, *Cohu & Torrey;* Frank White, *National Quotation Bureau;* Forrest Shipley, *Quincy Cass Associates*

Frank White, *National Quotation Bureau;* "Mac" McOmber, *Revel Miller & Co.*



Frank Link, *Fairman & Co.;* Frank Ward, *Merrill Lynch, Pierce, Fenner & Beane;* "Parky" Hardcastle, *Dean Witter & Co.*

Frank White, *National Quotation Bureau;* Frank Ward, *Merrill Lynch, Pierce, Fenner & Beane;* Bill Zimmerman, *Bingham, Walter & Hurry*

Bud Dorrah, *Wm. R. Staats Co.;* Bill Pike, *Buckley Bros.;* Joe Gallegos, *Pacific Co. of California;* Don Summerell, *Wagenseller & Durst.*