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Achievements of the GOP Congress

By HON. ROBERT A. TAFT*
U. S. Senator from Ohio

Senate leader lauds work of new Congress. Charges lack of cooperation on part of President. Holds present tax burden cannot be long maintained. Holds budget was reduced $3 billions and estimates current surplus at $7 billions. Upholds Taft-Hartley Act.

On Jan. 3, 1947, there met in Washington the first Republican Congress in sixteen years. During that period there had grown up, in Washington particularly, the legend of New Deal perfection and invincibility. Everything done by any Republican was to be depreciated, derided and smeared unless it happened to accord with some New Deal policy. From the time the Republicans gathered, the 80th Congress was subject to the same type of calculated and bitter attack by the New Dealers, and by the allies they had gradually accumulated in the field of propaganda. They

Robert A. Taft

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*Address by Senator Taft at a dinner of the Republican State Central Committee, Columbus, O., July 31, 1947.

Neither a New Bull Market Nor an Old One

By FRANCIS W. LA FARGE
Market Analyst, Clark, Dodge & Co.

Analyst holds factors which caused recent market rise have largely spent their force, and that technical, economic and political factors indicate next important market movement will be downward, with possible decline into new low ground. Cites industry's high break-even point and international political troubles as threatening factors.

Basically the situation confronting the stock market is little different from that prevailing at the time of the highs of last February. Certain factors have strengthened somewhat since that time but other factors have weakened. On balance it appears that the prospect for a continued advance is somewhat poorer than it was six months ago and that the possibilities on the downside are as great as they then were.

F. W. La Farge

Before discussing the present position in detail it is necessary to analyze the forces back of the recent recovery to discover whether they are lasting or temporary factors. These factors group themselves under the headings of technical, economic, and political and can be considered in that order.

A curious and somewhat unique

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PICTURES taken at Annual Outing of the Detroit and Michigan Securities Traders Association appear on pages 21, 22 and 23.

The Economics of Dollar Shortage

By JAMES D. MOONEY
President and Chairman of the Board, Willys-Overland Motors, Inc.

Holding dollar shortage is largely an illusion, Mr. Mooney points out integrity, organization, administration and technical skills applied to production, together with freer multilateral trade between countries and convertible currencies could quickly relieve this so-called shortage. Advocates along with loans and gifts to foreign countries, we furnish leadership and technique that will restore order and production by best known methods with facilities available. Urges restoration of convertible currencies and establishing of a free gold market in New York.

In a letter, July 26, the Editor of the "Commercial and Financial Chronicle," commenting upon my article on "The Economic Riddle of the Dollar Shortage" published in his distinguished magazine July 3, said, "I find that even among sound thinking bankers many have overlooked, in discussing the foreign trade situation, the important part that free exchange convertibility plays in world trade which is brought out so well in your paper." I want to add to his frank comments that I find businessmen who know the facts and understand the causes and consequences of the present chaotic conditions in international exchange and trade, are reluctant to state what they know to be the causes and remedies for the present international trade difficulties for fear they might be misunderstood, critized, or that they

James D. Mooney

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EDITORIAL

As We See It

Strange "Marshall Plan" Notions

What is this thing now so often referred to as the "Marshall Plan"? Is there really such a thing—at least a thing so developed conceptually as to warrant the major part of what is now being said in its name? If all, or the larger part of what is being said is valid as respects Europe, by what process of logic can other parts of the world be left out of consideration? These and a number of other related or similar questions must have occurred to all thoughtful persons in this land more than once during the past few weeks when scarcely a day has passed without references in influential quarters to this "Plan"—if that is what it is—and without "warnings" from Europe, particularly from London, about the diminishing supply of dollars.

Until quite recently, one of the most telling arguments in support of all such ideas as are now commonly supposed to be embodied expressly or by implication in the proposals of the Secretary of State has been the iterated and reiterated assertion that the extraordinary volume of exports leaving this country was being supported by American charity and American loans; that these supports for our export business were being rapidly eaten away; and the inevitable result in the

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Implications of the Marshall Plan

By MELCHIOR PALYI

Dr. Palyi contends Marshall Plan amounts to a substitute peace treaty for Western Zones of Germany and Austria and is an indication our postwar planning in international reconstruction is a failure. Sees weakening of Soviet influence in Europe by Plan and holds reconstruction of Ruhr must have precedence over any European aid or financing. Says cost of Plan greatly underestimated, and concludes "dollar diet" alone cannot remedy European economic situation.

So far, the Marshall Plan is a general suggestion only, with its content to be spelled out in due course, in the discussions and compromises among the would-be debtors as well as between them and the creditor. But some significant implications have become discernible by way of official announcements and collateral evidence. The Plan implies that:

Dr. Melchior Palyi

(1) Our postwar international financial policies are a total failure, confronting the world with an unprecedented crisis. Therefore, a renewed, nay, a new approach is needed.

(2) New emergency aid should be provided preferably as gifts or lend-lease, since Europe's apparent "bankruptcy" reduces her ability to undertake more debt-servicing;

(3) The strain on U. S. economy of the continued foreign financing is such that, to quote Under-Secretary Acheson (May 8): "Since world demand exceeds our ability to supply, we . . . have to concentrate our emergency assistance in areas where it will be most effective. . . .";

(4) Europe being an integral economic unit, fresh dollars should be allocated on the basis of priorities, not "piecemeal" as heretofore, in accordance with the urgency of the needs and our ability to supply them, excluding the nations which refuse to co-operate. Those consenting automatically constitute a bloc in opposition to the excluded, with the consequence of virtual economic warfare between them;

(5) Europe is the center of world-wide economic distress and of political danger. The balance of payment troubles of most "overseas" countries would resolve themselves if their European customers and suppliers were back on the job. Japan remains a special worry, of course; China and Korea, too, will call for special action as indicated by the Wedemeyer "fact-finding" (or question-begging?) mission;

(6) Within Europe, Germany is the focus of the crisis (as Japan is in the Far East). Thus, the Marshall Plan amounts in effect to a substitute peace treaty for the western zones of Germany and Austria;

(7) Intra-European self-sufficiency should be fostered by a reduction in trade barriers and other forms of co-operation — a somewhat wishful thought in the face of the International Trade Organization's failure to agree on a charter to outlaw trade-shackles, or of the deadlock in the customs union plan in the Low Countries;

(8) The problem is to relieve the dollar-anemia, or the disequilibrium in the international balances of the distressed nations, brought about by historical and external circumstances, through no fault of their own, not at any rate by reason of their own internal policies. Accordingly, the "sovereignty" of the debtors should be fully preserved, meaning that American help should be forthcoming without pressure to

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Rejecting Outcome of War

By WILLIAM CHAMBERLAIN*
Former President, United Light & Power Co.

Mr. Chamberlain holds unprecedented victory in the war failed to gain our declared political and economic objectives: national security and liberation of oppressed peoples. Develops position that, despite military victory, voluntary abandonment during progress of war of her ancient balance of continental power policy brought Britain actual defeat. Discusses effect upon us.

The American people stand as victors in the greatest war of history. Our enemies in that war are crushed and helpless, their lands and cities laid waste. The personal and material punishment inflicted upon them is without precedent. Our declared objectives upon entering the war were to gain security for ourselves and freedom for oppressed peoples. It is obvious that, despite our unprecedented military victory, these objectives have not been attained. We deem ourselves less secure than before the war began. We face this insecurity with depleted natural resources and a dangerously impaired fiscal position. Fear for the future oppresses us. Oppressed peoples, before our entrance into the war counted in tens of millions, are now numbered by the hundreds of millions. These we acknowledge ourselves powerless to liberate. This is a strange outcome of victory and many people, who unhesitatingly accepted the thesis that peace and tranquillity would assuredly follow a military triumph over the enemy are bewildered at the unexpected turn of events. That which follows is an attempt to point out why our military victory has proven so barren of fruit, and why the future prospect appears so somber.

William Chamberlain

I

(1) The popularly entertained belief that World War II resulted in victory for Great Britain finds no support in objective reasoning. On the contrary, reason supports the opposite conclusion; the conclusion that, notwithstanding her participation in the military victory, Great Britain in reality lost the war since her aim was not military victory as a thing in itself, but military victory as a means to an end. She fought to render her Island and her Empire secure against an anticipated danger. Yet, as the natural result of the outcome of the war as fought, both her Island and her overseas possessions are less secure than before the conflict began. It is my purpose to demonstrate this; to point out the causes; and to outline the consequences insofar as they affect us.

(2) In the interval following World War I and preceding World War II there was a reasonable balance in military and economic power as between the various Continental States. As a consequence of this dispersion or distribution of Continental power, in contrast to its concentration in the hands of one government,

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*Editors Note: In the foregoing Mr. Chamberlain has rearranged and brought to date the contents of a number of letters written by him to friends in New York and Washington immediately following announcement by the British War Government of its pact to continue the war in alliance with Russia to the complete destruction of the Axis states. In the letters he pointed out what he contended must be the certain result of such a policy, giving the reasons for his conclusions. Mr. Chamberlain presently resides in Saratoga, Calif.

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Should Free Gold Markets Be Outlawed?

By A. M. SAKOLSKI

Dr. Sakolski, in commenting on recent reports of premiums paid on gold in various markets and efforts made to halt or discourage free gold markets, points out gold speculation is not an "unmixed evil" and is a normal outgrowth of present unstable monetary conditions. Holds prohibition of free market leads to "black markets," and a restoration of international gold arbitrage could aid in bringing about equalization of world's gold supply.

Considerable interest has developed in "free" and "black" markets for gold since the announcement of the American Smelting and Refining Co. that it would accept gold concentrates from Canadian producers and sell the refined product at a premium in the open market. Inasmuch as the announcement referred only to low grade gold ore coming mainly from British Columbia which could not be refined in Canada and which the Canadian Government for this reason permitted to be exported, the importance of the announcement was greatly exaggerated.

A. M. Sakolski

However, that there is a fear of a widespread "black" or "free" market in gold, involving danger to the present U. S. gold parity of $35 an ounce, cannot be denied. Secretary Snyder and the Federal Reserve Board have jointly issued a statement requesting banking and business in the United States not to lend facilities for this traffic, and the Treasury is about to enforce stricter licencing of gold exports. Action along the same lines had been previously taken by the International Monetary Fund, which requested member nations to suppress free markets in gold bullion. Great Britain also has taken more rigid steps to prevent private banks and others from dealing in gold. Switzerland, Mexico, the Philippines and certain South American countries, where dealings and speculation in gold have been sporatic have taken somewhat similar measures to outlaw or interfere in a free gold market.

Beginning with the outbreak of the war in Europe in September 1939, when serious gold shortages by the belligerents was in prospect, gold has become a commodity favorable for speculative operations, and, at various times, prices were reported for the metal in outlying sections which were far above the dollar parity of $35 an ounce. This is not unprecedented in time of war or inflated paper currencies. In fact, it might be considered as a normal sequence of war and monetary disturbance. We have had gold speculation in the United States on a gigantic scale, and, although Congress during the Civil War passed legislation to outlaw it, within two weeks it was realized that the law was ineffective and therefore it was hastily repealed.

Causes of Speculation in Gold

What causes the speculation?

The answer is very simple! War, together with a paper money system, causes a loss of confidence in the stability of the national currency. Therefore, people who have the means, seek to transform their surplus holdings of currency or other property having a face value expressed in terms of the monetary unit, such as debt claims, leases, etc., into a commodity or commodities that are imperishable, have relatively small size in relation to value, so as to be easily stored or transferred, and, above all, which will always be in universal demand. When confidence in currency stability is restored, the incentive to acquire gold or any other similar commodity for hoarding gradually ceases. The gold thus withdrawn from circulation or from monetary use is restored. Gold premiums, so-called, cease automatically.

The way in which gold went into private hoards after the outbreak of World War II is described by the Bank for International Settlement 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 $40.61 per ounce, this being 16% higher than the offical 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 $42.90 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

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Dewey Lauds Unionism

In pre-Labor Day statement, New York Governor says we cannot visualize our State without well conducted organizations banded together for collective bargaining. Says State Government is dedicated to principles of union organization and collective bargaining.

Governor Thomas E. Dewey of New York, in an advance Labor Day statement, issued at Albany on Aug. 5, praised the principles of labor organization and lauded the courage and convictions of the pioneers of American unionism. The text of the statement follows:

Thomas E. Dewey

"Our state and our country have come a long way since a small minority of workers celebrated the first Labor Day. The intervening time has been a period of progress beyond compare in the history of industrialism. The pioneers of unionism faced misunderstanding, indifference, even violent hostility. Many people still alive can remember how the earliest Labor Day processions sometimes marched through sparse lines of jeering spectators. It took determination and physical as well as moral courage, to join the struggle for fair treatment of the men who work for wages. On their side they had not only their courage but the conviction that they were right.

"Today the people of New York realize that they were right. A great many of us have forgotten that there was ever any argument about it. We take labor unions for granted, in fact we cannot visualize our state without well-conducted organizations of men and women banded together for collective bargaining. Labor Day in this year, 1947, is a festival in which the entire population of our state joins to acknowledge and respect the established, undisputed position of organized labor in our social as well as our industrial fabric.

"The spirit with which we share in this celebration testifies to the fact that the social progress of New York has been synchronous and parallel with the progress of the cause of unionism in our midst. As the living and working conditions of the workers improved, the conditions throughout the state improved. We know today that no community enjoys complete health in which any segment of the population toils for inadequate pay and lives in squalor.

"Sept. 1, 1947, therefore, should be an occasion for not only the direct beneficiaries, but also the rest of us, the indirect beneficiaries of unionism, to pay tribute to the devoted bygone pioneers who spearheaded the union movement in its days of storm and stress.

"It is also an occasion to pay tribute to labor's record of cooperation in two great world wars. The freedoms we enjoy today would have been shattered by now if its leaders and members had not realized that free unions can exist only in a free society.

"Our state has been exceptionally fortunate in the patriotism, the maturity and the understanding of its labor leadership. We owe to labor much of the unprecedented prosperity and well-being of our state, its record rate of employment and high wages, its harmonious industrial relations, and the whole network of progressive legislation which insures those who toil the highest degree of protection against the hazards of social and economic insecurity.

"The administration of the government of New York State is dedicated to the principle that the principles of union organization and collective bargaining must be preserved.

"Both personally and as Governor, I am happy to send warm greetings to the members of labor organizations throughout the state, and I urge the people of New York to join in celebration of this anniversary of Labor's progress."

Edward Glassmann With J. W. Gould & Co.

J. W. Gould & Co., 120 Broadway, New York City, announce that Edward Glassmann has joined their organization. Mr. Glassmann was formerly manager of the mortgage sales department for Hart Smith & Co.

BUSINESS BUZZ

"Hiya, Fatso! My name's Smith. I hear your firm is looking for a man with a forceful personality!"

The Dollar Shortage

W. E. Knox, President of Westinghouse Electric International Co., tells American Chamber of Commerce in London it is result of steady growth of our export balance. Sees remedy in improved European economic productivity, and greater incentives to capital under a free enterprise system.

In an address before the American Chamber of Commerce in London on July 24, W. E. Knox, President of the Westinghouse Electric International Company, who had just returned from a European trip, including Soviet Russia, told his audience that the present "dollar shortage" has been a development of the last quarter century, growing out of the almost continuous excess of U. S. exports over imports, and that the only way it can be remedied is by an improvement in European productivity and more incentive to capital investment there, so as to enable a much enlarged volume of European exports to the United States and other countries.

William E. Knox

"The current world shortage of dollars is not something that has come upon us over night," Mr. Knox pointed out. "For 20 years, 1920 to 1940, the United States on an average exported over $800,000,000 more than it imported. This balance was made up by the world performing certain services for us in the way of shipping and insurance, by our tourist trade and by our purchase of the world's gold and silver, and by gifts and loans. Two world wars have aggravated the situation. During the first world war, for instance, our supply of wines was cut off from France. So, in New York State and in California, we developed our own wine and champagne business, and today we are producing very acceptable qualities of both and in great quantities. We are even in the export business in wine and champagne.

"During World War II, again simply as an example, we were cut off from a supply of natural rubber. This forced us to produce rubber from alcohol and petroleum and today we are producing rubber in greater quantity than we ever imported it prior to 1940.

"If the war had lasted another year, I believe that the British would have lost one of their most valuable exports to the United States, namely, Scotch whisky. During the war we developed at least five brands of Scotch type whisky. Towards the end of the war they were really becoming reasonably palatable. If our chemists had had one more year I do not believe that even a good Scotsman could have told the difference.

"The Westinghouse Company several years ago realized that if we in America are going to continue to export we must import. Accordingly, we established our own Import Division and since that time we have spent considerable sums of money and considerable of our executives' time in trying to find ways and means in which to increase imports into the United States, not to tear down our own economy, but to supplement it and build it up.

"I hear a lot in Europe about hard and soft money. What is the basic difference? It is very simple and can be summed up in one word—production. In the United States, if you have dollars, you can purchase anything from automobiles to electric refrigerators, from new clothes to food. If you wish the pound sterling to be classified as a hard currency, you must produce.

"In conclusion, I have two thoughts that I would like to leave

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The State of Trade and Industry

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

Industrial production in many lines continued to advance gradually during the past week and total output at the close was slightly higher than that of the previous week. The continuing dearth of certain types of skilled labor and raw materials worked to hamper production in several lines.

Labor-management relations were reported as generally agreeable with some employers noting an increase in employee efficiency, but at the close of the week the picture was somewhat altered by new threats to production by labor disputes.

In the case of the Ford Motor Company, both the union and Company negotiators failed on Friday last to reach any agreement on a contract dispute which threatened a walkout of 107,000 Ford Workers, and union officials tentatively set the strike for Tuesday morning of this week. Less than eight hours before the deadline set at noon on that day for the strike, both sides reached a compromise which allows up to one year for a study of the provisions of the Taft-Hartley law by a bi-partisan four-member commission. This action defers any strike for at least 10 days. The principal point at issue was a dispute over a pension plan and a "John L. Lewis" contract clause which would side-step the penalty provisions of the Taft-Hartley Labor Law.

In the steel industry output made progress from the low level reached during the recent coal shutdown and the operating rate for the week beginning Aug. 4 will be at 94.9% of capacity.

Many users of sheet steel were unable to meet production schedules due to the difficulty in obtaining supplies and increased prices of steel further aggravated the problem of users.

Production of electric ranges, electric pumps, motors and oil heating equipment was high but was not adequate to meet the very heavy demand.

The demand for all building materials continued to be heavy. Total engineering construction in the week amounted to $100,834,000, about 25% below the previous week. Private construction decreased 12%, and public construction 42% from the levels of a week ago.

The effect of the increase in steel prices was registered in the motor industry on Friday last, when General Motors Corp. initiated the first major departure in the price of cars by announcing a 2% to 6% increase in all passenger vehicles and Chevrolet trucks effective Aug. 1. It is understood that price increases on G. M.'s non-automotive products will follow the same general pattern as for passenger cars and trucks.

With respect to other car makers, no comment was made, but they were reported studying the situation. The Ford Motor Co. was reported hopeful that price adjustments made a month ago would cover recent increases in costs of material. In the trade the feeling existed that price increase announcements might come early next week from manufacturers not already heard from.

Consumer credit, a necessary and desirable instrument of business which suffered considerable contraction during the war as a result of governmental restrictions, is again coming to the fore. It is reported by the Federal Reserve Board that the volume of such credit has continued its month-by-month record breaking climb through June, adding 2% to another peak of $10,884,000,000. This figure represented a gain of $2,979,000,000 in the last 12 months alone, it is stated.

According to the Federal Reserve Board, installment buying, the only consumer credit field still under restriction, performed about the same as other types of credit.

Instalment credit on auto sales increased another 6% in June to a total of $852 millions, but the rate of increase was less rapid than for any of the last 12 months.

Installment sale credit for other items rose nearly 3% in June to a total of $1,142 millions.

STEEL PRODUCTION ABOVE WEEK AND YEAR AGO

The steel scrap market this week was still on the loose and its inflationary gyrations surpassed even the hectic World War I days of 1917. Nor was there any sign except wishful thinking that a peak had been reached in scrap prices or that a downward trend would soon develop. This situation was giving steelmakers their worst case of jitters since wartime days when production at any cost was their chief problem, according to "The Iron Age," national metalworking weekly.

During no peacetime period in the nation's history has the price of scrap remained so high for so long a time, states the magazine. This condition stems from wartime dissipation of scrap supplies, the current demand for steel, and the long-term scrap shortage. Sharp advances were noted this week at Buffalo and Chicago. At Pittsburgh the price of heavy melting steel this week was $1.75 a ton above the average price there in June 1917 when a peak of $41 per gross ton was reached.

The average price of heavy melting steel at Pittsburgh, Chicago and Philadelphia advanced 92c a gross ton for the week and put "The Iron Age" steel scrap composite price to a new high of $41.75 a gross ton. The strength in the market has been spectacular despite the absence of some large buyers from the market.

The steel price increase recently put into effect by steel producers averaged $6.17 per net ton according to the revised "Iron Age" finished steel composite price, which is weighted to the shipments of the various major products included in the composite. The index this week is 3.17956c a pound compared with 2.87118c a pound in the week previous to the price advance. The average price for finished steel today is about 10.7% above what it was two weeks ago and 37.6% above the average for 1939.

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Observations . . . .

By A. WILFRED MAY

MONETARY FICTION AT HOME AND ABROAD

One of the most disheartening features of the President's Midyear Economic Report is the great emphasis laid on "purchasing power," and the indication that New Deal purchasing power theories, although so largely discredited, will continue to be officially promulgated as long as the present administration remains in power. Its importance in the President's mind is manifested by his devotion of a special section thereto in which it is implied that our industrial activity and general prosperity are largely dependent on individuals' savings and liquid business assets at home and on our "net" exports abroad.

A. Wilfred May

And Mr. Truman's position is particularly harmful in encouraging the socialist planners abroad whose managed economy moves are based on manipulation of money spendable by buyers. (A far cry from the realism of Montagu Norman, who privately commented on American pre-War planning prospects thus, "Who is going to do the managing, the Lord himself?") The present glossing over of *production* shortcomings as the real cause of Europe's difficulties with "soft" currencies and "dollar shortages," and as the real determinant of the Marshall Plan's course, has been nowhere more clearly depicted than by our Ambassador right in London. "The dollar crisis is fundamentally a production crisis," says Mr. Douglas. "No amount of sophistry, no dialectical exercise, can conceal this brute fact. There will be no solution therefore to the dollar crisis, so loaded with far-reaching consequences, until the production crisis has been mastered. It is for this reason that Secretary Marshall, evidencing again his singular capacity to assess the significance of events, made his Harvard address."

Coal Not Currency, Needed

This analysis is nowhere more vividly confirmed than in the cases of our "sister democracies," England and France. Despite Chancellor of the Exchequer Dalton's adroit fiscal manipulations creating a plethora of purchasing power, the British situation is going from bad to worse. Why? Because of *production* shortcomings. The amount of monetary units in the hands of the people gives not one iota of compensation for the limitation of productive labor to a five day work week—in a country self-admittedly on the brink of bankruptcy. The existence of adequate supplies of currency or bank deposits mines no coal, nor directly or indirectly supplies sufficient food or gasoline to keep them off the ration cards. Only exportable production, not currency-creation, can relieve Britain's dollar famine. "Can our industry produce the goods?", not "Can our Exchequer manufacture the money?" surely is Britain's burning question today.

In the same way, it is the "miracle of production," not the juggling of credit, that has accounted for America's unparalleled wealth.

In France too the enormously inflated supply of purchasing power units, in the face (because?) of the nationalization of one-quarter of the nation's productive facilities, has not at all offset severe production shortages and the need for products of American free enterprise. Relief of currency famine does not relieve production famine!

The Soviet Example

Lenin surely was correct in declaring that the subtlest and surest way of overturning the existing basis of society is by debauching the currency. But now Mr. Stalin is realistically and disappointedly learning that social revolution and needed production represent two contradictory aims. Witness the current waste and inefficiency in his own collectivized grain harvesting, as officially reported in "Pravda," and his evidently permanent difficulty in turning out both producers and consumers goods—despite the complete freedom of all his consumers and the market place from "arbitrary capitalistic" money restrictions.

The Positive Damage

In addition to the above-indicated negative results from purchasing power stimuli, there is also a very important *affirmatively* disastrous repercussion that it behooves us in America to recognize. If workers are in possession of more purchasing power than can be used, that is, if the total of monetary units exceeds the aggregate of the available goods, the relative under-supply and under-production of the wanted goods will only be aggravated. For workers already being unable to spend their funds on the goods which they want—and motivated subjectively and not by abstract economic theory about the welfare of the community—will naturally ease up on their productive effort which would only get them more unspendable purchasing power. In other words, it must be realized that goods cannot be consumed before they are produced, and "purchasing power" can be diluted until it is entirely fictitious.

And most important of all—extension of purchasing-power experimentation and other variations of rubber-dollarism must inevitably lead to ever wider areas of political management and, if not abandoned, the eventual creation of a collectivist state.

F. H. Alliston Is With Wm. C. Roney

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Frederick H. Alliston has become associated with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges. In the past Mr. Alliston was an officer of the First of Michigan Corporation.

Stix & Co. Add Two

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Stix & Co., 509 Olive Street, members of the St. Louis Stock Exchange, have added Sterling M. Friedman and Leo I. Miller to their staff.

"Whither America?"

By HON. HAROLD KNUTSON*
U. S. Representative from Minnesota
Chairman, House Ways and Means Committee

Congressional leader outlines problem of taxes and public debt and decries President Truman's veto of Tax Reduction Bill. Attacks present tax system as destroying private incentive and penalizing successful enterprise. Denies tax reduction will increase prices and accuses President of governmental extravagance. Upholds Taft-Hartley Act. Sees absolutely no economic foundation for prediction that business depression is in offing. Calls for rebirth of American spirit of self-reliance.

I have chosen for my subject today "Whither America?" because we have now reached that stage in our progress as a nation where we are called upon to decide whether we shall continue on the road that will inevitably lead to enslavement and national bankruptcy, or return to the sound and proven path that brought us prosperity, happiness and greatness. Today the American people are called upon to make that momentous decision.

Hon. Harold Knutson

In all parts of the globe is is be found mass unrest, uncertainty and bewilderment. Only we have been able to retain a semblance of political and economic sanity.

The issue is clear. Shall we cling to the blessings with which we have been endowed by a beneficent Providence, and to the institutions and traditions handed down from the Founding Fathers? In arriving at a decision it is well for us to remember that we are but custodians of the blessings and benefits that we have inherited, as they also belong to the generations yet unborn, which are to follow us.

The issue is clear-cut and let no one make any mistake about it. In short, shall we choose to remain a free people, whose roots are deeply grounded in the tenet that there can be no substitute for personal integrity, individual initiative, and collective industry, or shall we substitute therefor a philosophy that would destroy the soul and enslave the individual. The choice is ours to make and I pray the God of our Fathers that we will not repeat the same mistake that so many other peoples have made.

Public Spending

As you are only too well aware, the question of taxation cannot be divorced from that of public expenditures. The most difficult financial problem confronting us today is how to reduce public spending. Some of you may, like myself, be old enough to remember the denunciations for extravagance heaped upon the first billion dollar Congress—one that spent a billion dollars, not in one year but in two. How times have changed!

The Problem of Reducing Federal Expenditures

If it is deemed desirable to reduce the budget to manageable proportions, we should look even more to the elimination of improper governmental activities than to the trimming of expenses in each bureau or department. Over and over again, we should ask the question: Are there not private organizations which could and would perform this service more efficiently and economically?

This question ought certainly to be raised in the case of all the agencies extending government credit: The Farm Tenant Office, The Rural Electrification Administration, the Social Security Board, the Federal Works Agency, the National Housing Agency, the Railroad Retirement Board, the Tennessee Valley Authority, the Veterans Administration, the Federal Security Agency, the U. S. Maritime Commission, the War Shipping Administration, the Smaller War Plants Corporation, and various insurance and retirement funds.

At present, of course, the dominant item in the budget is the expenditure for national defense. Until this item of expenditure is reduced drastically, the Federal tax burden is certain to be oppressive. But, under present circumstances, we dare not disarm.

Are we not, however, faced with the unpleasant fact that, just as France spent 20 years and billions of francs strengthening the Maginot Line, only to see it collapse in one day, we may spend $10 or $15 billion a year for several years on our army and navy, and yet have our nation destroyed in a single night in a terrific atomic holocaust?

Does it not follow that an essential prerequisite to any sound financial program for the future is the establishment of effective international control of armaments, and especially of atomic energy?

If our enemies, by persistent stalling, can succeed in postponing for two or three years action in this direction, it is not improbable that few of those present will have any occasion to worry about terrestrial affairs, and the Government at Washington will be heard of only in history books—if the reading of such books is still permitted.

If, regardless of immediate expenses, we were wise enough to use our present preponderance of power to force the immediate establishment of international control of armaments, our future expenditures for defense might be safely cut to a fraction of the present budgetary allowance for that purpose. Then, we could slash taxes vigorously without endangering the national safety.

Financing the Public Debt

Under such circumstances, the most troublesome item in the budget would be payments on the public debt, both principal and interest. In this connection it has been suggested, and I might say that the Ways and Means Committee has given study to the subject of extending excise taxes, and that is something of interest to you all. War excise rates must, except in cases of liquor, beer and tobacco, be restored to pre-

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*An address by Rep. Knutson before the National Association of Credit Jewelers, Chicago, Ill., July 29, 1947.

Refutes Taft on 80th Congress

Gael Sullivan, Executive Director of National Democratic Committee, says Republican leader's claims to accomplishments are unreal. Says time was wasted on "soak-the-poor" tax bill and hits Taft-Hartley Labor Act.

As a reply and refutation to Senator Robert A. Taft's address at Columbus, Ohio, on July 31, extolling the accomplishments of the 80th Congress, controlled by the Republicans (printed on cover of this issue), Gael Sullivan, Executive Director of the Democratic National Committee released the following statement:

Gael Sullivan

Many Republicans have tried to defend the 80th Congress.

Latest in this group was Senator Robert A. Taft of Ohio who took to the air from his home State Thursday night to try to explain away the failures of the Republican dominated 80th Congress. Incidentally, Taft had the news broken to him at that time that he was Ohio's favorite Republican son.

The entire approach to the 80th Congress taken by the Republican leaders is unreal.

The claim many things, but fail to face the things they did not do.

The fact that two farcical committees were set up by the leadership of the 80th Congress to solemnly investigate and try to determine whether there are any high prices or any housing shortage are typical of that unreality.

Part of the format of every so-called statement on the 80th Congress is a long sequence of double talk, false claims, smears of all government workers, even cheap personal attacks at the President.

All of these things marked Senator Taft's approach to the subject.

The simple fact is that the 80th Congress did not complete its own narrow and selfish legislative program.

Taft said the Republicans needed time.

They had plenty of time to play politics with the tax bill and run it through Congress twice. That took time that might well have been applied to vital matters such as housing, or raising the floor under minimum wages, or increasing the benefits and broadening the base of social security.

The time wasted on the soak-the-poor tax bill might well have been employed in handling veterans' problems or in giving the people of the country a better rent control bill rather than the 15% gun-point rent rise they actually received.

Taft made a great point out of the passage of the Taft-Hartley labor bill. He failed to meniton that he admitted on the floor of the Senate that he did not write a word of the bill which bears his name.

There was no reference to the confusion that exists over this law as to whether the very first major labor contract signed after its passage was legal or not. I refer to the soft coal contract and to the fact that the co-authors of the act disagreed as to whether it was legal.

Recently Taft admitted that the portion of the bill dealing with political "expenditures" of unions unnecessarily limited the freedom of the press.

Following passage of the Taft-Hartley Law over the veto, President Truman canvassed the field and appointed outstanding men to administer the law. Taft and his followers hamstrung the program by running out on their responsibility to consider the nominations and confirm or reject the appointments. This is the responsibility of the Senate under the Constitution and marks another of the problems they hadn't the courage to face.

Thursday night the wild claim of trimming the budget by $3 billion was repeated. No mention was made of the fact that the goal was $6,000,000. No mention was made of the fact that the most careful and accurate estimate so far available shows that the actual reductions amount to only $1 billion 267 million which means that the Republicans missed their goal by 79%.

And these relatively small cuts were only achieved by a meat-ax approach that saw unreasoning cuts in such things as the school lunch program.

No attention was paid to the fact that such cuts would certainly pay off in the poor health of future generations of American citizens.

Soil conservation was hit, crop insurance was hit. Small business, which had been getting help from the Department of Commerce to aid them to compete against Big Business, found all these aids sabotaged under a Congressional policy of Big Business favoritism.

Taft said time was necessary to get his inexperienced Congress under way. The fact is it never got under way.

It never did get its appropriations bills into order.

For the first time in history not one of the 12 major appropriations bills was ready by the end of the fiscal year. As a matter of fact most of them were still pending when July was nearly gone.

In other words, the "businesslike" Republicans let the government departments dangle for nearly a month with no idea of how to gear their operations. The Republican Congress even got so tangled in its own red tape that its own employees had to wait for their pay. Nothing could have been more disruptive to the orderly operation of the government than this fiscal stumbling and bumbling.

All Republican speeches defending the 80th Congress include an attack on the President for his use of the veto. No account is taken of the fact that the President's veto power is as much a part of the legislative process as the House of Representatives or the Senate itself.

It is as much his duty to disapprove bad bills as it is to approve good ones.

Yet Republicans continue to prate about the veto.

But in the final analysis the record of the Congress is in its failures to act. Here are the things they did not do:

They did nothing to curb inflationary prices.

They did nothing on flood control except with a patchwork program.

Nothing on minimum wages.

Nothing to broaden social security.

Nothing to train the youth of the nation to defend our nation.

Nothing to improve the educational level of the nation.

Nothing on a Department of Welfare.

Nothing to improve the medical care of all of the people, despite the fact that a startling number of our young men and women were revealed as unfit to defend the nation during the war years.

The President called for legislation to meet these problems. The President submitted programs for action. But nothing happened.

(Continued on page 35)

From Washington Ahead of the News

By CARLISLE BARGERON

Once upon a time a President appointed a commission to get at the facts of a given subject and the commission did not find in accordance with the President's preconceived ideas. This was quite a jolt in the practice of appointing commissions and it looked for awhile as if it might be discontinued to the great disappointment of commission lovers, that quite extensive group of men who have either retired from business, or who can arrange their affairs to "serve the President" and who just love doing it.

Carlisle Bargeron

These servers always get a congratulatory or a letter of appreciation from the President which they can show to their children and to their friends. And mention of the service naturally adds to one's obituary.

But woe to any man who upsets the applecart, who reports that he didn't find conditions the way the President thought they were, at all. He serves on no more commissions.

This is to say that the appointment of Presidential commissions is intended, not to get new facts, but to buttress the President's already formulated policy. A trick is to name men of the opposition party so as to get his influence in party affairs behind your policy. In this light Herbert Hoover is kept pretty much always on the go.

It was Mr. Hoover, incidentally, who appointed a commission that sought to upset his policy. This was the famous Wickersham Commission to investigate prohibition. Mr. Hoover was convinced there was another victory in adherence to the Dry cause. The Wickersham report, instead, gave high rejoicing to the West. Mr. Hoover sought to overcome this by blanketing the commission's study with a report of his own. It caused him considerable political grief. I do not recall that Mr. Wickersham ever served on a Presidential commission again.

We now have a commission headed by Mr. W. Averill Harriman, the Secretary of Commerce, to study how much of our substance is left and determine whether we can continue to give to Europe. But one would have to be pretty naive in politics to have any doubt as to what the commission's findings will be.

It was necessary to appoint this commission because there was a lot of grumbling in this country, and some informed warnings, that we were endangering our own economy. The purpose of the commission is to still these grumblings and warnings, to find after long and laborious efforts, that while we, of course, must be practical in this business and careful, an orderly continuation of giving holds out no threat to us, and anyway a continuation of giving is necessary unless the world is to collapse. It seems that we don't have to wait for the atomic bomb to destroy us. The world will be destroyed if we don't save Europe.

Senator Vandenberg was one of those who asked for this study. He feels his international position to be becoming uneasy. So he wanted some "authoritative" support. The commission's report, when it comes, is expected to provide this "authoritative" support.

It will bear a lot of important names. All such reports do. But it will be mostly the work, the thinking and the prejudices of the bright young men whom the important names have employed to do the work.

This brings us to an interesting phase of American life, right important, too, in the high pressure propaganda in which we have come to live.

Among my personal acquaintances I know of at least 20 men who maintain stables of bright young men who do the work of the many commissions to which these important men have been appointed. Around Washington and New York we know the bright young men and the stables to which they belong pretty much as we know race horses. We refer to one as Barney Baruch's man, to somebody else's man, etc.

I am not suggesting that this sizeable industry should be eliminated because it affords profitable employment to writers, to economists and a lot of the rest of us with no tangible means of support.

But it wouldn't be a bad idea for our important persons whose names are always appearing on these profound governmental and economic studies, to overhaul their stables; at least, to take inventory and find out just what they have. Because some of the bright young men are quite clever and they write things into these reports so plausibly that the hasty reading which the sponsor must of necessity give, doesn't detect them. These hidden ideas flow into the propoganda stream with the authority of the important man.

Not infrequently the important man may detect one of these ideas but not being versed in the propaganda use to which it will be put, is persuaded by the bright young men that it is just a simple statement of fact and has no implications.

A friend of mine has made an exhaustive study of the extent to which influential men of conservative background, who give freely to the Republican cause, have indirectly advanced the Leftist cause through the employment of bright young men and giving them free rein. Maybe they sponsor them on the air. The list would prove shocking to many of our best citizens.

Edward E. Mathews Adds

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—Herbert N. Babb, Paul J. Hoar, Josiah J. Kirby, Robert F. Snyder and Joseph M. Warren have been added to the staff of Edward E. Mathews Co., 53 State Street.

The Problem of Small Business

By RUSSELL A. STEVENSON*

Dean, School of Business Administration, University of Michigan

Asserting the small business problem cannot be solved by special favor legislation, Dr. Stevenson scores controls of SEC as hindering capital acquisition by small concerns and discouraging individual speculative investment. Says government guaranteed loans are not answer to risk capital problems of small business, and some method to stimulate flow of private funds for risk ventures must be developed.

I.

Much attention is currently directed to the plight of the small business enterpriser. There are numerous organizations of the propaganda type urging upon the public various reforms to aid small business. Candidates for public office are prone to include small business as one of the beneficiaries in their promises for government aids. Both Houses of Congress have recognized this apparent need by establishing small business committees that have held numerous hearings on the subject. Recently the Department of Commerce established the Office of Small Business under the direct supervision of the Undersecretary. This was done in part to offset the criticism that the Department had failed to give adequate attention to this segment of the economy. All of this popular concern for the welfare of the small business unit indicates either the emergence of a new pressure group on the political scene or the presence of a real economic problem.

R. A. Stevenson

In much of the discussion on this subject there appears to be an implication that there is a conflict of interest between the large-scale enterprise and the small business unit. Often this takes the form of an indictment of largeness as such—as though there were something sinister about bigness and some particular virtue attached to mere smallness. This point of view has been stimulated in recent years by the number of mergers, consolidations, and acquisitions that have tended to eliminate many small operators. There is a natural tendency to assume that this constitutes an inevitable movement toward the concentration of economic power through the elimination of all of the small independent business units. The fact remains that in spite of the growth in size of many corporations the total number of business concerns has not decreased.

As a matter of fact, there is no conflict of interest between large corporate enterprise that today dominates some segments of the industrial economy and the small enterprise. On the contrary, there is a definite community of interest. The small business has a very definite stake in the prosperity of the large industrial concerns, for they constitute the bulk of its market, either directly or indirectly. Many of the small manufacturers would have no market at all if it were not for the large assembly plants that purchase parts from the small producers. Similarly, the small retailer depends upon the workers in the large industrial plants for a considerable part of his custom.

The large business units likewise have an interest in the small business segment of the economy. For one reason the small concern often can produce parts or render specialized services more economically than the larger business can. This is particuarly true in the highly competitive industrial field. It is also important to large business that the avenues of entry into the business world be kept open to individuals operating on a small scale, just as a means for preserving the private enterprise system.

It is true, of course, that points of conflict of interest do arise when monopolistic practices are employed to gain control of certain markets. The situations in which some corporations have gained substantial control over the sales of certain commodities in the national market through questionable practice are properly condemned. Their actions are not only objectionable to the small competitor but are of much greater concern to the consumers who are forced to pay unreasonable prices. These monopolistic or unfair practices are by no means limited to big business. Even the small country store that enjoys a monopolistic position in its restricted market area is prone to charge what the traffic will bear. The consumer is just as much concerned with the practice of the small dealer who charges inflated prices as he is with the similar actions of large corporations. Unfair practices are contrary to the public interest whether they are undertaken on either a large or small scale.

Those who stimulate friction or attempt to set up programs for small business in opposition to, or at the expense of, large enterprise are doing a disservice both to small business and to the economy as a whole. Even the smallest concern desires to grow, and as it does it usually performs its functions more efficiently. It is socially desirable to encourage growth to a size that will enable a concern to produce at the lowest cost per unit of output. Any program that impedes such growth or subsidizes small business just to keep it small is wasteful. Some of the proposals for aid to small business that have been submitted to Congress during the past few years are of this type.

The small business problem, if there is one, cannot be solved by special-favor legislation. Extension of government loans to concerns that fail to meet the standards of banks or private loaning agencies, special tax concessions, or outright grants of public funds will only result in subsidizing inefficiency. These programs, all of which have been suggested, are merely palliatives. They would be a costly method of preserving small enterprise for smallness' sake alone. It would be unfortunate to embark upon a program involving the use of government funds merely to keep a large number of firms in business that would normally fall by the wayside, even though similar tactics have been used to placate some other economic groups.

This does not mean that we should close our eyes to the difficulties that confront the small businessman. It has become increasingly hard for the small enterpriser to start a business and to expand his operations. This is the real small-business problem, and it should be considered in its setting within the pattern of the economic structure as a whole. It is highly essential to keep the paths open for new business ventures in order to assure the healthy development of the economy. If these paths have become clogged, the remedy is to remove the impediments if possible rather than to offer subsidies or bonuses. The problems that appear to be particularly pressing on the welfare of small business fall under three broad headings: finance, taxation, and management.

II.

The small enterpriser does find it extremely difficult to secure the capital funds necessary to launch a new venture or to ex-

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*Reprinted from "The Michigan Alumnus," Quarterly Review Number, Summer 1947, published by the Alumni Association of the University of Michigan.

Public Utility Securities

Utilities Earnings Make Unexpectedly Good Showing

Early this year some utility analysts were a little skeptical or pessimistic regarding the earnings outlook for 1947; they thought that the uptrend in revenues might be checked by an anticipated business recession, and that increased costs would cut into net earnings. This has not proved true thus far, however, insofar as most electric and natural gas companies are concerned—although the telephone, transit and manufactured gas companies have received a decided set-back.

In the first quarter of 1946 the electric utilities made an unexpectedly good showing due in part to tax adjustments. Hence it was natural for comparisons to be slightly adverse in the first three months this year. However, the comparisons for April and May were much better, as indicated by the following table of net income (millions of dollars) for all Class A and B electric utilities:

	1947	1946	Percent Change Incr.	Decr.
Jan.	$67.4	$68.0	--	.8%
Feb.	64.7	68.3	--	5.3
Mar.	58.6	59.3	--	1.2
Apr.	57.0	52.9	7.7%	--
May	55.3	47.6	16.1	--
Total	$303.0	$296.1	2.3%	

One of the most variable and important factors in the income account of the utilities is the amount spent for fuel. In January, this was nearly $45,000,000 compared with $31,000,000 last year. In March fuel costs were 57% over last year but in April only 42% and in May 31%. Some of this improvement was probably due to greater use of hydro-electric power. The recent jump in fuel costs due to higher wages is not yet reflected in the figures. Since the average utility coal pile would last about three months, higher costs won't be fully in evidence until around the latter part of the year.

In the month of May sales of electricity gained 16.8% and revenues 12.8%. Salaries and wages were 15.1% higher and miscellaneous expenses 14.2%, while depreciation gained only 5% and taxes 16.4%. Operating income from electric operations gained only 1.2% and other utility operating income (largely from manufactured gas) was down 8.8%. However, miscellaneous income was nearly double last year's figure and income deductions declined 18.2%. Thus the substantial gain in earnings for the month appeared due to a combination of circumstances—a good fuel showing, substantial improvement in miscellaneous income and a marked decline in "other income deductions" (especially amortization). It seems rather unlikely that an equally good showing can be made in the months immediately following.

The figures for Class A and B natural gas companies for the month of May made an even better showing than the electrical utilities, net income showing a gain of 23.8%. For the twelve months ended May there was a gain of 21% compared with only 7% for the electric companies. In the first quarter net income of the gas companies was 9% over last year, but in the month of April there was a remarkable gain of 58%.

Of course weather conditions play an important role in natural gas earnings, largely determining the volume of house-heating. The April gain resulted from an increase in gross of 30%, and the May increase of 23.8% accompanied a revenue gain of 14.9%. The rapid growth of the gas companies appears likely to continue, since new pipelines are being constructed and planned and additional gas will be brought from southern and midwest fields to serve eastern and northern customers who are switching from coal, oil, and manufactured gas.

Thus the natural gas companies, with the low cost of their product and their comparatively small labor expense, are definitely "out in front" in the utility race. The electric utilities are also making a reasonably good showing thus far, though next year they may find the going a little rougher.

With Bacon & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Thomas S. Robinson has been added to the staff of Bacon & Co., 256 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges.

With F. C. Shaughnessy

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF. — Margaret Downey is with Frank C. Shaughnessy & Co., 111 Sutter Street, members of the San Francisco Stock Exchange.

Chicago Transit Bonds Offered to Investors

Conditional offer made by Harris, Hall-First Boston-Blyth Syndicate

Harris, Hall & Co., Inc.; The First Boston Corporation, and Blyth & Co., Inc., head a nationwide group of approximately 200 investment banking houses which conditionally is offering to the public $105,000,000 principal amount of Chicago Transit Authority Revenue Bonds, series of 1947. The offering comprises $40,000,000 of serial bonds which are priced from 104 for $3\frac{1}{4}$s due July 1, 1953, to 102 for $3\frac{5}{8}$s maturing July 1, 1972. The yields for the serial bonds will range from 2.50% to 3.50%. The remaining $65,000,000, comprising $3\frac{3}{4}$% term bonds due July 1, 1978, are priced at 103, to yield 3.59% to maturity. In the opinion of the attorneys, Wood, King & Dawson, these bonds are exempt from all present Federal income taxes.

The syndicate has entered into a contract with the Transit Authority to take up all of the bonds if at least 80% of the total is subscribed for by investors. Unless extended by mutual consent, the agreement will expire on September 12, if by that time the banking group has not received orders for 80% of the total.

Sale of the bonds will mark an important step in the program of unification of Chicago's local transportation facilities under municipal ownership. The properties involved are Chicago Surface Lines and Chicago Rapid Transit System.

Proceeds from the sale of the bonds will be applied as follows: $75,000,000 as the purchase price of the Surface Lines' properties; $12,162,500 to purchase properties of the Rapid Transit System; $3,000,000 for cash working funds; approximately $13,000,000 for modernization of the lines, and an undetermined amount for adjustments to be paid to the trustees of both companies upon consummation of the purchases.

The Authority has adopted a comprehensive program for modernizing the system to be acquired. The program, scheduled for completion in 1955, contemplates the expenditure of $152,374,300, of which $77,624,300 is applicable to the Surface Lines and $74,750,000 to the Rapid Transit System.

Chicago Transit Authority was created by an Act of the General Assembly of the State of Illinois, approved April 2, 1945, "for the purpose of acquiring, constructing, owning, operating and maintaining for public services a transportation system in the metropolitan area of Cook County." The Act was adopted by the City of Chicago at an election held on June 4, 1945. The governing and administrative body of the Authority is the Chicago Transit

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Dealer-Broker Investment Recommendations and Literature

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

Automobile Industry—Study of situation and outlook—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Aviation Bulletin — Containing earnings, news, prices, comment, and general market opinion—John H. Lewis & Co., 14 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.

Houston Banks and Trust Cos.—Mid-Year Analytical Comparison—B. V. Christie & Co., First National Bank Building, Houston 2, Texas.

Insurance and Bank Stock Evaluator — Comparative Analysis of 80 insurance and 38 banks—Butler-Huff & Co., 210 West Seventh Street, Los Angeles, Calif.

Price Earnings Ratios and Yields on 123 Public Utility Common Stocks—Stroud & Co., Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available is a valuation and appraisal of **Railroad Equipment Certificates** and **City of Philadelphia Bonds.**

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

Also available is a memorandum on **New York, New Haven & Hartford Railroad.**

Security and Industry Survey—An analytical guide for investors (issued quarterly)—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

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

Also available is a memorandum on **Metal & Thermit.**

Artkraft Manufacturing Corp.—Descriptive and illustrated brochure—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Cleveland Cliffs Iron Company—Analysis of new company—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Colorado Milling & Elevator Co.—Memorandum — Buckley Bros., 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Eastern Corporation** and **Southern Production Co.**

Dresser Industries — Memorandum—Otto Fuerst & Co., 57 William Street, New York 5, N. Y.

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; Diebold; Lamson & Sessions Co.**

Graham-Paige Motors Corp.—Analysis—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also available are analyses of **Osgood Company "B," Wellman Engineering Co., Tennessee Products & Chemical.**

Lamson & Sessions Co.—Brief memorandum—Ward & Co., 120 Broadway, New York 5, N. Y.

National Terminal Corp.—Memorandum for dealers only—Adams & Co., 105 West Adams Street, Chicago 3, Ill.

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

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

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

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

Simmons Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is an analysis of **Commonwealth & Southern Corporation** and the **Fortnightly Investment Letter** discussing the **Rail situation.**

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

Webster Chicago Corporation—Analysis and Outlook—Also copy of letter mailed to stockholders by the company—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Now With White, Weld

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS. — Philip M. Reynold has joined the staff of White, Weld & Co., 111 Devonshire Street.

Attlee Reveals Proposals to Avert Crisis

Tells Commons efforts will be made to ease terms of Anglo-American loan, armed forces will be cut, and further restrictions on imports made. Introduces bill intensifying government's economic control.

On Aug. 6, Clement Attlee, Prime Minister of the Labor Government of Great Britain, following his submission to Parliament on the previous day of a bill to give the British Government comprehensive power over all industries, resources, and workers in the nation, told the House of Commons that drastic measures will be taken for overcoming the present economic crisis. He stated that workers in essential industries would be required to work longer, that the armed forces would be reduced and there would be further restrictions on imports causing "hardship for many people."

Clement Attlee

Mr. Attlee spoke regarding the terms of the Anglo-American Loan Agreement, under which Great Britain received a credit of $3,750,000,000 on condition that Britain would resume the convertibility of the pound sterling and would relinquish its discriminations against U. S. imports. These restrictions, says Mr. Attlee, has aggregated the British economic crisis, and have brought about a more rapid exhaustion of the proceeds of the American loan than had been contemplated. He was therefore undertaking negotiations with Secretary of State Marshall to have the terms eased, and revealed that Secretary has agreed to these discussions. "We have been driven to pay dollars or convertible sterling for our supplies and the problem of convertibility is really a problem of the world shortage of dollars, rather than one arising more particularly from the loan agreement," Mr. Attlee told the House of Commons.

Following Mr. Attlee's address, Secretary of State Marshall announced at a news conference that he had agreed to a conference with the British Government with a view to relaxing provisions of the Anglo-American Loan Agreement, but a definite date had not yet been set for the beginning of the discussions. He added that some modification in the terms of the loan could be effected without referring the matter to Congress, but Secretary of Treasury Snyder, at another news conference, indicated that no further concessions to the British could be made without having Congressional approval.

The drastic measure to control Britain's economy presented to Parliament on August 5 by Prime Minister proposes to promote the productivity of industry, commerce and agricultural; foster and direct exports and reduce imports on many classes of commodities from all or any countries, and thus redress the balance of trade; and assure generally that the whole resources of the community are available for use and are used in a manner best calculated to service the interests of the community.

The proposed measure would give the British Government power to direct labor to specific jobs, to prevent workers from leaving their jobs in essential industries, and would permit the government to direct and regiment individual industries as in wartime. The powers are to endure until 1950. It was denied by members of Mr. Attlee's Cabinet that the bill was intended as a "shortcut to Socialism," but was merely an emergency measure. Nevertheless, conservative leaders will try to have the bill amended to make it clear that the powers are designed only to meet the present crisis.

First Boston Offers Shares of Negae Com.

The First Boston Corp. headed a group of investment bankers which publicly offered Aug. 5 at $11.75 per share, 311,361 shares of New England Gas & Electric Association common stock, par value $8 per share. The issue was placed on sale at competitive bidding on Aug. 4 by General Public Utilities Corp. and was awarded to the group on a bid of $11.01 6/10 per share. Representing the complete holdings of GPU in the Association, the shares being offered were acquired through the exercise of rights under the Association's plan of recapitalization. Proceeds from this financing will be used by GPU to reduce by $3,000,000, a $12,700,000 bank loan.

Capitalization of the Association, upon consummation of the recent refinancing, consists of $22,425,000 of 20-year sinking fund collateral trust 2⅞% bonds, series A, due 1967; 77,625 shares of 4½% cumulative convertible preferred stock and 1,246,011 shares of $8 par common.

Under its plan of recapitalization, the Association retired by redemption all its outstanding debentures totaling $34,998,500, and through exchange and subscription offers to holders of its $5.50 preferred stock, replaced 95,847 shares of such preferred with 1,246,011 shares of new common.

American Stores Co. Gets $15,000,000 Loan

The American Stores Co., through Lehman Brothers, has concluded arrangements with Metropolitan Life Insurance Co. for a $15,000,000 loan. Of this sum, $7,000,000 has been borrowed at 2⅞% interest. The balance will be available at any time up to Aug. 1, 1948 at an interest rate of 3%. The loan will be due Aug. 1, 1967, subject to a repayment schedule beginning Aug. 1, 1952 and amounting to 4½% annually of the principal sum borrowed.

William Park, President of American Stores, said the purpose of the financing is to provide funds for additional facilities and increased working capital required by its expanding business.

American Stores with headquarters at Philadelphia, operates more than 2,000 stores and markets in seven states and the District of Columbia.

Joins Baker, Simonds Staff

Special to THE FINANCIAL CHRONICLE

DETROIT, MICH.—Howard J. Baumgartel, Jr. has been added to the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

P. A. Duma & Co. Opens

DENVER, COLO. — Peter A. Duma-Kamenoff is forming P. A. Duma & Co. with offices at 1447 Ogden Street to engage in the securities business.

Construction in Mid-1947

By THOMAS S. HOLDEN
President, F. W. Dodge Corporation

Construction authority asserts industry has safely passed through initial postwar adjustment period. Holds adjustment will be much less severe than after First World War, and may be followed by long-term expansion period.

The construction industry in mid-1947 is in its second phase of postwar recovery. This is the phase of material price and construction cost stabilization. Necessary market adjustments have brought a moderate slowdown in activity, as compared with the somewhat feverish first phase.

Thomas S. Holden

The first phase (from V-J Day through November, 1946) was the reconversion phase. It was characterized by severe material shortages, strikes and work-stoppages in major producing industries, inflation of labor costs, price and wage controls, and reinstatement of government controls over construction in the supposed interest of veterans' housing.

Abnormal phases of the reconversion market induced a number of excess construction costs over and above such cost increases as were occasioned by higher material prices and higher hourly wage rates in the construction trades. Excess costs arose from such factors as procurement difficulties, black-market prices, irregular deliveries, frequent stops and starts and stretched-out completion time on projects, overtime pay, reduced labor efficiency, and the then prevailing system of cost-plus-fixed-fee contracts which arose during the war. Such excess costs are reported to have caused actual project costs to run 15 to 25% over costs that would normally be figured on the basis of current quoted material prices and wage scales and customary contractors' overhead and profits.

Adjustment to free-market conditions began in November, 1946 with abolition of OPA and its price controls, shortly followed by abolition of construction wage stabilization. Materials production and supply had overcome some shortages, but not all. Distribution to active construction markets was still spotty. There has been a fairly general round of wage increases in the construction trades since Jan. 1. Between November, 1946 and March, 1947, wholesale prices of construction materials rose 25% on average, construction cost index numbers (theoretical in the sense that they do not include the abnormal excess costs described above) increased 8%.

Result of these increases and of accumulated excess costs was to price many residential and non-residential projects out of the market. All non-residential projects remained under Federal control and limitation through June 30, at which time passage of the Housing and Rent Control Act of 1947 eliminated such controls except as affecting buildings for recreational and amusement purposes. At the same time, it eliminated rent control on all new housing, thus removing a quite unnecessary deterrent to production of the kind of housing most widely needed by veterans and others. Thus re-establishment of the free, competitive construction market is very nearly complete.

Advance estimates of 1947 construction volume made and published last November by governmental agencies and such private organizations as F. W. Dodge Corp. were alike in underestimating the extent of further price and construction cost increases as compared with those that actually took place. Consequently, they indicated volume increases for 1947 that are not being realized. The Dodge figures for contracts awarded and work started in 37 eastern states now appear likely to show a moderate decline for the entire year 1947 as compared with 1946. Department of Commerce overall estimates, representing work in place, may show a moderate increase for the year; work-in-place figures would include much activity that was started in 1946; the year-end carryover of uncompleted projects was unusually large.

Comparisons With 1920

While the current adjustment phase of construction industry recovery corresponds to the situation the industry faced in 1920, a considerable preponderance of evidence points to a much easier adjustment this time, apparently without the danger of sharp recession such as characterized the earlier period. In fact the recent trend of contract-letting is better described as a slowdown than as a recession.

This is shown by a brief review of the figures:

Construction Contracts Awarded
37 Eastern States (Millions of $)

	1946	1947
January	$ 358	$ 572
February	387	442
March	698	597
April	735	602
May	952	675
June	808	605
6 Months	$3,938	$3,493

While the figures from March through June of this year were less than the totals for the corresponding months of 1946, they represented large dollar volumes as compared with records of other highly satisfactory years. The high months of 1946 included many non-residential projects rushed ahead in anticipation of Federal restrictions, and many large single-family house developments started on the basis of high-priority preference and other encouragements offered by the veterans' emergency housing program. In view of the many difficulties encountered by builders in carrying 1946 projects through in double or sometimes triple the ordinary time required for completion, a more cautious attitude toward large-scale starts developed in the latter part of 1946, even before the price and cost situation became critical.

Current Slowdown Only a Readjustment

Total dollar volume of building and engineering contracts recorded for the first six months of this year was the third largest ever recorded for a like period, having been exceeded only in 1946 and in 1942, peak year of war construction. By reason of current high costs, as compared with earlier periods, the story in terms of physical volume is somewhat different. Building floor space contracted for in the first six months of 1947 amounted to 380,211,000 square feet, compared with 540,087,000 square feet in 1943, 602,144,000 square feet in 1942, 429,165,000 square feet in 1941, and 260,909,000 in 1940. These comparisons do not indicate that the current slowdown amounts to more than a market adjustment.

The contract total for July 1-15, 1947, was $285,115,000, compared with $259,737,000 for the first half of the preceding month. Figures for such short periods are not too valuable as trend indicators, but it is of interest to note that there has been some increase in contract volume following removal of controls on June 30.

Some progress has been made toward cost stabilization. Wholesale material prices have changed very little since March. Recent increases in prices of coal, based on recent wage increases, are likely to cause further price rises in construction materials for which coal is a large element of cost, notably metals and metal products. Some wholesale prices have been softening. Increased supplies and inventories of distributors and increased competition are apt to cut into any unusual profit margins that may have characterized the shortage period. Generally speaking manufacturers' prices for finished products have increased less, percentagewise, than have the prices of raw materials and the hourly wages they pay.

Varied Price Increases

Among construction materials, as in general commodities, price increases over prewar have varied considerably. Increases to May, 1947 over the 1939 average of wholesale prices have been as follows, according to the U. S. Bureau of Labor Statistics: brick and

(Continued on page 33)

Pennsylvania Brevities

"Clean Bill" for Philadelphia Company

In a 326-page report filed last month with the U. S. District Court for Western Pennsylvania, W. D. George, trustee of Pittsburgh Railways Co., concludes that "at no time did Philadelphia Company take advantage of its position as parent to impose unreasonable or inequitable charges against Pittsburgh Railways Co."

The report is in answer to an order of Nov. 7, 1945, directing the Trustee to conduct an examination and investigation to determine whether possible claims or causes of action are available to the debtor's estate against Philadelphia Company or any other party, and whether there are grounds for the equitable limitation or subordination of claims filed by Philadelphia Company.

In view of the close relationship which has existed between Philadelphia Company and its subsidiary since 1902, the Trustee's conclusions could scarcely have been expected to be otherwise. Philadelphia Company owns all of Railway's preferred and common stocks, something over $10,000,000 in demand notes and, in addition, approximately 64% of the system's underlying bonds and stocks. The alleged domination of the system's operation and administration by the parent company prior to present Trusteeship which began in 1938 is understandable.

The court order directing the investigation was prompted by owners of minority publicly-held securities seeking, by application of the Deep Rock principle, to obtain preferential treatment in reorganization.

To assist the Trustee in the preparation of his report, Price, Waterhouse & Co. was employed to make an exhaustive study of inter-company transactions and accounting practices. The data adduced was factual and the report was uncolored by opinion or recommendation.

In the course of analyzing the voluminous statistical information made available to him, the Trustee finds only two instances of payments made by Railways to Philadelphia Company which he considers questionable.

The first concerns the payment of dividends on Consolidated Traction preferred stock for the period from Nov. 1, 1900, to Dec. 31, 1901. Pittsburgh Railways Co. advanced the necessary funds to Consolidated on open account. Of the total of $840,000 preferred dividends so paid, Philadelphia Company received $810,462.50 and public holders received $29,537.50. But the record shows that these dividends were recorded as a liability of Consolidated, and not of Railways. Under its operating agreement with Consolidated, Railways was obligated, among other things, ". . . to pay all interest upon loans and all rentals which Consolidated may be required to pay; also to pay current dividends upon the preferred stock of Consolidated." Just how Railways became liable for the $840,000 advance made to Consolidated is not clear, since the operating agreement did not become effective until Jan. 1, 1902. The Trustee's report states: "The way in which the whole transaction was handled may have been due to inadvertence rather than intention but nevertheless it resulted in Pittsburgh Railways paying interest of approximately $50,000 for 30 years ($1,524,600) when Pittsburgh Railways received no benefit from the transaction."

The second transaction involves a $100,000 note dated April 1, 1924, given by Railways to Philadelphia Company to reimburse the latter for amounts paid by it to Ladenburg, Thalman & Co. There is nothing to indicate that any part of the $100,000 was expended for benefit of Railways. Interest in the amount of $54,000 was paid on this note.

The trustee states that these two matters standing alone and viewed apart from consideration of the results of other transactions would probably require appropriate adjustment when distribution is made on Philadelphia Company claims. He adds "It may be, however, that these payments of interest should be equitably weighed opposite the cancellation by Philadelphia Company of cash loans to Railways in the amount of $9,700,000, and the other transactions between Philadelphia Company and Railways whereby Philadelphia made substantial concessions which bettered the position of all other security holders in the system."

The Trustee concludes that "except possibly for the two items of interest above mentioned, there are no claims or causes of action against Philadelphia Company . . . and no grounds exist for the equitable limitation or subordination of claims filed by Philadelphia Company."

Revised Plan Expected

In compliance with a District Court order issued last December, W. D. George, trustee of Pittsburgh Railways, is expected to file within a few days his suggestion for revision of the dormant 1942 Plan of Reorganization. In sandlot language this plan never got to first base, principally because the 53 underlying companies of the system, standing upon the rights of their corporate entities, refused to consider themselves bound by the plan's provisions. After a long series of legal battles which carried to the U. S. Supreme Court, it was ruled that "in the public interest" the entire system must be considered as a unit for purposes of reorganization.

The 1942 Plan, while admittedly inappropriate in many respects due to changed and improved conditions, is expected to provide the framework for such amendments and revisions as may be required to bring it up to date. It is significant that the Securities & Exchange Commission has announced its intention of sitting in on the proceedings in an active capacity. Philadelphia Company is at present under an SEC order to simplify its capital structure and further to integrate its operations or, in the alternative, "to liquidate and dissolve." In any event, a prompt and equitable reorganization of Pittsburgh Railways is a "must."

Cash Distribution Sought

On July 21, a petition was filed in the District Court for an order directing trustees of Pittsburgh Railways Co. to make a partial cash payment to public holders of securities of the various companies involved. No date was set for a hearing. The petitioners, all of New York, asked that the money be taken from the $23,121,000 which has accumulated in the more than eight years the system has been in bankruptcy. It was stated that such funds on hand and on deposit represent, in the main, excess money not needed for operation of the system or for ordinary administration of the estate. The petition opposed payment of any money to Philadelphia Company or its affiliates.

* * *

Duquesne Light Financing

Duquesne Light Co., subsidiary of Philadelphia Company, has registered $75,000,000 first mortgage bonds to become due Aug. 1, 1977, for refunding purposes. Names of underwriters, offering price to public and interest rate will be filed by amendment. The new issue will refund $70,000,000 presently outstanding 3½s. Balance of proceeds will be available for corporate purposes.

* * *

Steel production in the Pittsburgh district is scheduled at 105% of capacity for the week ending Aug. 9. Actual rate of operation for week ended Aug. 2 was reported at 103.8%.

* * *

Hajoca Corp. Rights

Directors of Hajoca Corp. have authorized the distribution of stockholders of rights to buy additional common at $35 a share in the ratio of one new share for each 10 shares held. The stock is currently selling around 80. First half results were reported as best in company's history, equivalent to $8.86 per share compared with $4.60 for the comparable 1946 period. Sales were up 61.94%.

* * *

HERSHEY—Hershey Chocolate Corp. stockholders will vote on Sept 15 on proposals to retire treasury shares and to split present common three for one.

* * *

Sharp & Dohme, Inc., Philadelphia pharmaceutical firm, has purchased a large industrial plant in Upper Gynedd Township from the War Assets Administration for $1,750,000. The plant was constructed for SKF Industries by Defense Plant Corp. and about a year ago was leased to Kellet Aircraft Corp. for experimental work for the Army. The drug corporation plans the eventual moving of its entire manufacturing facilities and shipping and warehousing departments to the new location.

* * *

Budd Company

For the first half year, Budd Co. reports net earnings of $3,340,340, or 89 cents per share, compared with a net loss of $2,211,425 for the corresponding 1946 period. Second quarter earnings were somewhat under the first three months reflecting wage increases which became effective in May. There are indications that 1947 sales may reach $200,000,000 compared with $122,254,000 in 1946, and that net earnings for the year may exceed $1.50 per common share. Backlog of unfilled orders on June 30 was approximately $178,682,000.

* * *

Natural Gas for Eastern Pa.

HARRISBURG—Last week the Public Utility Commission, by a three-to-two vote, took the first step toward permitting the widespread use of natural gas in Eastern Pennsylvania by approving the application of Manufacturers Light & Heat Co., Pittsburgh, for construction of a $5,200,000 pipeline through Chester, Montgomery, Bucks, Lehigh, Northampton, Monroe and Pike counties.

Purpose of the new line is to furnish natural gas at wholesale rates to Home Gas Co. at Port Jervis, N. Y. It is expected, however, that, upon completion, applications will pour in for consumer use in many Pennsylvania communities.

The decision was considered of importance since Philadelphia has joined in asking the Federal Power Commission to approve use of the Big and Little Inch pipelines for the transmission of gas to the city. Philadelphia Gas Works Co. has stated that a supply of natural gas to be mixed with the manufactured product is desirable to avert an increase in rates to consumers.

Two members of the Commission, residents of coal producing counties, vigorously opposed the action.

Elmer Turner Dead

Well-known and long popular among Philadelphia traders, Elmer Turner died on July 27. He had been on the desk with Newburger & Hano and predecessor companies for over 30 years.

Norman Lafferty Dies

On the desk for Laird, Bissell & Meeds, Philadelphia, since 1938, Norman Lafferty died July 29. Mr. Lefferty entered the securities business with Munds, Winslow & Potter in 1925.

Britain's Economic Situation

By SIR STAFFORD CRIPPS*

President of the Board of Trade, England

Stating he is neither optimistic or pessimistic, statesman in charge of Britain's economic affairs describes foreign exchange difficulties under nation's existing foreign trade deficit. Points out further cuts in imports will dislocate British economy, but may be required if dollar shortage continues. Sees hope in Marshall Plan and deplores implication of its political alignment. Stresses need of greater productivity of British industry to win "Battle of Balance of Payments."

I have been asked to talk to you today on the present economic situation and you must therefore be a little patient with me if I occupy rather more of your time than you perhaps anticipated. This is a very wide subject and if I try to make my remarks too "potted" I shall probably mislead or be accused of misleading.

Sir Stafford Cripps

I should like by way of introduction to say a word or two about the general approach to this problem.

I am neither optimistic nor pessimistic about the situation. It is one of immense difficulty but as I know how the British people have faced such problems in the past, I am confident that they will face them and overcome them in the future. But that confidence is based upon the necessity of their appreciating the facts and facing up to them.

What then are the bald facts of our present economic situation?

We have passed through a year of growing difficulties in the last 12 months. Our own domestic fuel and raw material shortages have been made the more embarrassing by our extreme shortage of foreign exchange.

This latter has, however, been cloaked, for most of us, by the now rapidly diminishing dollar credits which have enabled us to import food, raw materials and machinery, from the Western Hemisphere in particular in a volume that our own resources would never have allowed. While these imports visibly continue it is hard to realize that their source may be cut off, not by shortage of materials but by shortage of the relevant foreign exchange at no very distant date.

This foreign exchange problem is not one that is peculiar to our own country. The very wide degree of inconvertibility of foreign currencies in the world generally, combined with the acute overall dollar shortage is adding to our own difficulties in two ways.

First owing to the fact that sterling has, by agreement with America, itself become convertible, the shortage of dollars in other countries puts added pressure on the sterling-dollar exchange. We become, as it were, the exchange channel for a large part of the world, and we therefore have to carry the main burden of the world's dollar shortage. This is something which I think was not generally anticipated at the time of the grant of the American credit. Second, and this is almost as important, the shortage of foreign exchange in other countries leads them to limit and regulate their imports—as we ourselves have to do for the same reason—thus closing to us some of those export markets upon which we have always relied for building up our export trade. A typical instance of this is the Argentine where many classes of goods are now prohibited from entry and many of them just those very goods with which we should expect to be able to pay for essential Argentine imports, largely foodstuffs, into this country.

There is a further factor of importance which we must bear in mind. I have been warning people for over a year now that the sellers' market could not last and that it would end much sooner than some people expected. Well now the end has come in some classes of goods and is rapidly approaching in others. Unfortunately the best and most persistent markets—especially in the hard currency areas—tend to be just those very things like textiles and pottery in which we have the greatest consumer shortages in our own country, or, like capital goods and machinery which we need urgently for our own rehabilitation.

All this means that, as a fact, we are running through our dollar credits at an alarming pace—at the rate of something like £800 million a year—even though we are limiting our imports to somewhere between 70-80% of prewar.

Non-Discrimination Difficulties

A good many people have asked recently why we haven't done more by way of cutting our imports—or why we have cut out imports by what looks like an almost insignificant figure.

Let us remember that we are still bound by the non-discrimination clauses of the Loan Agreement with America. This means that we cannot choose—on the basis of the availability of foreign exchange—the particular country or countries from which we shall import. We can of course select on commercial considerations—price, volume, delivery and so on, but not on the basis of soft or hard currency. What we want particularly to do is to economize dollar exchange—and a few other hard currencies.

Our purchases abroad in these markets consist broadly of the following things: foodstuffs, raw materials, machinery, films, tobacco, newsprint, and little or nothing else, at least in any quantity that matters.

With our present level of imports of 70-80%, there is no cut we can manage without a very serious dislocation of production in either foodstuffs or raw materials.

We have in fact cut out the increases we had hoped to achieve in food—in itself a serious matter especially as regards variety—and we have made a few adjustments in raw materials where we can afford to do so without any material effect on our export production. But all that does not amount to a very great deal. As to special machinery which is imported because it is unobtainable in this country we must not cut that since it is the basis for some of our hoped for increase in production.

Tobacco we have dealt with fairly drastically, though we may have to do more of course if things get worse.

Films imports the Chancellor of the Exchequer will have power to deal with as soon as the Finance Bill becomes law. And that leaves only newsprint as to which we have acted as moderately as was possible in the circumstances. It is not surprising perhaps that the press generally did not give a very fair report of the arguments on the matter in the recent debate in Parliament.

So you see that what we have done is to make warning cuts wherever possible without embarking at this time upon a serious dislocation of our production which in itself could only make our problem more difficult. The cuts imposed cannot possibly right our balances of overseas payments but they will help to delay by a short time, at any rate, the date when we shall run out of dollars and hard currencies.

But do not forget that they are a warning that unless some major action is taken to right the world shortage of dollars so as to make the majority of currencies freely convertible into dollars, and particularly to relieve the present great pressure on the sterling dollar exchange we shall inevitably find ourselves under the absolute necessity to curtail our imports much further than we are doing today, and that must in its turn affect the volume of our production and so the speed with which we can hope to rebuild our balance of overseas payments.

Hopes of Marshall Plan

Such is the position of many other European countries today; that is why Mr. Bevin has thrown himself with such whole-hearted energy into organizing a response to the Marshall offer.

That idea has nothing to do with any political alignment of world power. We deplore that the Marshall offer has become a subject of political controversy between the two parts of Europe whose relationship should, we believe, be close. A fact well illustrated by the great efforts we have been making to get a comprehensive trade agreement with the U.S.S.R. as well as by our dealings with other eastern European powers.

It is essential to our economy as a great exporting nation to have markets all over the world and to be able to indulge in three and four-sided exchanges through convertible currencies.

For this reason we are doing our utmost to conclude a multilateral trade arrangement at Geneva on the basis of diminishing trade barriers. Though for the moment the immediate critical foreign exchange situation may be of overriding importance, it is essential that we should lay the basis for a freer exchange of goods in the future which will enable us and others to maintain a proper balance of overseas payments and so convertibility when the immediate dificulties have been overcome.

British Export Situation

So far I have dealt with only one side of our balance of payments problem, that is our debits by imports. The other side is our credits by exports visible and invisible.

Our capacity to build these up to meet our import necessities must depend primarily upon our productive effort and our skill and inventiveness as designers, manufacturers and salesmen. And in that salesmanship price is of course a very important factor. We want to increase our productivity not only to turn out more goods but to be able to market them at a more favorable competitive price.

As I have said, we are already running into difficulties in the export markets, and the spectacular increase which we experienced towards the end of last year has not only been affected by the fuel and raw material difficulties, but also by the greater difficulty in

(Continued on page 35)

*An address by Sir Stafford Cripps at Rotary Club Luncheon, London, England, July 23, 1947.

Churchill Flays Labor Government

In address at Woodstock, England, he accuses Attlee regime of whittling away proceeds of American loan and asks for easement of loan conditions and additional American aid.

Winston Churchill, wartime Prime Minister and Conservative leader in Great Britain, in an address at Woodstock, Eng., site of his ancestral home, castigated the Labor Government's management of the $3,750 million American loan, which he asserted was wasted in importations of luxuries and other unnecessary goods, instead of being used to obtain industrial equipment and basic foodstuffs, and he expressed the opinion that further financial aid would be needed from America, as well as revision of the present restrictions imposed by the Anglo-American Loan Agreement.

Winston Churchill

"Owing to the follies and indecisions of the Socialist Government, a great part of the loan has been spent not on re-equipment of our industry nor upon the import of basic foodstuffs." Mr. Churchill asserted.

"Instead much has been frittered away in American films and tobacco and in large quantities of foods and fruits which, however desirable as indulgences, were not indispensable to our active recovery."

Continuing, Mr. Churchill said: "What can be the thought of the Government which has drifted on from day to day until the loan is nearly exhausted? There is not one proposal that Mr. Attlee can make on Wednesday that would not have been far more effective if made a year or six months ago."

Despite his criticism of the Labor policies and its wild financial extravagences, Mr. Churchill pledged his party to support a request for easement of the American conditions imposed on Britain by the Anglo-American Loan Agreement, and he added that his party "will accept, support and endure any and all sensible proposals, however severe, that are truly made in the national interest." But he expressed the belief that no recovery can be expected in Britain as long as the Attlee Government is in power. "I say without hesitation" the Conservative leader remarked, "there will be no recovery from our present misfortunes until the guilty men whose fears and personal incompetence have brought us down, have been driven from power by the vote of the nation. Then, indeed, there would be a bound forward in British credit and respite in every land. Then, indeed, we should set our feet again on the high road which, though it is hard and stony and uphill all the way, leads out of the quagmires in which we are now floundering and sinking."

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Despite a substantial decline in total earning assets and a rise in operating costs, the aggregate net operating earnings of 15 New York City banks, exclusive of security profits, were fractionally higher in 1946 than in 1945.

In the latter year their net operating earnings aggregated $127,686,000 compared with $127,820,000 in 1946. Their total earning assets, however, between mid-year 1945 and mid-year 1946, shrunk from $23,990,348,000 to $21,761,800,000. This represents a decline of $2,228,548,000 which is equivalent to 10.3%. Obviously the banks netted a higher rate of return on earning assets in 1946 than in 1945. In 1945, based on aggregates, the rate of return was .53%, while the average rate of the 15 banks was .57%. In 1946 the figures were, respectively, .59% and .68%.

It seems quite likely that this upward trend in the rate of return may be maintained for some time. This column has pointed out on several occasions the changing character and proportioning of the bank's portfolios, viz: a drop in the volume Government holdings, a lengthening of maturities, an increase in commercial loans, etc., all of which tend toward increasing the banks' profits per dollar of earning assets. In addition, there is the recent unpegging of interest rates on Treasury bills, with its tendency to firm interest rates in other directions.

In view of these and other changing factors in the bank situation, it is of interest to speculate on what the effect would be on bank earnings, assuming an average overall net increase in the earning rate of ⅛ of 1%.

In Table I is presented the situation in 1946 of 15 leading New York City banks. Earning assets of each bank at the mid-year point are used for calculating the percent return by net operating earnings, exclusive of security profits and recoveries. The average return is .68%. But the experiences of the individual banks show wide variations, depending to a large extent, on the differing character of their operations. For example, Chase and National City have the lowest rate of return, while First National and U. S. Trust enjoy the highest.

In Table II the earning assets of each bank are taken at mid-year 1947. It should be noted that they are considerably below the figures of a year ago. Assuming that each bank this year will enjoy a net increase in rate of return of ⅛ of 1%, the additional net operating profit per share has been calculated and tabulated. The next step was to increase the 1946 rate of return of each bank, as shown in Table I, by ⅛ of 1%, thus to arrive at an assumed rate for 1947 on which to estimate net operating earnings for 1947.

Actually, of course, each bank will not experience a flat ⅛ of 1% increase. Nevertheless it will be observed that the estimated results, when compared with 1946 net operating profits, do not appear unreasonable, except that Guaranty Trust's estimate seems somewhat low. It is of interest to compare these results with the half-year figures tabulated in this column in the "Chronicle" of July 24.

TABLE I

	*	†	‡%
Bank of Manhattan	$ 465	$2.56	.55
Bank of New York	5,053	25.97	.51
Bankers Trust	455	3.10	.68
Central Hanover	1,374	8.04	.59
Chase National	559	2.59	.46
Chemical Bk. & Tr.	448	2.87	.64
Corn Exchange	888	5.50	.62
First National	7,304	92.54	1.27
Guaranty Trust	3,098	20.08	.65
Irving Trust	200	1.35	.68
Manufacturers Trust	928	5.26	.57
National City	669	3.03	.45
New York Trust	1,021	7.40	.72
Public National	844	4.85	.57
U. S. Trust	3,608	44.07	1.22
AVERAGE			.68

*Earning assets per share at mid-year, 1946. †Net operating earnings, 1946. ‡Net operating rate of return on earning assets.

The Cost of Sterling Convertibility

By PAUL EINZIG

Noting growing pessimism in Britain regarding outcome of sterling convertibility, Dr. Einzig sees need of further concessions under Anglo-American Loan Agreement to prevent early exhaustion of British dollar resources. Foresees likelihood of collapse of terms of Agreement before Marshall Plan starts.

LONDON, ENG.—Although only a fortnight has passed since sterling became convertible, the light-hearted optimism displayed in official circles about the effects of the change gave way to growing concern. It is true, nothing spectacular happened on July 15, as indeed nothing could possibly happen, considering that there is no free foreign exchange dealing in Britain, and that the transition to convertibility has been in any case gradual. But the pace of the withdrawals from the proceeds of the dollar credit became greatly accelerated shortly before and immediately after July 15. And Sir Stafford Cripps, in his speech on the "battle of the balance of payments" candidly admitted that Britain's dollar position has become greatly aggravated by the fact that other countries can now draw on the British dollar resources. For the first time the possibility that the loan may be used up by the end of this year has now been envisaged in official circles.

Dr. Paul Einzig

One aspect of the interpretation of convertibility which has hitherto been overlooked became evident during the course of the answers given by the Treasury to a series of questions in the House about the exact meaning of the Payments Agreement with Egypt. It appears that Egypt — and of course every other country which has convertibility agreements with Britain — is entitled to demand the conversion of sterling amounts obtained from the International Monetary Fund. This means that, for all practical purposes, Britain has contributed its quota to the Fund in dollars. It also means that in practice the Fund will be able to charge 4% and more on the use of Britain's dollars which it has obtained from Britain free of interest, and on which Britain is to pay 2% interest to the United States. What is much more important, it means that as soon as the Fund ceases to be able to satisfy the demand for dollars the unsatisfied demand will be switched on convertible sterling, and that not only the dollar but also sterling will soon be declared a "scarce currency" within the meaning of the Bretton Woods Agreement. As a result member countries will be entitled to discriminate against British as well as American goods.

As is well-known, the "scarce currency clause" of the Bretton Woods Agreement has been invented with the object of inducing the surplus country to enable deficit countries to pay for the surplus, either by importing more of their goods or by lending them more of their currencies. As a result of the convertibility of sterling, a deficit country can now be forced to import more or to lend more, which it can obviously ill afford to do. This is only one of the anomalies arising from the premature restoration of the convertibility of sterling — premature in the sense that other deficit countries are entitled to postpone convertibility until 1951 under the Bretton Woods Agreement. Possibly the adoption of the Marshall Plan by the United States may be made conditional on the restoration of the convertibility of the currencies of all beneficiary countries. In order that such a "string" should be acceptable, however, the amount of American assistance under the Plan would have to be very substantial indeed.

There was some disappointment in London following on Mr. Marshall's statement that the State Department announcement of the exemption from Article 9 of Britain's trade with British Colonies was premature, and that in any case such exemption can only be purely temporary. The extension by merely two months of the time limit for the conclusion of convertibility agreements with a number of countries was also considered rather inadequate, considering that in two months' time the countries concerned are not likely to be in a much better position to guarantee the effective enforcement of their restrictions, without which convertibility is bound to be grossly abused. However, the harshness of the American interpretation of Article 9 and of the Convertibility Clause has given rise to very little criticism of the United States. All the criticism is directed against the British Government for having failed to enlighten American official opinion and public opinion about the full extent of the burden imposed on Britain by the uncompromising American interpretation of the loan agreement. Indeed official British propaganda aimed at conveying the impression that Britain actually stands to benefit by the convertibility of sterling, or at any rate that it would not cause any additional losses of dollars.

Presumably this officially-inspired optimism was aimed at inducing foreign holders to retain their sterling balances. Yet its result has merely been a stiffening of the American attitude towards British requests for concessions. Moreover, it has largely counteracted the efforts of the Government to make the British workers realize the full gravity of the situation and the necessity for making a supreme effort to avert a crisis. On the other hand, foreign holders of sterling, whether Governments or banks or individuals, were not misled. They are intelligent enough to realize that the maintenance of convertibility beyond the turn of the year depends entirely on the prospects of substantial American assistance under the Marshall Plan.

There is a widespread feeling that even now the Government is reluctant to admit the full extent of the danger arising from the rapid exhaustion of Britain's dollar resources. Since convertibility has accentuated the drain, it has made sterling softer instead of having made it harder, as official propaganda claims it to have done. Many quarters feel that if only American opinion had been made to realize what is at stake the United States Government would have been more inclined to be lenient in the application of the Loan Agreement. As things are, the proceeds of the loan are certain to be exhausted long before any new assistance under the Marshall Plan can possibly become available. That means that Britain may be forced by the circumstances to suspend the convertibility of sterling and the application of non-discrimination, with or without the consent of the United States. This again would generate bad feeling and would endanger the adoption of the Marshall Plan. Timely concessions at the present stage might enable Britain to carry on at least until the fate of that Plan is decided.

TABLE II

	Earning Assets Per Share at Mid-Yr. 1947	Estimated Additional Net Earns. from ⅛%	Estimated Net Oper. Rate of Return 1947	Estimated Operating Earnings 1947	Net Operating Earnings 1946
Bank of Manhattan	$ 409	$.51	.675%	$2.76	$2.56
Bank of New York	4,008	5.01	.635	25.45	25.97
Bankers Trust	392	.49	.805	3.16	3.10
Central Hanover	1,121	1.40	.715	8.02	8.04
Chase National	497	.62	.585	2.91	2.59
Chemical Bk. & Tr.	384	.48	.765	2.94	2.87
Corn Exchange	808	1.01	.745	6.02	5.50
First National	6,797	8.50	1.395	94.82	92.54
Guaranty Trust	2,197	2.75	.775	17.03	20.08
Irving Trust	175	.22	.805	1.41	1.35
Manufacturers Tr.	830	1.04	.695	5.77	5.26
National City	621	.78	.575	3.57	3.03
New York Trust	876	1.10	.845	7.40	7.40
Public National	797	1.00	.695	5.54	4.85
U. S. Trust	2,991	3.74	1.345	40.23	44.07
AVERAGE			.805%		

With Buckley Brothers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Maynard G. Froemke, formerly with Stephenson, Leydecker & Co., has joined the staff of Buckley Brothers, 530 West Sixth Street.

Gross, Rogers Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Richard T. Ryan has been added to the staff of Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange.

Joins First California

Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Chester Marcel, Jr., is now connected with First California Company, 510 South Spring Street.

NSTA Notes

If possible your Chairman would appreciate hearing from all affiliate chairmen regarding the results of their efforts to secure advertising contracts. We are, at the present time over $16,000 but feel if our group would give us a bit more effort we should gross over $20,000.

We understand Cy Murphy of Mackubin, Legg & Company, New York City, gave some help which brought in a good contract. May we congratulate you Cy?

With the Convention next week in Boston and the Convention Special stopping at Baltimore and Philadelphia, we have naturally taken into consideration that these cities by extending hospitality may feel an added burden in assisting your Advertising Committee with contracts. However, we are pleased to advise our members that Boston has made a very good showing and we hope to give the results at the Convention next week.

We do appreciate greatly the work done by Messrs Beck, Murphy, Reilly and Strickland, the solicitors for the "Commercial & Financial Chronicle," for the work they have done this year. Though many of us may consider the year 1947 not too profitable, their untiring efforts will be demonstrated on Aug. 28 when our Post Convention Issue of the "Chronicle" is published.

May I request those of our members who are contemplating buying space in this issue to do so immediately as forms close Aug. 16.

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

NATIONAL SECURITY TRADERS ASSOCIATION PRE-CONVENTION PROGRAMS

The Baltimore Security Traders Association announces the following program for the entertainment on August 9 of those on the special train on the way to the National Security Traders Association Convention in August:

8:30 a.m.—Special trains from Chicago arrive in Baltimore.
9:00 a.m.—Cruise of approximately two hours down the Chesapeake Bay to the mouth of the Severn River.
11:00 a.m.—Visit to the U. S. Naval Academy at Annapolis.
1:30 p.m.—Luncheon aboard the cruise steamer.
4:15 p.m.—Convention trains leave for Philadelphia.

Guest fee for the Baltimore Party will be ten dollars per person; tickets can be obtained from Charles Gross, Harry M. Sheely & Co. For those desiring rooms Friday night, August 8, at the Lord Baltimore Hotel or Southern Hotel, reservations should be made through Harry M. Sheely.

Inquiries regarding the Baltimore Party should be addressed to Edward J. Armstrong, Chairman, Stein Bros. & Boyce; Frank E. King, Co-Chairman, Stein Bros. & Boyce, or J. Wilmer Butler, Baker, Watts & Co., President of the Association.

The Investment Traders Association of Philadelphia has prepared the following program when the Convention Specials arrive in Philadelphia on the evening of August 9:

6:15 p.m.—Special trains arrive at Broad Street Station, Philadelphia (where they will remain until departure for Boston). Chartered buses will be at the station to take conventioneers on a three-quarters of an hour tour through Fairmount Park and the Main Line en route to the estate of Mr. and Mrs. Howard Butcher III (of Butcher & Sherrerd) who join with the I. T. A. in sponsoring a garden party and buffet.
10:15 p.m.—Buses return to Broad Street Station.

Guest fees for the Garden Party are $7.50 each. For tickets apply to John M. Hudson, Thayer, Baker & Co.

Program for Sunday, August 10—
7:00 a.m. to 8:30 a.m.—Breakfast at the Savarin Restaurant at the Broad Street Station.
8:45 a.m.—Buses to League Island Navy Yard, South Philadelphia.
9:45 a.m.—Church services to be conducted by the Senior Chaplains and Ship Chaplains stationed at the base (Catholic mass on the U. S. S. Rochester non-sectarian church service on the U. S. S. Saipan). Services to be followed by an inspection trip of one of the latest fighting ships of World War II.
11:00 a.m.—Tour of Naval Base, etc.
11:30 a.m.—Motor tour of the City.
12:30 p.m.—Convention train leaves for Boston.

A Headquarters furnishing complete service and information will be maintained in the Bellevue-Stratford Hotel all through Saturday and Sunday, August 9 and 10.

Chief coordinator and Headquarters Chairman will be Thomas J. Love, George E. Snyder & Co., 1411 Walnut Street.

Should any Convention special guests care to stay at the Bellevue-Stratford on Saturday night instead of the special trains, contact George Muller, Janney & Co., 1529 Walnut Street, Philadelphia 2.

Visiting guests just for the Philadelphia Party can also be accommodated for rooms.

For any special transportation details while in Philly, contact John B. Swann, Lilley & Co., Packard Building, Philadelphia 2, Pa.

The Garden Fete Committee will be headed by: Thomas F. O'Rourke, Stroud & Co., 123 S. Broad Street, Philadelphia 2; Harry Fehrig, Reynolds & Co., 1528 Walnut Street, Philadelphia 2.

All time is Eastern Daylight Saving.

Bottleneck of Careless Sales Clerks

By ROGER W. BABSON

Mr. Babson, deploring neglectful sales clerks, asserts if "they are courteous and anxious to serve, general business will be good for at least year or two." Holds satisfied customers pay good dividends. Favors merchandising chains as investments.

Not long ago Boston's famous cartoonist, Dahl, pictured a well-dressed gentleman standing on his head in a well-known department store trying to attract the attention of some salesgirl. I know how this man felt standing on his head because I have been standing up myself lately by salespersons — haven't you?

Roger W. Babson

There can no question but what many of our retail stores have a bad war-time hang-over. During the war years most workers had to do double time. There was a shortage of both goods and services. We became accustomed to waiting in line behind the counter. Most customers were tolerant because they understood well the reasons for the lack of service.

Today, however, the quota in most sales staffs is reasonably well filled. Hence, there is little excuse for the condescending attitude of the salesperson who feels she or he is doing us a favor to wait on us. I overheard one kindly old woman, whom I watched for some minutes trying to get a salesgirl to wait on her, finally retort: "Looka here, girlie, are you mad or just sultry?"

Salesclerks the Real Bottleneck

The salesclerks and travelling salesmen of the nation are a most important factor in determining future business conditions. You don't need to be undecided about the trend of business, just note how salesclerks act. They'll give you the answer. If they are courteous and anxious to serve, general business will be good for another year or two at least. If they are indifferent and slow to serve, look for a falling off in sales, accompanied by gradually increasing unemployment. One reason for present indifference is the minimum wage laws of various states. Where such minimums are highest, the service is poorest. Because the law prevents penalizing saucy and indifferent clerks with pay cuts, too many clerks don't care what they do or say. I believe in good wages. Every merchant should work for a high wage standard in his city; it helps business. But wages should be adjustable to the service rendered. Fixed wages and hours—either by laws or unions—encourage carelessness and ultimately will bring about general unemployment.

Satisfied Customers Pay Good Dividends

Recent statistics indicate that department store sales may soon be lower than a year ago. With output of factories at extremely high levels and a large part of the urgent demand now over, sales departments must become a more important aspect of every industry. This is one reason why I invest my savings in merchandising chains rather than in factories or railroads.

Babson charts also indicate that the increase in business failures has already grown to a new high as compared to previous years. As retail trade becomes more competitive and customers seek bargains and discounts, or refuse to buy, this trend is likely to continue. This increase in failures is largely due to the sloppy attitude of salesclerks.

Advertising

In the light of current trends, customers can no longer be treated with indifference. After spending money on advertising to attract people into your store to buy, pay more attention to them when they do come in. This will greatly help your advertising to "pull" better and show big profits. Good advertising and good salesclerks should go hand-in-hand like a lock and a key or a hatchet and handle.

Says Pessimism Is Overdone

But National City Bank of New York warns inflationary spurt may come if caution is thrown to the wind.

Commenting on general business conditions the August issue of the "Monthly Bank Letter" of the National City Bank of New York draws the following conclusion:

"It is now clear that, as matters have developed, bearishness has been overdone. People have underestimated the strength of supporting influences in the economy—among them the large deferred demands for goods, our huge exports financed to a great extent by American gifts and loans, and the degree to which business has 'cleaned house' following the warning of the stock market break last Fall. It was, indeed, very largely because of such warnings that brakes were applied to inventory buying in time, and hence that the recession feared did not materialize.

"This, however, does not warrant swinging to the other extreme of taking it for granted that we are in a new inflationary uptrend and that business can afford to abandon prudent policies which have proved so generally salutary over the past nine months. Inflation thrives on three conditions: (1) continuous additions to the money supply; (2) general shortage of goods; and (3) bullish psychology. At present the money supply, though huge, is no longer increasing. Shortages of goods still exist, but in most lines they become steadily less acute, and many pipelines are becoming well filled. As for psychology, it is difficult to say what that will be from one week to the next. An additional factor of importance is the improbability of exports holding up to the present extraordinary levels; already our exports are being curtailed in some markets.

"Certainly this is no time to throw caution to the winds, with the risk of inviting another inflationary spurt, from which the reaction could be a good deal more serious."

Railroad Securities

Great Northern's June earnings were somewhat disappointing. The road experienced a nice increase of over $1.5 million in gross revenues but this was more than offset by higher operating costs and taxes. Net operating income was about $900,000 below that of a year earlier. On the constructive side, the company is still showing commendable control over its transportation costs. The transportation ratio was down to 32.7% (for the half year it was 36.6%) which is among the lowest among the major railroads for which detailed figures for the month are now available.

One of the most important factors in the road's decline in net operating income was an increase of $1,086,000 in taxes. A year ago in June the company accrued no Federal income taxes. This year Federal income taxes for the month were close to $800,000. Another factor was that the company increased its maintenance outlays materially. The maintenance ratio jumped from 32.8% in June 1946 to 35.1% of the higher revenues this year. Presumably this heavy work was done at least in part in preparation for the seasonally heavy summer months. It is also possible that the figures reflect a desire to get as much as possible of this work done before the anticipated wage increases.

Although the June results were rather disappointng, the cumulative total for the first half of the year compared favorably with the 1946 period. Earnings per share on the preferred stock (the only stock issue outstanding) amounted to $1.97 a share compared with last year's opening half earnings of $0.80. Moreover, the company is now entering its seasonal peak earnings period which should add materially to the six months' profits. Two of Great Northern's main traffic items are iron ore and wheat. The iron ore movement does not get under way until the Great Lakes open in the spring while the wheat movement is concentrated in the summer and early fall months.

Great Northern has one of the most pronounced seasonal trends to be found in the railroad industry. Under normal conditions it averages an operating deficit in the first quarter, with a gradual improvement month by month in the second quarter. The real bulge comes in the four months July-October. During the ten years immediately preceding our entry into the war the road averaged close to two-thirds of its annual net operating income in the July-October period. While the extreme seasonal curve was pretty well ironed out during the war boom it has now returned with most of its normal vigor.

Last year Great Northen reported net earnings of $7.58 a share on its stock. This included just about $1 representing a net credit for Federal income taxes. Naturally there will be no tax credit this year. Nevertheless, and even with a substantial tax liability, it is expected in most quarters that the road should be able to report between $7 and $8 a share for the full year 1947. The stock recently has been selling about six times the prospective 1947 earnings results. This ratio appears quite low for a stock of the caliber of Great Northern. Also, the recent price has been low in relation to the current $3 dividend rate, which is certainly well protected and could readily even be increased.

Aside from roads that have undergone judicial reorganization Great Northern has accomplished the most impressive reduction in debt and charges among the major carriers during the past ten years. In the middle 1930s annual fixed charges were above $19,300,000. Today they are down to an annual level of just about $7,750,000. This reduction of more than 60% in fixed requirements is equivalent to about $3.75 a share on the stock before adjustment for increased income taxes. The road's favorable long-term traffic trend, the inherent efficiency of operations, the sharp contraction in debt and charges, and the still strong financial condition all combine to place Great Northern among the sounder rail credits, and add a considerable measure of investment support to its stock.

Alfred Loyd Reelected To Republican County Committee

At the primary election held last week, Alfred E. Loyd was reelected for the 1947-1949 term as

Alfred E. Loyd

a member of the important and influential Republican County Committee of the County of New York.

For over 25 years Alfred E. Loyd headed the over-the-counter firm of Alfred E. Loyd & Co. of White Plains, N. Y. which is now being reorganized as Loyd & Co., Inc., to act as underwriters, originators and distributors of securities specializing in procuring capital for business enterprises in Mexico. The firm will have a branch office in Mexico City.

Wm. R. Staats Co. Is Chicago Exchange Member

CHICAGO, ILL.—Donald Royce, President of William R. Staats Co. of Los Angeles, Calif., has been elected to membership in The Chicago Stock Exchange, according to an announcement by Homer P. Hargrave, Chairman of the Board. With the registration of William R. Staats Co. as a member corporation, the number of California member firms of the Exchange is increased to three.

Mr. Royce was formerly associated with Blyth & Co. and was an officer in the Chicago office from 1932 to 1942.

The William R. Staats Co. was established in California in 1887. Frederick R. Tuerk of Chicago is a director of the company.

Business Man's Bookshelf

Bank Pension Plans—Study of the Pension Plans of Banks in the United States—Bankers Trust Company, 16 Wall Street, New York 5, N. Y.—Paper.

Copper 1947—Axe-Houghton Economic Studies Series B No. 5—E. W. Axe & Co., 730 Fifth Avenue, New York 19, N. Y.—paper—$1.00 (50¢ to public libraries and nonprofit institutions).

How America Is Being Militarized—Oswald Garrison Villard—Post War World Council, 112 East 19th Street, New York, N. Y.—paper 15¢.

Indicators of Current Business Conditions in Wisconsin—E. Z. Palmer—University of Wisconsin School of Commerce Bureau of Business Research and Service, Madison, Wis.—paper—$1.00.

New Federal Labor Law, The—Discussion in the current issue of the "Guaranty Survey"—Guaranty Trust Company of New York, 140 Broadway, New York 15, N. Y.—Paper.

Operating Results of Department and Specialty Stores in 1946—Malcolm P. McNair—Harvard University Graduate School of Business Administration, Division of Research, Soldiers Field, Boston 63, Mass.—Paper—$3.50.

Planned Chaos—Ludwig von Mises—Study of the question whether a system based on individual freedom can be mixed with economic planning—paper—65¢—Foundation for Economic Education, Inc., Irvington-on-Hudson, New York.

Prewar Industrial Pattern of Wisconsin, The—Edgar Z. Palmer—University of Wisconsin School of Commerce Bureau of Business Research and Service, Madison, Wis.—paper—$1.00.

Principles of Organization, revised edition—James D. Mooney—Harper & Brothers, New York, N. Y.—cloth—$3.00.

Show Me Any Other Country—An answer to socialism—Betty Knowles Hunt—The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—paper—no charge for single copies; 10 copies, $1.00; 50 copies, $3.75, lower rates on large quantities.

COMING EVENTS

In Investment Field

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.

Wants Better Knowledge of World Conditions

Sigurd S. Larmon, recently returned from Europe, sees that continent divided into two ideological camps. Urges withholding aid to Soviet satellites and suggests greater U. S. importations from European democratic countries.

As the result of a two month stay in Europe, where he observed political and economic conditions in France, England and Sweden, Sigurd S. Larmon, president of Young & Rubicam, Inc., expresses belief that a revival of international trade is vitally important to a more settled world-wide economic situation and continued peace. He added that a better understanding of world conditions here at home would enable Americans to make sound decisions on international problems.

Sigurd S. Larmon

"With the world divided into two ideological camps and with living standards far below those necessary to sustain healthy economies and healthy people in most European countries, rejuvenation of the exchange of goods and services is of utmost importance at this time," Mr. Larmon stated in an interview on July 30.

Mr. Larmon expressed the opinion that the granting of credits or relief in the form of goods to Russian satellite nations is "utterly useless." He said: "The domination of Russia is so complete and the control of the population so thorough that the granting of goods or credits would only increase Russia's dictatorial domination. In no way would it help the people of these nations develop a democratic form of government."

The advertising executive suggested that American business could aid non-dominated countries by increasing purchases of goods and services, and by eliminating existing obstacles to world trade. "Without seriously affecting the U. S. economy our own imports could be doubled," he added.

Mr. Larmon indicated that a lack of intelligent and energetic action by industry here and aboard could make the revivification of world trade "a long, drawn out process."

Commenting on the recent International Chamber of Commerce meeting in Switzerland which he attended as a delegate, Mr. Larmon believes that advertising as a part of the distribution process can help develop markets for international trade goods both here and aboard. He reported that the meeting fostered cooperation among business men of the world and will lead to a fuller interchange of information and ideas.

The first problems to be studied by the International Chamber's Committee on Advertising, he asserted, should be a survey of markets and media, and the stabilization of rate structures. According to Mr. Larmon: "In certain countries the advertising man is without basic market information. He must have accurate data on the size, location, trade conditions and competition in the various markets. And the establishment of standard and uniform rates would help the advertising industry make its contribution to expanded world trade."

Haiti Bonds Called for Redemption—New 5% Issue

Government to offer holders of called bonds right to exchange them for new internal issue payable in U. S. dollars.

The Republic of Haiti has called for redemption on Oct. 1, 1947, at 100% of the principal amount thereof and accrued interest, all of its outstanding Customs and General Revenues External 30-Year Sinking Fund 6% Gold Bonds, Series A, due Oct. 1, 1952, and Series C, due Oct. 1, 1953, and Certificates of Interest in the Series C Bonds. In commenting on the call for redemption, Gaston Margron, Secretary of State for Finance of the Republic, stated that the Republic intends to offer to the holders of these securities the right to exchange the same for bonds of a new Internal (5%) Loan of the Republic, payable in U. S. dollars both as to principal and interest, to be dated July 15, 1947, and to mature July 15, 1957, on the basis of 103% of principal amount of new bonds for each 100% of principal amount of old bonds surrendered for exchange. Interest accrued on the old bonds and certificates to the date of surrender for exchange will be paid in cash and interest accrued on the new bonds to the same date will be deducted. The formal exchange offer is now being prepared and announcement thereof will be made shortly.

Australia Joins Fund And World Bank

Australia became the 45th member of the International Monetary Fund and the International Bank for Reconstruction and Development when the Articles of Agreement were signed Aug. 5 on behalf of the Government of the Commonwealth of Australia by The Honorable Norman J. O. Makin, Ambassador of the Commonwealth of Australia.

Australia's quota in the International Monetary Fund is $200,000,000, and its subscription to the capital stock of the Bank is 2,000 shares of a total par value of $200,000,000.

The application for membership of Australia was approved by the Boards of Governors of the International Monetary Fund and the International Bank in May, 1947.

R. James Foster With John Small & Co.

John Small & Co., 40 Wall Street, New York City, announce that R. James Foster is now associated with them. Mr. Foster was previously with Montgomery, Scott & Co. and prior to that was manager of the bond department of Chas. W. Scranton & Co. of New Haven, Conn.

Before entering the Army Air Corps he was manager of the municipal bond departments of Foster & Co. and Wood Struthers & Co., both of New York City.

With Hallowell, Sulzbacher

PHILADELPHIA, PA. — Peter M. Fetterolf is now associated with Hallowell, Sulzberger & Co., members of New York Stock Exchange, 111 South Broad Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of the eligible issues have again firmed up slightly following the period of dullness during which efforts were made to bring the market on these securities down by lowering quotations. . . . Since there was no follow through or activity generated by these developments, prices moved ahead as investor's came into the market. . . . The intermediate term 2s, the partially exempts and the longer bank obligations still hold the spotlight because maturities are being extended for income purposes. . . . The ineligibles have moved up slightly from the lows of the year, since the authorities have been less aggressive recently in their selling of these bonds. . . .

Sales during the month of July, according to informed sources, were the heaviest of any month so far, which explains in some measure the new lows that were made by most of the restricted bonds. . . .

Despite the pressure on the ineligible list, the shorter maturities of the restricted issues such as the 2¼s and the 2½s due 1962/67 and 1963/68 have acted quite well, with greater interest likely to be evidenced from here on in the above mentioned 2½s. . . . The New York State Insurance Fund was again in the market adding to their holdings of the Victory 2½s. . . . Savings banks and insurance companies were also buyers of these 2½s in rather sizable amounts. . . .

SEPTEMBER REFUNDING

The opinion seems to be growing that the Treasury will offer long-term restricted bonds to non-bank investors during the September refunding operation. . . . While it is rather generally believed the amount to be issued will be about $1 billion, it may not exceed $500,000,000 according to some money market followers. . . . The talked about new obligations would be along the lines of the Series "G" savings bonds, which means a non-marketable issue. . . .

The funds obtained from the rumored new issue would be used to retire part of the bank held maturities. . . . By cutting down on the amount of securities that would have to be refunded, the Treasury would be in a stronger position to deal with the commercial banks, the largest owners of the maturing obligations. . . .

"MARKETS" PREFERRED

Non-bank investors, according to reports, do not like the idea of an issue that will not be marketable, but there isn't very much they can do about it. . . . They have the funds to invest and, after all, there is no safer place to put them than in Treasury issues, whether they are marketable or not. . . . It is being pointed out that non-bank investors already have assets that are not readily marketable and more of these will be acquired when the building industry opens up. . . . They would prefer to have their government holdings in marketable issues. . . . It is believed that if a new restricted issue should come along it would be a much longer maturity than the outstanding obligations. . . . The rate would probably be 2½%. . . .

DEBT MANAGEMENT

The money managers, according to reports, are now ready to tackle the broad problem of debt management more vigorously and the rumored new restricted issue would be the first step in the new program. . . . Market control, one phase of debt management, has thus far been carried out through the selling of marketable issues in the open market. . . . While this process could be continued, it cannot go on indefinitely. . . . The pressure of pumping issues into the market would be relieved by the issuance of new securities. . . .

By mopping up some of the demand, with a new issue, the supply side of the market might be relieved until the mortgage market opens up. . . . From that time on, there should not be too much trouble in keeping the prices of the restricted bonds within desired limits. . . .

Evidently the authorities are preparing the ineligible market for something important because they have been forcing the prices of these bonds down gradually but steadily. . . . Could it be a new issue of greatly restricted bonds? . . . While a new offering might take the outstanding eligibles somewhat lower, this should be temporary. . . . The long range effect should not be unfavorable because marketability is still of more than passing interest to investors. . . .

MARKET ACTION

A new restricted issue, it is believed, would bring to an end the selling of bank eligibles by non-bank investors. . . . These holders would want to keep their most marketable securities, the bank obligations, because they would need obligations that could be readily turned into cash. . . . Fear that all future issues of restricted bonds would be non-marketable, might even bring buying into the outstanding obligations. . . .

The uncertainty over the kind of restricted bonds that may be offered non-bank investors in the future may be in some measure responsible for the attention that is being given the 2¼s due 1959/62 and the 2½s due 1962/72 and 1963/68. . . . The bonds are being looked upon as 1952 obligations, the year in which they become bank eligibles. . . .

The 2¼s due 12/15/59/62 were bought first because of the small holding of these bonds by government accounts. . . . Switches were then made into the 2¼s due 6/15/59/62, because they became bank eligible ahead of the December 2¼s. . . . Now the trend is into the 2½s due 1962/67, principally because of the better yield, although at the same time, the eligibility period is lessened by more than a month. . . . Government positions in the forementioned bonds are now believed to be very limited. . . .

SEPTEMBER COUPON

The September refunding is a very lively topic of discussion as bank holders of the maturing issues are seemingly becoming more reconciled to the belief that they will not be given as much as they had hoped to get. . . . A 15 to 18 months 1⅛% appears to have the most followers at this time. . . . The issue will go because the deposit banks have "Hobson's" choice. . . . Nevertheless, there will undoubtedly be more self refunding, especially by holders of the maturing notes that own them at 100, because they would lose income if they went into lower coupon issues that might be offered them. . . .

A. N. Plumley Joins Central Republic Co.

MINNEAPOLIS, MINN. — Alfred N. Plumley has become associated with Central Republic Company, Rand Tower. Mr. Plumley was formerly bond and stock trader for the local office of Harris, Upham & Co. and prior thereto was in charge of the municipal trading department of the First National Bank of Minneapolis.

Alfred N. Plumley

Says Short Corn Crop Poses Serious Problem

The $2½-billion-dollar baking industry, second largest of the nation's food groups, is face to face with one of the most serious problems of its history, according to Harry W. Zinsmaster, Chairman of American Bakers Association.

Speaking at a meeting of the Board of Governors of the ABA at Chicago on July 29, Mr. Zinsmaster said that bakers currently are exploring all possible ways and means of holding down their prices, at the same time that prospects for a short 1947 corn crop, as well as inflationary pressures and high wheat export goals, constantly tend to force their own costs up.

"To date bakers have succeeded extremely well in holding the price line," Mr. Zinsmaster declared. "The corn situation, however, presents a real headache.

"In the first place, less corn means more wheat diverted to animal feeds. This factor, together with large-scale export buying, soon may force flour costs to a new high level.

"A short corn crop also means sharp price rises in corn's end products," Mr. Zinsmaster said, "of which bakers use tremendous quantities in the form of lard, shortening, eggs, flour, sugar, syrup and other ingredients.

"The nation's bakers, who only recently re-pledged maximum quality and service to consumers in launching a $1,500,000 promotional program, fully realize that they must overcome this grave situation while being careful to maintain quality production," Mr. Zinsmaster said.

SEC Reports Resources and Liabilities Of Registered Brokers and Dealers

The Securities and Exchange Commission has made public a statistical report which presents data based on its first study of the principal resources and liabilities of registered brokers and dealers. The data are taken from the most recent report filed by a total of 3,276 registrants as of a 1946 fiscal date. The study shows totals for each of the items for (a) all of the registrants covered; (b) all registered members of the New York Stock Exchange; and (c) registrants in each of the ten regions.

Net capital for all 3,276 registrants was reported as $923,886,714. In compiling this figure no value was given to fixed assets or other assets not readily convertible into cash and marketable securities were included at their market value.

Aggregate indebtedness for these same companies amounted to $2,590,681,487, made up principally of bank loans and customers' credit balances. This does not include borrowings on exempt securities such as government bonds and municipals.

Cash in banks was reported as $602,069,288. Funds segregated pursuant to Commodity Exchange Act Requirements, which are the amounts firms owe customers on transactions in regulated commodities, amounted to $50,453,910 and cash and exempt securities segregated for particular purposes pursuant to requirements of Exchanges or Federal and State regulatory agencies were $36,004,659.

Firms' inventory of exempt securities at market value amounted to $863,724,658, with their inventory of non-exempt securities at market value amounting to $775,685,473. Customers' debit balances in cash accounts, which are the amounts due from customers on cash transactions in securities, were $281,675,257 with customers' debit balances in margin accounts amounting to $752,487,156.

Customers' free credit balances, which are due and payable to customers on demand, were $712,665,772 and customers' credit balances in cash accounts, which are funds held for customers pending completion of securities transactions, amounted to $153,430,035. Customers' credit balances in accounts with open contractual commitments, which are funds received from customers in payment for securities not immediately available for delivery, totaled $36,375,229 with customers' credit balances in margin accounts, which include credits arising from short sales, amounting to $73,067,483.

The amounts borrowed from banks on customers' securities totaled $108,551,138 on exempt securities and $247,732,372 on non-exempt securities. The amount borrowed from banks on firms' and partners' securities, both exempt and non-exempt, was $1,022,507,231.

New York Stock Exchange Member Firms

Of these 3,276 registrants, 536 were members of the New York Stock Exchange. For these firms net capital was reported as $514,444,875. Aggregate indebtedness amounted to $1,548,330,006, made up principally of bank loans and customers' credit balances. Cash in banks amounted to $418,479,278. Funds segregated pursuant to Commodity Exchange Act Requirements, which these firms owed to customers on transactions in regulated commodities, amounted to $47,636,031. Cash and exempt securities segregated for particular purposes pursuant to requirements of Exchanges or Federal and State regulatory agencies amounted to $33,760,247. Firms' inventory of exempt securities at market value reported by these same firms was $403,507,914 with their inventory of non-exempt securities at market value amounting to $376,160,682. Customers' debit balances in cash accounts, showing the amounts due from customers on cash transactions in securities, were $97,055,362 with customers' debit balances in margin accounts amounting to $731,832,760.

Customers' free credit balances, which are due and payable to customers on demand, were reported by these same member firms as $631,124,753 with customers' credit balances in cash accounts, which are funds held for customers pending completion of securities transactions, totaling $41,371,123. Customers' credit balances in accounts with open contractual commitments, which were funds received from customers in payment for securities not immediately available for delivery, amounted to $31,344,346. Customers' credit balances in margin accounts, which include credit balances arising from short sales, amounted to $70,887,087.

The amounts borrowed from banks on customers' securities show that borrowings on exempt securities were $107,094,800 and on non-exempt $214,144,966. The amount borrowed from banks on firms' and partners' securities, both exempt and non-exempt, was $327,104,320.

Canadian Securities

By WILLIAM J. McKAY

In this one world of ours the lines are now clearly drawn between two diametrically opposed economic objectives—totalitarianism on the one side and freer world trade based on private initiative on the other.

Foremost in the struggle for the attainment of the latter end stand this country and Canada. By wholehearted support of international schemes for the rehabilitation of the war-stricken nations of the world and for the restoration of foreign trade every encouragement has been given to those countries which are hesitant to make their choice of the alternative offered.

The forthcoming announcement by the British Prime Minister concerning future economic and financial policies is likely to provide a clear indication of continued British adherence to the main economic program fostered by this country and Canada. A fundamental requisite, however, in the present European economic chaos is the maintenance of confidence in the present level of the pound. With the successful undermining of confidence in sterling, a major objective of the opponents of a free democratic world would be attained. It is essential therefore, that the stability of the pound, which contributed so much in the war years to the successful outcome of the Allied Nations' economic struggle, be preserved regardless of the cost.

Prosperity on this side of the Atlantic counts for little without an adequate counterbalance in Europe. While the sterling pivot remains firm there is still hope for an orderly world economy and a revival of confidence in those countries where monetary instability now precludes any clear approach to economic reconstruction. Therefore whatever sacrifice is made now while there is still time to stave off the European financial breakdown will be far less costly than its inevitable aftermath.

On the other hand, with the restoration of full confidence in the pound and the greater ability of Britain to make sterling convertible, the principal benefit would accrue here and in Canada. Also any modification on the part of Britain of her socialistic program of nationalization would be a constructive step in the direction of stimulation of trade as a result of the exercise of a larger degree of private initiative.

At this critical stage of doubt and fearful contemplation of the future nothing would go further to restore universal financial and economic confidence than a forthright concerted declaration of policy by the three key foreign trade countries of the world. The global approach to currency stability has achieved little or nothing towards the achievement of its purpose, but the knowledge that the "key currency" method had been adopted would immediately revive strong hopes for a practical solution of the world's outstanding problem.

During the week the external section of the market continued to ease especially in the short term area. The internals were less affected owing to the strength of free funds which were in steady demand. In sympathy with the decline in New York, as a result of the gloomy European picture, stocks were generally weak. The decline in the golds also continued with further waning of hopes concerning governmental relief to the gold-mining industry. On the other hand the prospects for a greatly increased gold production were further enhanced following the release of the latest mining figures; and thus despite the gloomy prognostication of the gold-mining interests, this industry now appears to be well on the way to recovery and the attainment of the prewar production level.

Sholten, Knight & Co. Formed in Chicago

CHICAGO, ILL. — Announcement is made of the formation of a co-opartnership under the name of Sholten, Knight & Co. with offices at 135 South La Salle Street to continue the business of investment counsel to banks, insurance companies and other financial institutions heretofore conducted at the same address by Woodruff, Sholten & Co.

Announcement is also made of the establishment of a branch office at 61 Broadway, New York City, which will include a brokerage division for the execution of orders in government, municipal and corporate securities.

Partners in the new organization are William A. Sholten, Morris E. Knight, George R. Schneider and Arthur Ehlenberger. Messrs. Sholten and Schneider were previously with Woodruff, Sholten & Co. Messrs. Ehlenberger and Knight were with E. F. Hutton & Co. in New York City.

Correction

The dispatch appearing in the "Financial Chronicle" of July 10 stating that Wilbur Irion had been appointed Vice-President of the International Trust Company in Denver was in error, we have been informed.

Hits Government News Agency Plan

Kent Cooper of Associated Press says it means the Russian Soviet conception of press control and would destroy one of our most cherished freedoms.

Speaking in Williamsburg, Va., on Aug. 1, Kent Cooper, Executive Director of the Associated Press, strongly attacked the proposal of a "Commission on Freedom of the Press" that Congress establish a government news agency.

Kent Cooper

"Of all the curious manifestations on the subject of press freedom," Mr. Cooper asserted, "the most amazing has come from a body of college presidents and professors who, under the name of the 'Commission on Freedom of the Press,' put forth the insinuation that a political party in control of the government ultimately may prove to be necessary to judge what information the people here at home should have through the press. There may be a trend discerned here through the fact that the publication of the Commission's report and coordinated documents came while Congress was considering legislation to authorize the establishment of a government news agency to carry on propaganda abroad in the guise of news." Continuing his attack, Mr. Cooper stated:

"Stripped of the excessive verbiage with which the Commission's idea was presented, the application of the hinted method would mean that a form of the Russian Soviet conception of press control be imposed in order to gain an improvement on what we have here; in that a political government would exercise responsibility rather than to have the responsibility rest, as it does now, upon the individuals who print what they feel the people should be entitled to read.

"It took freedom's thunder down the whole of 200 years to evoke this strange assault on the press from any learned American group. Nowhere in their voluminous reports do they point to the fact that the boon of press freedom as we now have it has stimulated and served the amazing progress of this nation toward the establishment of the most comfortable physical existence and the most advanced intellectual standard of any people on earth. It has given the greatest contribution to interstate acquaintance and understanding. It has built our nation into homogeneity. As they do not proclaim these facts, they do not have to discount what the free administration of individual effort in the issuance of printed information has contributed to progress. The burden of their remonstrance is confined to the theory that our press of today lacks responsibility which a political party in control of the government could supply. But no explanation is given to show why one group of government employees placed in control of what may be printed, would be less fallible as respects the public good than those thousands and thousands of private citizens who now make their living by serving the public with printed matter.

"It is futile to comment or debate the offering of these great intellectuals. About all you and I can do is to contemplate where this country soon would be if its people were allowed to read only what the party in power would permit them to read. Such contemplation probably would bring the conviction that instead of our present two-party system, we would quickly have but one political party in charge of the government. Its view would be printed everywhere and everything else be banned. That, if you please, is what has been the case for 30 years in Russia. Contemplate, then, whether you would prefer the Russian system to what we have here today . . ."

Kuhn, Loeb Places Gen. Amer. Equip. Issue

General American Transportation Corp. has negotiated the sale of $10,136,250 series 42 equipment trust certificates to a small group of institutions. The certificates will mature serially in quarterly instalments to and including Aug. 1, 1967. Maturities to and including Aug. 1, 1954, bear interest at the rate of 1¾%, the balance at a rate of 2¾%. The certificates are designed to cover part of the cost of 2,132 tank cars estimated to cost $11,350,000. The financing was arranged through Kuhn, Loeb & Co.

George H. Kountz With C. J. Devine & Co.

Special to THE FINANCIAL CHRONICLE

CINCINNATI, OHIO—George H. Kountz has become associated with C. J. Devine & Co., Inc., First National Bank Building. Mr. Kountz was formerly manager of the buying department for J. A. White & Company.

Analyzes Budget Reductions

National City Bank of N. Y. points out slow progress and difficulties in Congressional reduction of expenditures. Sees further economy efforts essential if taxes and national debt are to be reduced.

The August issue of the "Monthly Bank Letter" of the National City Bank of New York contains an analysis and discussion of the recent efforts of Congress to reduce the Federal budget.

According to the article "the past six months have provided a practical demonstration of the exceeding difficulties of getting government expenditures back under control, once effective restraint has been lost. With Chairman Taber and Vice-Chairman Wigglesworth on the House side and Chairman Bridges of the Senate spear-heading the drive, the members of the Congressional Appropriations Committees during these months have been working through the massive, fourteen-hundred page budget for the fiscal year ending June 30, 1948, and listening to the testimony of countless government officials and other witnesses to determine where and how much the $37½ billion the President proposed to spend could be cut down. The passage of the last major appropriations bills late in July makes it now possible to appraise how they have come out."

Continuing the article states:

The following table shows, by the major branches of Government, how the appropriations approved by Congress compare with the appropriations requested by the President.

In his January budget proposals the President requested Congress to appropriate $31.3 billion for the 1948 fiscal year. In addition, it was indicated that substantial use would be made of appropriations and authorizations carried over from previous years. Such carryovers accounted for the difference between the $31.3 billion request for new appropriations and the $37½ billion proposed to be spent.

Since January, the President has added many hundreds of millions for items which were not foreseen in the budget—for example, $400 million to aid Greece and Turkey, and $250 million as the first instalment on a new $4 billion flood control plan for the Mississippi River basin. While the appropriations legislation was under consideration, moreover, some of the government departments revised their requirements, most often in the upwards direction. And Congress itself, with the President's approval, made smaller additions, such as raising allowances under the veterans'

(Continued on page 41)

Appropriations for the Fiscal Year Ending June 30, 1948
(In Millions of Dollars)

	Proposed by President	Accepted by Congress	Percentage Reduction
Military Establishment	5,716.8	5,482.5	4.1
War Department—Civil functions	619.7	502.1	19.0
Navy Department	3,513.0	3,268.8	6.9
Veterans Administration & other independent offices	8,500.5	8,188.8	3.7
Treasury Department—			
Tax refunds	2,031.0	1,231.0	39.4
Other	523.0	453.8	13.2
Postoffice Department	1,545.1	1,531.7	0.9
Labor Dept. and Related Agencies			
Labor Department	103.6	75.9	26.7
Federal Security Agency	976.4	901.7	7.7
Other related agencies	699.7	693.6	0.4
Agriculture Department	805.1	613.0	23.9
Interior Department	296.1	194.6	34.3
Commerce Department	287.0	191.9	33.1
State Department	279.7	232.7	16.8
Justice Department	111.5	107.5	3.6
Judiciary	20.6	19.0	7.8
Government corporations	106.6	80.6	24.4
Legislative branch	76.2	55.3	27.4
District of Columbia	95.8	95.5	0.3
Permanent and indefinite appropriations—			
Interest on the public debt	5,000.0	5,000.0	--
Other	362.3	362.3	--
Supplementals	2,191.1	1,810.0	17.4
Total	33,860.8	31,095.3	8.2

Based on a tabulation published in the Congressional Record for July 26, 1947, page D616. Permanent appropriation for sinking fund to retire public debt is excluded.

Securities Salesman's Corner

By JOHN DUTTON

It is a natural thing for other people to try and put you on the spot. No matter how friendly your customer's relationship with you may be there may come a time when just for the devilment he will give you a dig that will place you on the defensive. It is not good sales psychology to allow yourself to be placed in this position even in jest. When you sell securities you are selling something more than a piece of paper. What you are selling is an intangible and the only reason your customer buys from you is that he has more faith in your ability to select security values than in his own judgment. You can be sure that if he ever loses that confidence in you he will either buy his securities from another salesman or pick out his own investments. When that time comes you can look around for a new customer.

During the past few years many investors have become far too speculative minded. They have invested too large a portion of their funds in non-dividend paying securities and, since the market decline which began in the spring of 1946, they have seen a sizable depreciation in some of their holdings. The next time one of your customers starts in on you with a few well placed digs in your ribs be ready for him. You come in the door with a big smile on your face all pepped up about some good news you just heard concerning something that this customer bought from you and you are all set to spill it when he says, "How about that frayed dog you sold me at twenty bucks last year; it looks like you stuck me good on that one." Bingo, there goes all your good news right up the chimney and instead of commanding the situation you are right back on your heels clutching around for an excuse or an alibi while Mr. Customer is inwardly gloating to himself that at least if he did get stuck he's made you a little uncomfortable about it too.

So this is what you can do. Just keep smiling and say something like this. "Oh, that dog, (smile more) you know they say every dog has his day and there will be a time for that one. Now I am going to tell you something. Some years ago when I first started in the securities business a very intelligent and successful broker told me that if I was right six times out of ten I'd build a successful business. If I was right seven times out of ten I'd make a lot of money and so would my customers. And if I was right eight times out of ten I'd be a miracle man. Now I think we've done quite well with your account on an overall basis. It's the general average of results that counts in the long run as you well know. We've had some pretty good securities but here is one that quite frankly has been a disappointment marketwise to both of us but the situation seems to be improving, etc., etc." Go on from there.

Any man who has the least bit of fairness in his makeup will see the justice of such a statement of your position. There is no man living who hasn't picked a sour security at some time or other if he has done any amount of investing to speak about. Allow no customer to assume that you do not know your business. If you let him think this way you will regret it. We are all entitled to a certain number of mistakes but any time we do not command the confidence of our clients we cannot help them to achieve successful investment results.

Most people want you to do their thinking for them. When you are, don't allow any one to make you admit that you are wrong. Remember in this business we are handling other people's money and that isn't something the average person takes lightly.

Holds Prices Not at Peak

Walter M. Schwartz, Jr., President of Proctor Electric Co., says true weight of wartime inflation has not yet been reached and no major price correction is needed to maintain sales volume.

"The true weight of wartime inflation has been underrated by many businessmen and economists in evaluating general business conditions today," Walter M. Schwartz, Jr., president of Proctor Electric Company, Philadelphia, told the company's first postwar national sales convention at Shawnee-on-the-Delaware last week.

W. M. Schwartz, Jr.

Recognizing that prices on most commodities are high now due to high basic costs and the prevailing high labor rate in most industries, Mr. Schwartz said that there can be no severe recession so long as large segments of the country such as farmers and labor remain prosperous. "We recognize that prices eventually probably will go too high and when they drop back they will be accompanied by some sort of recession. On the other hand, we very much doubt whether they have reached their peak yet."

Mr. Schwartz said that for the next few years he expected industry in general to be operating in an atmosphere of general prosperity. "There is no major (price) correction which will substantially affect the overall volume of retail sales in sight," he said.

Treasury Proposes More Brakes on Gold Exports

Will back up International Monetary Fund by no longer issuing licenses for private export of bar gold, and will further restrict licensing of export of gold sent to U. S. for refining. Local account of Manila gold transaction shows it was for small amount.

Following up the request on July 18 to business and banks not to lend their facilities in aid of speculative gold dealings abroad (See the "Chronicle," July 24, p. 23) the Treasury Department has given notice in the Federal Register of July 31, 1947, that it is considering the amendment of the Provisional Regulations issued under the Gold Reserve Act of 1934 relating to gold export licenses. A hearing, under the Administrative Procedure Act, will be held on August 11, 1947, at which interested persons may appear.

The Treasury Department proposes to amend the regulations so that licenses for the exportation of gold for industrial, professional, or artistic purposes will be restricted to semi-processed gold. If these amendments are put into effect, licenses for the private export of bar gold will no longer be issued.

Under present regulations licenses are also granted for the exportation of any gold refined from imported gold-bearing material. The Treasury proposes to restrict the granting of such licenses to gold refined in this country on a consignment basis, provided the subsequent exportation of the refined gold is to be made to the consignor of the gold-bearing material, or to persons designated by him. Such exportations will also be subject to the requirement that the gold-bearing material has been exported from the country of origin and the gold refined therefrom is to be imported into the country of designation in accordance with the laws and regulations of such countries.

The proposed changes in the regulations are in furtherance of the gold policy of the United States and of the objectives of the International Monetary Fund. The Secretary of the Treasury and the Board of Governors of the Federal Reserve System on July 18, 1947 requested all American banks, businesses and individuals to refrain from using their facilities and funds for carrying out gold transactions at premium prices. The response to this request has been most encouraging. The Treasury Department believes that the proposed changes in the regulations will, with the continued cooperation of American business, assure compliance with the United States Government's gold policy and will contribute to international monetary cooperation. Other members of the Fund are also taking measures to implement the Fund's objectives with respect to gold.

The foregoing proposals by the Treasury are undoubtedly taken to forestall "black market" speculation in gold at various centers throughout the world, reports of which have been growing during the last few weeks, and which have been causing considerable concern not only in the United States, which still adheres to a "fixed price" for gold, but also in Great Britain and France. As pointed out in the "Chronicle" of July 24, the "black market" transactions are minor and insignificant, but, in view of unstable monetary conditions in a number of countries, it is feared that, if unabated, these transactions will bring about further devaluations of domestic currencies particularly where the parity rate with the dollar is set at an excessive figure.

In view of the interest in these developments there is reprinted below an item which appeared in the "Evening News," published in Manila, Philippines, on July 17, entitled "PI Gold Sold at $45 an Ounce":

"Manila yesterday became a world market for gold. Despite warnings from the world monetary fund, gold was sold at more than $35 per ounce, something which may create repercussions abroad.

"A Chinese syndicate bought bars of refined gold from the Big Wedge Mining Company at $45.50 an ounce, $10.50 higher than the controlled price in the United States. Pacifico Ledesma and Anselmo Trinidad, members of the Manila stock exchange, negotiated the sale.

"It was the first of such transactions here where the price was higher than the controlled price. It was the first transaction done after the warning made by the world monetary fund, and international organization which seeks to stabilize world currencies.

"The amount involved is small (the sale is worth p39,820), but analysis said the deal created a precedent for Philippine gold, not only concerning price but also concerning the final disposition of the gold.

"The gold involved in the sale comes from the bullion sent by Atok Gold Mining Company, operators for Big Wedge, to London for refining. Atok officials had hoped that the gold could be sold there for more than $35 an ounce. At that time prospects were bright to close the deal favorably. But soon after that the world monetary fund declared that it would discourage further international transactions in gold. That eventually stopped negotiations to market the Big Wedge gold.

"Recently, a syndicate of undisclosed Chinese came to Manila, and offered to buy the gold in London.

"It was not explained clearly if the gold will be returned to the Philippines or shipped direct from London to China.

"Whether the Philippine action to sell this gold at more than $35 an ounce falls under the interdiction of the world monetary fund is not known, but observers say it does.

"The Philippines is a member of this fund and as such is expected to be bound by rulings from the head office. Mexico, upon receipt of the warning, had immediately stopped further dealings in gold.

"Economists hold that at the time it was agreed that all world currencies must have the American dollar as the base, and since the American dollar as at present constituted is of gold as defined by law in 1934 the value of which was based at $35 an ounce, any departure in gold transactions from this price, would automatically change the value of the currency of the country making such transactions.

"Thus, if the Philippines gets more than $35 (as in the case of the Manila sale yesterday at $45.50), then the Philippines is automatically getting more for its peso actually devaluating it."

Export-Import Bank Grants Italy Credit

Approves aggregate of $23 millions in favor of Instituto Moliliare Italiano, a public institution engaged in industrial financing.

Wm. McC. Martin, Jr., Chairman of the Board of Directors of the Export-Import Bank, announced Aug. 4 that, within the framework of the understandings reached and contained in letters of Jan. 14, 1947 to the Honorable Pietro Campilli, and of July 16, 1947 to Ambassador Tarchiani of Italy, the Board of Directors has approved the establishment in favor of the Instituto Mobiliare Italiano, an Italian public credit institution engaged in industrial financing, of three lines of credit:

Wm. McC. Martin, Jr.

(a) $10 million for the use of Fiat, Societa per Azioni;

(b) $9 million for the use of Montecatini, Societa Generale per l'Industria Mineraria e Chemica, Anonima; and

(c) $4 million for the use of Pirelli, Societa per Azioni.

All three credits are to be guaranteed by the Italian Government.

Mr. Martin stated that these three credit applications were among the first to be received in form readily suitable for consideration by the Board; it is expected that applications on behalf of other concerns, including many small enterprises engaged in the same and different lines of industrial activity, will be received and considered by the Board.

The equipment and the materials to be financed under the credits are for the purpose of enabling each concern to restore and expand its markets or to otherwise improve the dollar position of Italy as well as to produce additional goods urgently needed by the domestic economy.

The three firms for which credits have been approved by the Board are among the leading industrial concerns of Italy. Fiat is the principal producer of automotive vehicles, marine engines, and other mechanical appliances. Pirelli is the leading manufacturer of tires, telecommunications cable, and rubber articles. Montecatini holds a very important place in Italy's mineral and chemical production.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Interest of the late Claude S. Newman in Ira Haupt & Co. ceased as of July 31.

Walter J. Murphy, Luke, Banks & Weeks, died on July 25, on which date his interest in the firm ceased.

Junius B. Close retired from partnership in Mac Quoid & Coady on July 31.

Charles McKenna Lynch and Herbert T. Tomlinson, general partners, became limited partners in Moore, Leonard & Lynch, on Aug. 1. Addison W. Arthurs withdrew from partnership in the firm on July 31.

Three With Miller Firm

PHILADELPHIA, PA.—E. W. & R. C. Miller & Co., 123 South Broad Street, announce that Lawrence E. Garrett, James J. McLaughlin and William F. Brown are now associated with the firm's sales organization.

N. Y. Reserve Bank Analyzes Gold Distribution

In August issue of its "Monthly Review" estimates gold and short-term dollar assets available to foreign countries, exclusive of Russia, at around $18 billions. Says problem is one of maldistribution and danger of further shrinkage.

The August issue of the 'Monthly Review" of the Federal Reserve Bank contains the following analysis of world distribution of gold and dollar assets throughout the world:—

There has been much discussion as to the existence or threat of a world shortage of dollars, or of assets easily convertible into dollars, which could be used for the payment of the enormous volume of goods and services which foreign countries are buying in the United States. This question is intimately linked with that of the volume of foreign lending which the United States Government, as well as private investors, may be called upon to do in the near future. Of basic importance, however, are the size and distribution of the gold and dollar assets of foreign countries and the extent to which foreign countries, by using such assets, may be able to meet their needs for the goods and services which this country can supply. This article presents and analyzes the known facts concerning the world distribution of gold and short-term dollar assets and the changes which have taken place in this respect since 1939.

The gold and short-term dollar assets now available to foreign countries as a whole (excluding the U.S.S.R.)[1] amount to some $18 billions. About two-thirds of this consists of gold held by governments and central banks. The rest is made up of balances held in foreign official and private accounts with American banks, and of foreigners' holdings of short-term dollar securities. The present total of $18 billions compares with $17 billions at the outbreak of the war and $20 billions at the end of hostilities in August 1945. In the first postwar year foreign countries' drafts on their gold and dollar assets were approximately offset, in the aggregate, by new acquisitions of gold from their own current production; in August 1946, a year after V-J Day, foreign gold reserves were if anything somewhat higher than at the close of the war, and dollar balances and short-term securities had declined by only $200 millions. In contrast, during the seven months of the second postwar year for which statistics are available, foreign countries not only utilized their current gold output, estimated at $700 millions a year, but also drew on their monetary gold stock to the probable extent of $800 millions (apart from transfers of gold to the International Monetary Fund). In addition, they spent $1 billion of their short-term dollar holdings.

The picture can be seen more clearly, however, if, instead of looking merely at the aggregate size of the foreign gold and dollar holdings, one considers the distribution of such holdings by areas. The liberated countries of Western Europe, which held $5.4 billions of gold and dollar balances just before the war, and some $3.7 billions in August 1945, had $3.2 billions left in August 1946 and only $2.5 billions in March 1947. In this Western European area, the official French gold and "hard" currency holdings were reduced from the equivalent of $2.6 billions at the liberation to about $1 billion at the end of 1946. Dutch gold and dollars declined by one-third, amounting last March to $400 millions. Belgium is the only country in the area whose reported gold and dollars were higher at the end of 1946 than at the time of liberation; they increased by $40 millions to some $900 millions, largely because of the goods and services furnished to American troops in the final phase of the European war.

In the "neutral" countries of Europe, gold and dollar holdings now amount to $2.5 billions and are about $1 billions higher than before the war. This increase is largely due to the accumulation of gold by Switzerland and to a small extent by Portugal and Spain. Sweden, the remaining European "neutral," which in August 1945 possessed almost $700 millions of gold and dollar balances and maintained this reserve practically unchanged until after the revaluation of the Swedish krona in July 1946, lost some $250 millions of its reserves between August 1946 and March 1947.

No British figures are available later than December 1946, at which time official gold and dollar balances amounted to $2.6 billions. In August 1939, they had amounted to $2.1 billions. However, British private dollar hold-

(Continued on page 40)

[1] Because of the absence of official Russian statistics in this field, it is not practicable to include the U. S. S. R. in the Survey.

Italy and Poland Devaluate Currencies

Italy reduced dollar exchange rate from 225 to 350 though black market rate rules still higher. Poland lowers zloty from 100 to 250 to the dollar.

As a first step in its application for membership in the International Monetary Fund, the Italian Cabinet on Aug. 1 lowered the official rate of the lira from 225 to 350 to the dollar, along with similar reduction in terms of other foreign countries. As the open or "black" market rate of the lira has been quoted for some time at more than double the new rate, it is expected that a further reduction in the value of the lira will be made before Italy finally announces the "official" parity to the International Monetary Fund when it seeks its aid for stabilizing its currency. The move was also taken to aid Italian exporters who were hampered in selling goods abroad by the Italian Government regulation which requires them to convert one-half of their foreign currency proceeds at the official exchange rate and permitting them to sell the remainder in the open market. This provision put the lira at an actual exchange rate for importers at around 500 to the dollar.

Almost simultaneously with the lowering of the dollar value of the lira, the Polish Government's Exchange Control Commission raised the rate of dollars in terms of its own currency unit, the zloty, from 100 to 250. It is reported that this rate increase is temporary and by Sept. 1, the Polish Government will further boost the zloty-dollar rate from 100 to 400, and that this new rate will be filed with the International Monetary Fund, of which Poland is a member.

Mutual Funds

By HENRY HUNT

Twelve Sponsors Control 80%

Of the 50 odd mutual fund sponsors, 12 now have assets of $30,000,000 or more under their control. In the aggregate their assets on June 30, 1947 amounted to $1,084,400,000, equal to approximately 80% of total assets of all mutual funds.

The "Big Three," with assets of more than $100,000,000 each, are Vance, Sanders (M. I. T.), the oldest as well as the largest, Keystone, and Investors Syndicate. The latter is the only leading sponsor that sells its shares exclusively through its own retail sales organization, other sponsors operating through wholesale representatives and dealers.

While all of the funds in the accompanying tabulation are of the open-end variety, one fund, the State Street Investment Corp. discontinued sales of additional shares in 1944. A large majority of the funds tabulated were organized during the '30s, only four antedating the 1929 market crash as follows:

M. I. T.—1924.
State Street—1924.
Incorporated Investors—1925.
Wellington Fund—1928.

Two of the youngest funds among the leaders are National Securities Series sponsored by National Securities & Research Corporation, and Investors Mutual, both organized in 1940.

SPONSOR	FUND	June 30, 1947 NET ASSETS (000 omitted)	TOTAL (000 omitted)
Vance, Sanders & Co.	M. I. T.	$192,500	$233,000
	M. I. T. Second Fund	15,000	
	Bond Fund	300	
	Boston Fund	25,200	
Keystone Co. of Boston	Keystone Custodian Funds		161,100
Investors Syndicate	Investors Mutual	101,700	111,800
	Selective Fund	1,900	
	Stock Fund	8,200	
Hugh W. Long & Company, Inc.	New York Stocks	30,300	88,600
	Manhattan Bond Fund	26,000	
	Fundamental Investors	22,500	
	Investors Management Corp.	9,800	
Calvin Bullock	Aeronautical	1,300	88,500
	Bullock Fund	5,400	
	Canadian Investment	12,000	
	Dividend Shares	56,100	
	Nation-Wide	13,700	
Distributors Group, Inc.	Group Securities		83,300
Lord, Abbett & Co., Inc.	Affiliated Fund, Inc.	22,700	67,900
	American Business Shares	32,000	
	Union Trusteed Funds	13,200	
Parker Corporation	Incorporated Investors		64,700
State St. Research & Man.	State Street Investment Corporation		63,300
National Securities & Research Corporation	National Securities Series	42,100	50,100
	First Mutual Trust Fund	4,500	
	Declaration of Trust	1,600	
	Declaration of Trust & Agreement	1,900	
Morgan (W. L. & Co.)	Wellington Fund, Inc.		42,100
Eaton & Howard, Inc.	Eaton & Howard Balanced Fund	28,300	
	Eaton & Howard Stock Fund	1,700	
	Total		$1,084,400

Beetle Brow's Theme Song:

It is rumored that John L. Lewis's favorite march tune is "Stars and Strikes Forever."

"Go West, Young Man"

Hugh W. Long believes that investors' dollars should follow Horace Greely's famous dictum: "Go West, Young Man." In an interesting map issued in connection with its new **Pacific Coast Investment Fund**, population changes from April 1940, to January, 1947 are noted. For the United States as a whole the population has increased 7.3%. However, there is a wide difference in population trends among the individual states. During the past seven years, the population of Nevada has increased 50.9%; California 39.5%; Arizona 37.3%; Washington 30%; Oregon 26.1%, and Utah 22.9%. On the other hand, the population of North Dakota, South Dakota and Montana has shown an average decline of about 14%, while in the east, Maine, Vermont, and New Hampshire have shown small declines, and New York an increase of only 0.6%.

Price-Earnings Ratio at 10-Year Low:

The current issue of "Keynotes," issued by the **Keystone Company of Boston**, points out that "Earnings on the representative stocks comprising the Dow-Jones Industrial Average have climbed to $19.28 per share, as estimated by BARRON'S for the 12 months ending March 31, 1947. This figure—highest in a decade—is more than three times 1938 earnings and represents a gain of over 40% on the earnings for 1946.

"While earnings have sharply increased, the price-times-earnings ratio has dropped to a 10-year low. For the preceding nine years the average ratio was 15.2 to 1; the present estimate puts the average price at only 9.2 times current earnings—a decrease of nearly 40%.

Notes:

Wellington Fund has issued a booklet showing the result of $10,000 investment in **Wellington Fund** since Jan. 1, 1934. As of June 30, 1947, the $10,000 had increased to approximately $14,000 while total distributions during the period have amounted to $10,749.

National Securities & Research Corporation quotes the following excerpt from an article in "The Financial World"—"Buying Income Is the Soundest Investment Policy"—by Louis Guenther: "An Englishman figures his wealth on the basis of his income, whereas most American base it on the total value of their assets. Hence, the American has become quotation minded and is either elated when his holdings show appreciation, or unduly depressed if they decline sharply. The sounder method is to think primarily in terms of income—how much income a given amount of capital will buy. An Englishman is not particularly concerned by market declines if his capital has been soundly invested so that his income remains undisturbed."

Lord, Abbett & Co. has a new booklet describing its management policy, and the background of its executive personnel.

New Dealers Now the Stand-Patters

They act as road blocks halting postwar readjustment, Rukeyser declares.

The New Dealers, who played the role of innovators in the Nineteen Thirties, are now stand-patters, who are blocking the road to postwar readjustment.

Merryle S. Rukeyser

This view was expressed here on Aug. 5 in a coast to coast broadcast by Merryle Stanley Rukeyser, economic columnist for International News Service. Mr. Rukeyser spoke under the auspices of the American Forum of the Air over the Mutual Broadcasting System.

In discussing where are we headed economically, Mr. Rukeyser declared: "I challenge the premise that we are mere clay in the hands of the potter. My view is that in a free competitive society we can do much to make the bed in which we lie. I believe that a majority of voters instinctively held this view on Nov. 5 last, and brought new faces to Congress to put the nation's economic house in order.

"But the Chief Executive, subject to a cultural lag, was attempting to apply political medicines intended for the depression and unemployment of the 1930s. Thus the self-styled liberals of the outmoded New Deal emerge as the contemporary reactionaries, who stubbornly adhere to the orthodoxy of the '30s.

"The practical effect is to apply new stimulants to inflated markets, and to resist economy in spending and moderation in taxing. Meantime, the bureaucratic economic planners, taking their ideas from visionaries and pressure groups, are out of tempo with realities.

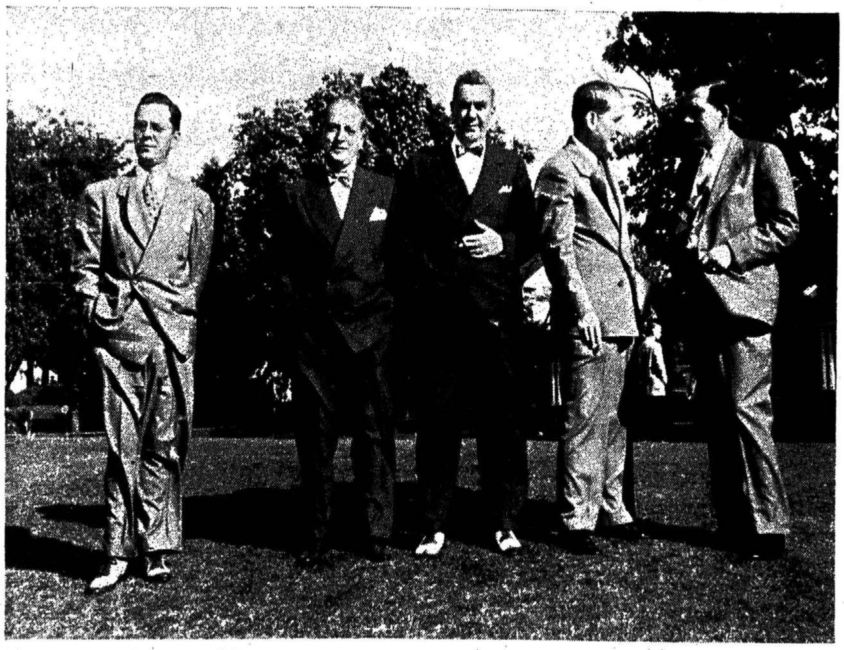
"In an economic forecast published last December, one of them created a hullabaloo by asserting profits were too high, and, if uncorrected, would bring on a bust. The bookkeeping in the Midyear Economic Report of President Truman constitutes an answer to such sophistry. It discloses that business not only reinvested all of its retained profits in tools and facilities, but that in the first half of this year it also spent upwards of $10 billions additional.

"It's foolish to argue with New Dealers. All that is necessary is to bide your time and wait for events to demonstrate their errors."

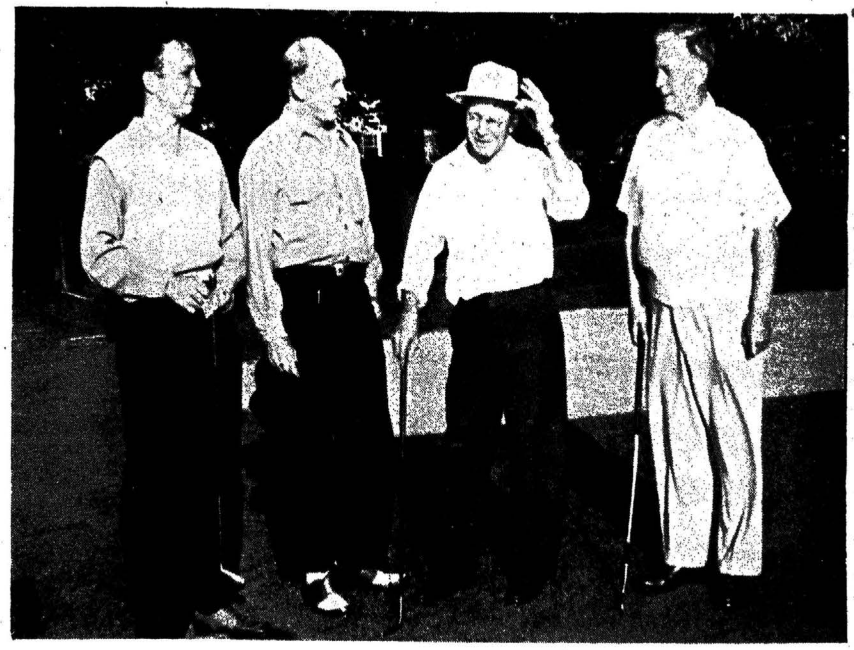
Now Proprietorship

ALLENTOWN, PA.—G. A. Shorpe is now sole proprietor of G. A. Shorpe & Co., 538 Hamilton Street.

Securities Traders Association of Detroit and Michigan

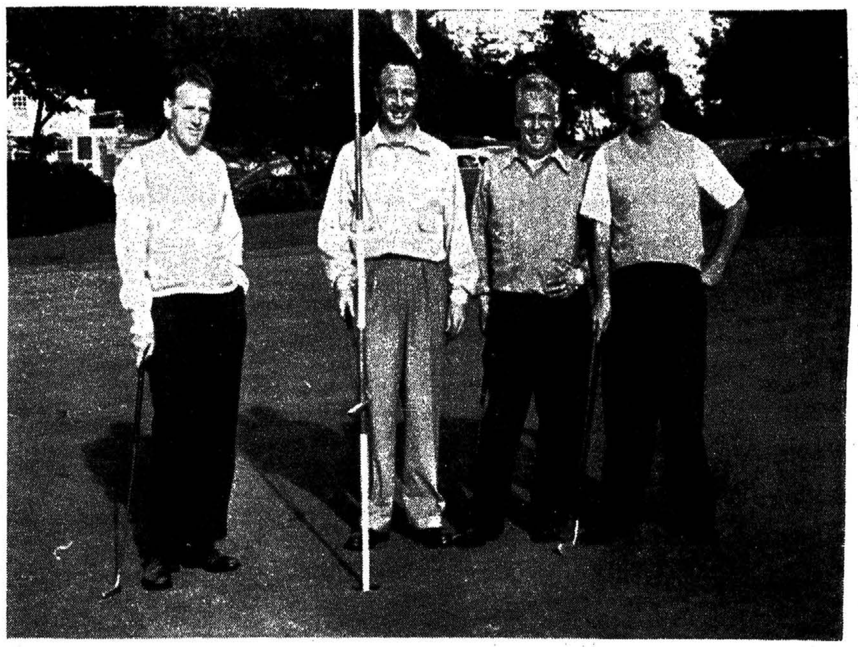


Ray Davies, *Mercier, McDowell & Dolphyn;* "Wild Bill" Fleishman, Brockett Gardner, and Ira Ducey, all of *A. H. Vogel & Co.;* Geo. Walker, *Mercier, McDowell & Dolphyn.*

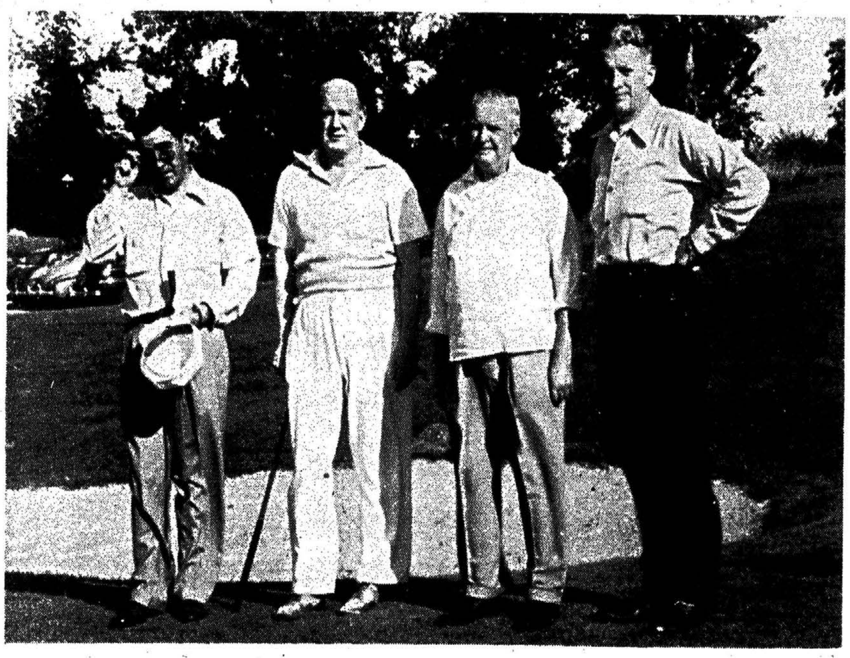


Alex McDonald, *McDonald, Moore & Co.;* "Pinkey" Gilbert, *Donovan, Gilbert & Co.*, Lansing, Mich.; Eddie Liska, *Braun, Bosworth & Co.*, Toledo; William Moore, *McDonald, Moore & Co.*

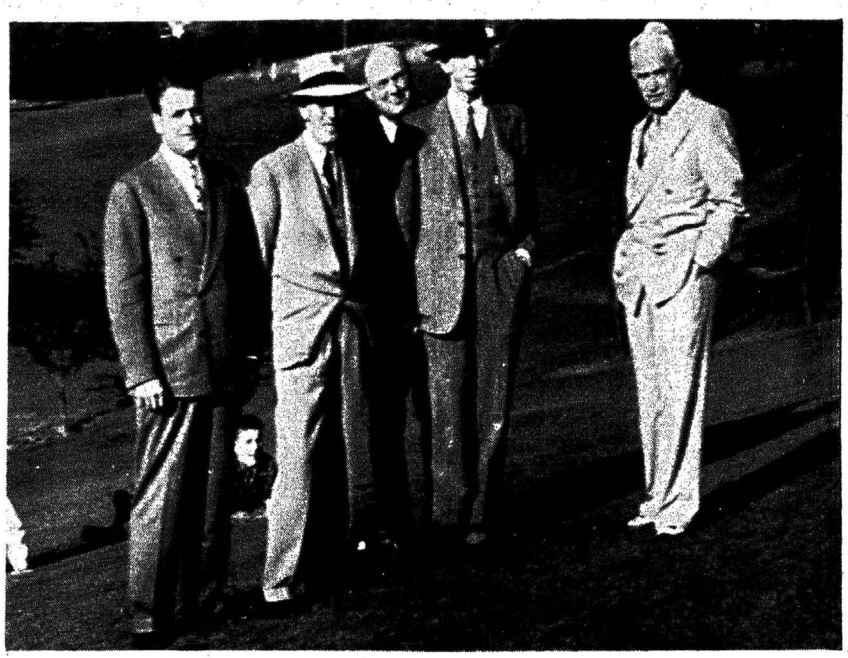
Howard Parker, and Milton Manley, *M. A. Manley & Co.;* Clarence Horn, *First of Michigan Corp.;* John A. Straley, *Hugh W. Long & Co.*, New York City.



Victor P. Dhooge, *Blyth & Co., Inc.;* Wayne Spade, *Watling, Lerchen & Co.;* "Jack" Kenower and Reginald MacArthur, both of *Miller, Kenower & Co.*



Verral Huntley, *Investment Securities Co.*, Jackson, Mich.; Alex B. Quirk, and Harry Benjamin of *Baker, Simonds & Co.;* Russell H. Goodrich, *Investment Securities Co.*, Jackson.



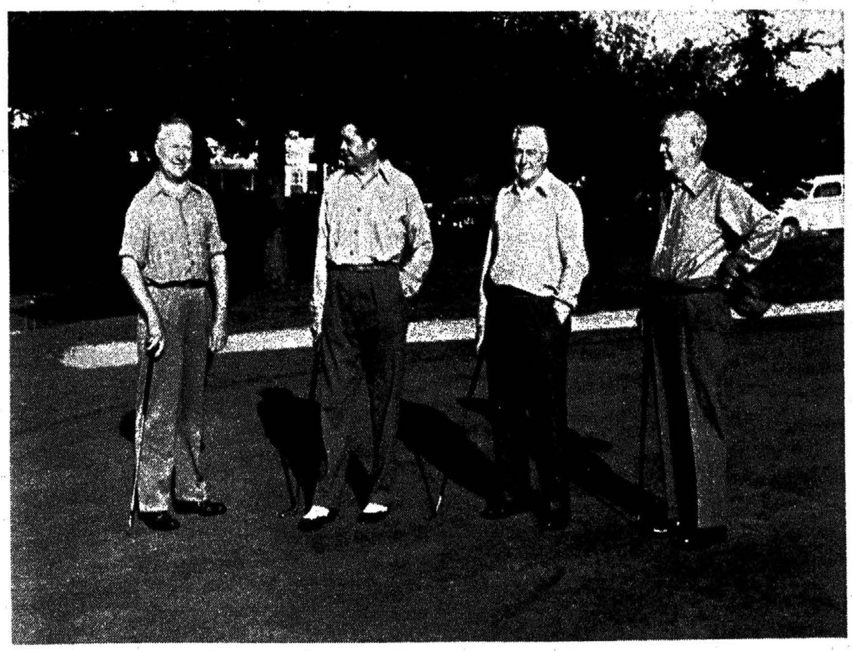
Murel J. Sancrant, *H. V. Sattley & Co.;* Harold Rademacher, *Detroit Trust Co.;* A. A. T. Maxwell, guest; Douglas H. Campbell *First of Michigan Corp.;* S. H. Wilkinson.

Outing Held July 21st and 22nd

Ed. Stout, guest; Percy P. Newman, *Stoetzer, Faulkner & Co.;* Clarence J. Nephler, Jr. and Eugene A. Parmenter, both of *W. H. Protiva & Co.*, Pontiac.

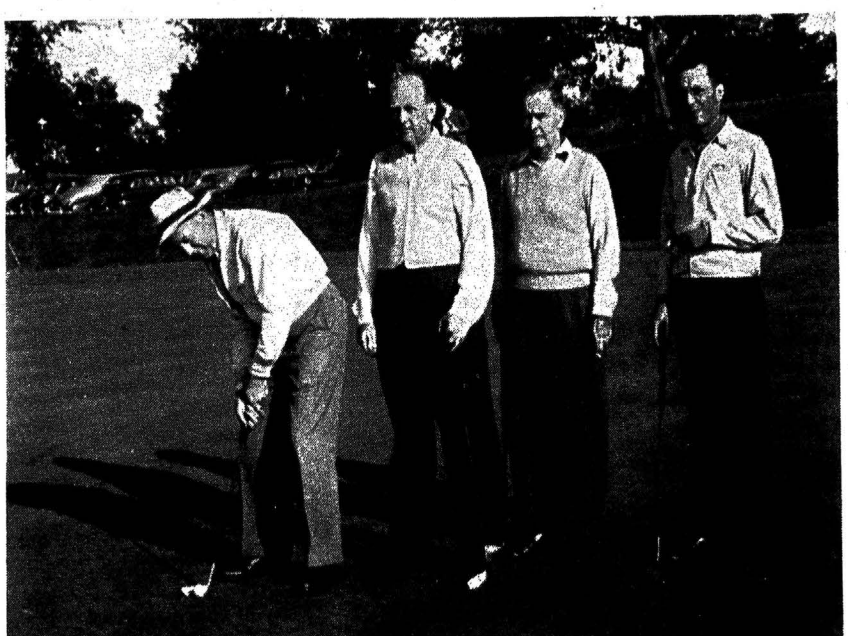
Jack Roney, *Wm. C. Roney & Co.;* Wm. Gordon, *Shader, Winckler & Co.;* C. G. McDonald, *C. G. McDonald & Co.;* Robert "Red" Wallace, *Wm. C. Roney & Co.;* J. "Lumber" Wallich, guest.

Dean Titus, *Dean Titus & Co.*, Ann Arbor; Frank Meyer, *First of Michigan Corp.;* Bill Weed, *Cray, McFawn & Co.;* Don Fisher.



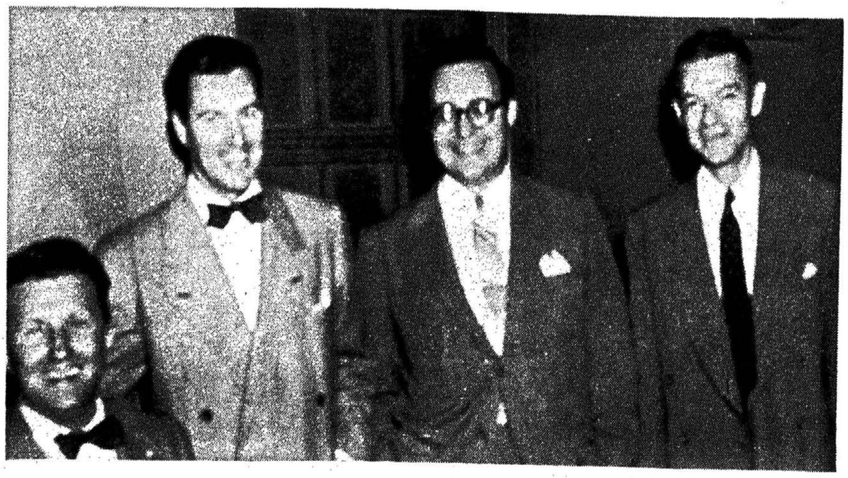
Hale Sattley, *H. V. Sattley & Co.;* "Doc" Dillman, *Harriman Ripley & Co.;* Max Stringer, *Watling, Lerchen & Co.;* Wm. Roney, *Wm. C. Roney & Co.*

Herman Tornga, *De Young, Larson & Tornga*, Grand Rapids; Paul Moreland, *Moreland & Co.;* Paul Yarrow, *Clement, Curtis & Co.*, Chicago; Neil De Young, *De Young, Larson & Tornga*, Grand Rapids.

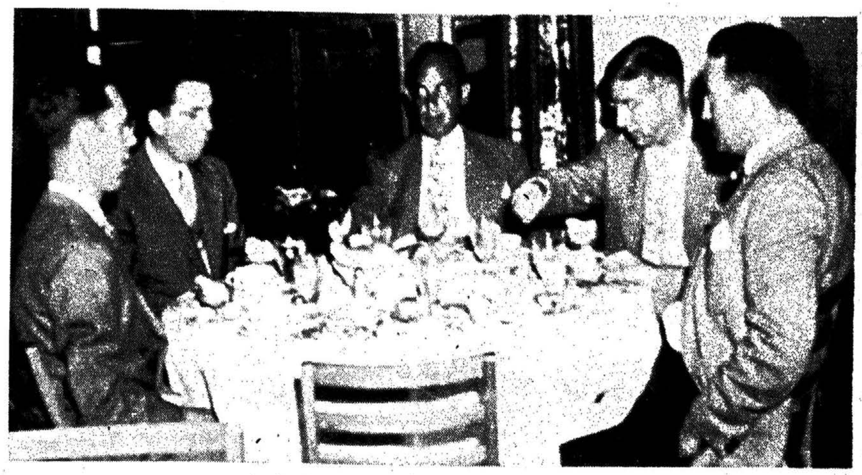


Lester C. Lanterman, *Dean Titus & Co.;* Raymond L. Templin, *Goodbody & Co.;* Gilbert S. Currie, *Crouse & Co.;* Hugh Lindeman, Vice-President of the *Equitable Trust Co.*

At Orchard Lake Country Club



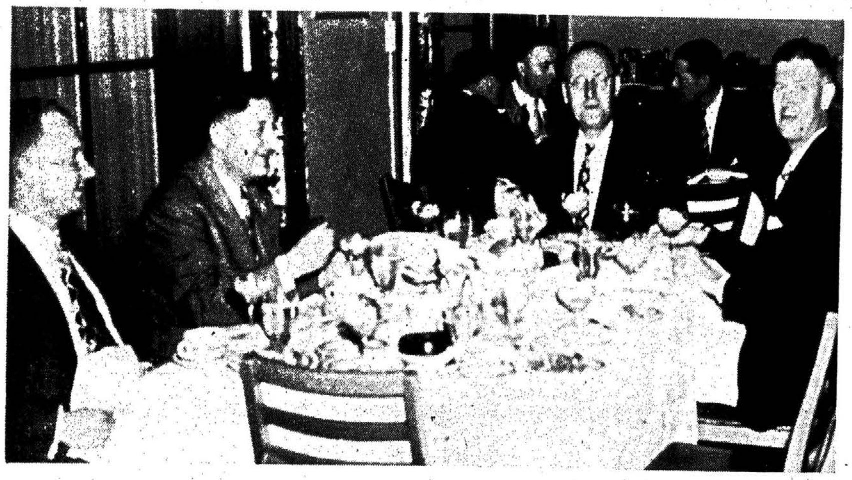
Ray Bernardi, *Cray, McFawn & Co.;* John K. Roney, *Wm. C. Roney & Co.;* Don W. Miller, *McDonald, Moore & Co.;* Merle J. Bowyer, *Paine, Webber, Jackson & Curtis.*



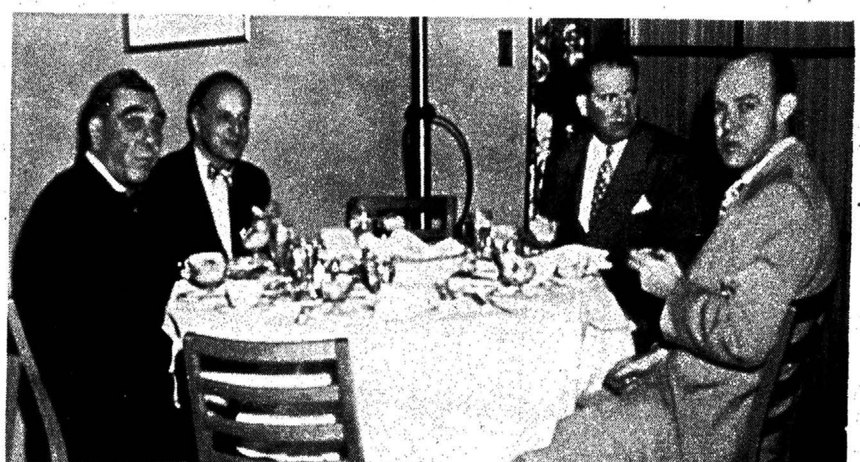
Ray Davies, George Walker, George McDowell, and Clare Wass, all of *Mercier, McDowell & Dolphyn;* John MacFarlane, Executive Vice-President of the Detroit Stock Exchange.

Al Creighton, *Collin, Norton & Co.,* Toledo; Henry Vandervoort, *Cray, McFawn & Co.;* Alex B. Quirk and Ed. Everham of *Baker, Simonds & Co.;* "Herb" Schollenberger, *Campbell, McCarty & Co.*

Roy Hood, *S. R. Livingstone & Co.;* Mel Stuit, *John Nuveen & Co.,* Grand Rapids; Cliff Verral, *Nordman & Verral;* Fred Bargmann, *Braun, Bosworth & Co., Inc.;* Erwin Ward, *W. H. Roose & Co.,* Toledo; William Siler, *Siler & Co.;* "Doug" Campbell, *First of Michigan Corp.;* Fred Alliston, *Wm. C. Roney & Co.*

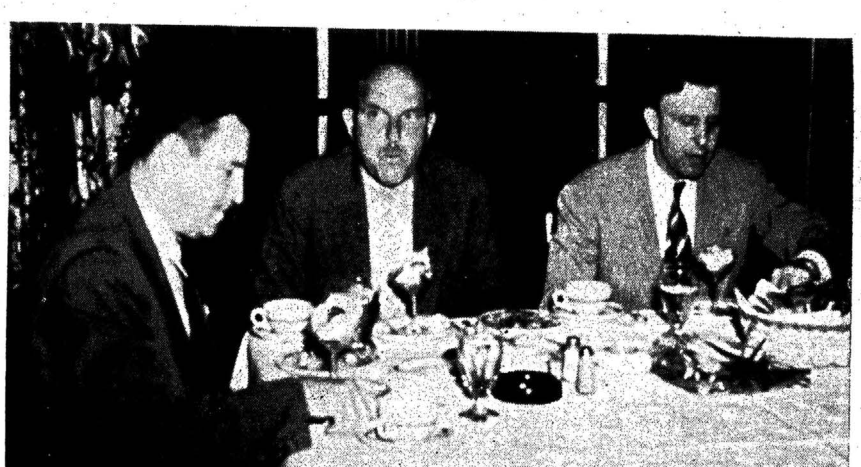


Gordon Kirk and Anthony Soma, *Charles E. Bailey & Co.;* John Johnson and Frank E. Voorheis, *Goodbody & Co.*



Brockett Gardner, William Fleischman, Ira Ducey and Ray Johnson, all of *A. H. Vogel & Co.*

Raymond W. Miottel, Leroy O. Jarvis and Vic Williams, all of *Paine, Webber, Jackson & Curtis.*



Errol Exley, Earle W. Parcells, and Joseph E. Hatfield, all of *Charles A. Parcells & Co.*

Achievements of the GOP Congress

(Continued from first page)

said the Republicans could not organize the Congress, that they could not operate it when it was organized, that they could not pass a labor bill, that they could not save money, that they could not cut taxes, that they would wreck American foreign policy.

As the session went forward these saboteurs of good government were disappointed in each prediction. The Republicans organized without friction, and without Bilbo. The job was more complicated than usual because of the La Follette-Monroney Act, which abolished all of the committees and created entirely new committees with new chairmen and new staffs. No Republican in Congress had ever been chairman of a Senate or House committee. These men had to organize the committees and learn their new jobs. Yet, contrary to the charge of delay, the records show that Congress went to work faster than at the beginning of any previous Congress, that the committees did more and better work, and that Congress, as a whole, worked more steadily and covered a broader field than any previous Congress. Issues were met squarely. Republican policies again became respected, and even fashionable. Most of the Democratic members of Congress also are willing to testify to the efficiency of the organization of both Houses and to admit that it would have been impossible to do more than was actually done.

How was the result accomplished? It was accomplished by team play and hard work on the part of the Republicans. There was never any substantial difference between the leaders of the House and the leaders of the Senate. Differences within the party were reconciled in the party interest by the surrender of individual views and advantage for party opinion and party welfare. Of course, there were some exceptions. And those exceptions received publicity out of all proportion to their actual importance; but few indeed were unwilling to abide by the majority sentiment of their Republican colleagues in House and Senate. Congress succeeded because of the ability, and the cooperation, of Republican Senators and Congressmen.

In the foreground of Republican cooperation stood the Republican delegation from the State of Ohio. John Bricker and myself worked together in the Senate. I have never seen a new Senator who gained so rapidly the affection and respect of his colleagues, or took hold of the job so effectively. I shall always be grateful for his effective cooperation throughout the session, and also for the kind words he has said about me yesterday. The 19 Republican Congressmen from Ohio may not have been the largest Republican delegation in the House but they were the most effective. Most of them had been there a long time and had acquired influence in committee and in Republican councils. They had a predominant influence on Rules, Ways and Means, Armed Services, Foreign Relations and many other committees. They are trained in the party tradition, and in the willingness to sacrifice individual interest to party policy, as all of us are trained here in Ohio.

Work Was Long and Hard

The work in Congress was long and hard. For the last four months we have never recessed a regular day, and in the last month we included Saturdays in our long sessions, making it impossible to keep up with the rest of our work. If our constituents have felt themselves neglected in the last few months, it is only because we have literally not had time to answer correspondence. The last three days were the most strenuous of any days in my experience.

Nor was the start of Congress at all slow, as frequently charged. If citizens are to have the right to present their views on legislation, committees must hold hearings, and before reporting bills, they must study the problems long and carefully, for they cannot be studied on the floor of the House or the Senate. Today we have a vast field of legislative policy, ten times as broad as that dealt with by the early Congresses. Government has extended its hand into every field of activity, and even the conservatives in most fields come to us for some governmental action. In one session, Congress cannot possibly make over the world or even the United States. We must select the subjects of most immediate importance and leave the rest for further consideration. But considering everything, the list of important laws adopted has not been equalled by any Congress. Subjects dealt with have been met "head on," with courage and directness.

It is said that much work is left undone. That is certainly true and will always be true. We have had before us the job of clearing away the wreckage of the war and of the New Deal before we can begin to build. We have had to establish a sound fiscal policy and relieve the people of the burden of war taxation. We have had to deal with conditions which left the country helpless through strikes in every important industry.

No "New Deal" Congress

Who is it that criticizes Congress today for failure to act and what is his motive? First, the Communist because this is not a Communistic Congress, and because the Communists do not believe in Congress at all. Second, the New Dealers and the C.I.O. because this is not a New Deal or a C.I.O. Congress, and has concerned itself with reversing the abuses of the New Deal rather than with extending them. Third, those modern planners who do not really approve of Congress at all and who believe in government by the executive. They would have Congress delegate all its power, including taxation, to some federal bureau and not bother its head about what is done thereafter. Fourth, those who have some project of their own, no doubt of importance, but postponed in the necessity of considering measures more vital to the public welfare.

But as far as we can judge, the **people** approve of the things Congress has done. For the first time in 16 years those things have been done because the people themselves have wanted to have them done, and not because some "must" legislation has been transmitted from the White House.

There are those who criticize our constitutional system because the President and the Congress may be of different parties and who have feared that this condition would produce a deadlock in government. If any one will examine the list of laws that have been passed he will conclude broadly that there has been no legislative deadlock, nor, so far as I can see, has the President been hampered in any important executive policy. But the much vaunted talk of cooperation on the President's side has come to nothing. Apparently, he contemplated that all the cooperation was to come from the Republicans. Outside of foreign policy, he has never consulted the Republicans or discussed with them any important public policy. Even in foreign policy, Republicans were hardly called in on important new proposals like the Greek Loan and the Marshall Plan until the policy itself had been formulated and was ready to announce. They were merely asked to go along.

High Spots of Legislation

I cannot here cover the entire field of legislation enacted. I can only hit the high spots. We were met at the outset by the Presidential demand for $37,500,000,000 to spend, five times the prewar budget, and the maintenance of existing wartime taxes. We were defied to reduce the budget one cent or cut the taxes one cent. The levying of taxes has always been peculiarly the function of Congress and of the House of Representatives. Congress has traditionally held the "purse strings" in behalf of the citizens. It was never intended that taxes should be levied in excess of the sum Congress determined to levy. But, because the existing wartime taxes had no termination date, the Presidential veto could be used for the first time in the history of the United States to force upon the people the continuation of a high wartime tax system against the overwhelming opinion of Congress.

In my opinion the tax burden today is more than can be long maintained without threatening the existence of a free economy. We are taking 30% of the people's income, three days' work in ten on the average. The lower income groups are heavily burdened. The incentive of the middle income group to work harder is discouraged. Investment of money in new tools and equipment is made impossible for middle or upper incomes. The moment the present activity turns downward the tax burden will tend to produce a slide into depression.

Any present estimate of receipts and expenses shows a surplus of about $7,000,000,000 in the current fiscal year and at least $3,000,000,000 of this should have been devoted to a reduction in taxes. Surely the debt should be steadily reduced, but too big a reduction in a single year greatly reduces purchasing power and can encourage a serious deflation. The President not only vetoed the current reduction but he vetoed a reduction for the year 1948. When does he think taxes can come down?

The subject of taxes and expenses is inevitably tied together. The President's real reason for retaining the taxes is obviously to have more money to spend. The best reason to reduce taxes is to reduce our ideas of the number of dollars which government can properly spend in a year, and thereby reduce the present inflated ideas of the proper scope of bureaucratic activity. The time has come when we should determine the limit of the tax burden which can safely be borne and conform our expenditures to the taxes, instead of levying taxes to cover every expenditure any crank can think up.

The Democrats have fought just as bitterly against every effort to reduce expenses as they have against tax reduction. They have taunted us with our inability to reduce this expense or that, while they enlisted every selfish and sectional interest to prevent reduction. In spite of Democratic opposition, the total reduction of expenses below the President's figure should be $3,000,000,000. If it is, the government surplus will be approximately $7,000,000,000. David Lawrence said last night that the 80th Congress had achieved the best economy record ever attained by a peacetime Congress in a quarter of a century and made the biggest cut in Presidential recommendations for expenses since the present budget system was established in 1923. He points out that Representative Cannon, of Missouri, the ranking Democrat on the House Appropriations Committee, admits that $2,000,000,000 has been cut in appropriations, which would be equivalent to about $3,000,000,000 in expenses.

Furthermore, by resolution fathered by Representative Clarence Brown of Ohio and Senator Lodge of Massachusetts, the Republicans have set up a commission to study the whole organization of the government, on which former President Hoover has accepted an appointment, to strike directly at the foundation of the present extravagant spending. We admit it was difficult indeed to accomplish savings by paring each appropriation bill as it came to the Congress. We are determined to reduce the vast jungle of bureaus, of which the federal government now consists.

The Labor Act

We adopted a Labor Act over the most violent opposition to any legislation I have ever seen in Congress. The labor barons and the President fought every reform except the most trivial; and they were determined there would be no labor bill of any kind. The New Act proceeds on a simple principle, to eliminate as many as possible of the injustices set up by present law, particularly the Wagner Labor Relations Act and the regulations and decisions under that Act. It is based on protecting the union member against arbitrary treatment by his leaders. It is based on making collective bargaining really free and equal. Originally, the employers had a great advantage in such bargaining but by reason of special legal privilege, regulations and decisions the labor barons came to have every smaller employer at their mercy. The principle of collective bargaining will be strengthened by our provisions imposing equal power and equal responsibility on big labor and on big business. By redressing admitted injustices in the law we have tried to create a condition where employer and employee meet on equal terms, and neither will make unreasonable demands because he knows they cannot be enforced.

The Act itself has been violently attacked, but polls show that a great majority of labor itself is in favor of nearly every reform contained in the Act. Working men, who after all are the labor movement, favor a majority vote before their leaders can impose upon them a union shop. And they also are in favor of written consent to a check-off system. Labor is in favor of making welfare funds trust funds in which they have an equal legally enforceable interest. Labor is in favor of requiring financial reports from their leaders. Labor is in favor of free speech for employer and employee. Labor is in favor of getting rid of Communist officers.

The Act does not in any way prohibit a strike for better wages and hours. It does prohibit secondary boycotts and jurisdictional strikes, which were admitted by every witness before the labor committee to be outrageous abuses of the power of union bosses. We have put unions on the same basis as corporations so far as spending their members' dues for political purposes is concerned. We have corrected many minor injustices developed in the administration of the National Labor Relations Act, particularly those which actually encouraged strikes and we have created a joint committee to study the operation of the Act and to deal with the more fundamental problems necessary to insure increased productive strength. We do not wish to follow England, where it has become so apparent that once the productivity of the individual worker declines a nation is indeed in dire straits.

In the field of government regulation and control the war was declared officially ended for legislative purposes. Most of the remaining controls were eliminated or modified. Only rent control in a modified form and export control remain because we felt they dealt with extraordinary abnormal conditions. The Republicans are blamed by some for removing price control and housing priority controls. It might be well to point out at this point that these controls were removed by the President himself because of an overwhelming public sentiment for such removal. We gave him in 1946 an O.P.A. law under which all manufactured goods could have been controlled until July 1st of this year. The President removed them about the time of the last election. We gave him an emergency housing act with vast money for subsidies and unlimited control. He, himself, removed those controls and fired Wilson Wyatt because nothing was being accomplished towards the solution of the housing problem. The production of adequate food and housing is a difficult problem now under study by two special committees we have created; but I believe very strongly that it will be solved more quickly by complete freedom of operation and more production, than by government directives.

Defense on Firm Foundation

In the organization of our defense forces, the 80th Congress for many years will be looked to as having done more to put our defense system on a firm foundation than any Congress in history. The Democrats have talked about Unification of the Armed Services since Pearl Harbor. A Republican Congress passed it, together with a revision of the whole promotion system, which should have a profound effect on improving the efficiency of the Army. This after all was a primary concern before dealing with purely domestic matters.

This Congress passed a bill setting up a national scientific foundation to encourage research in every scientific field throughout the entire United States. It is the first Congress to realize the tremendous importance of research to our modern life.

We passed a bill reorganizing the whole Puerto Rican government and permitting the election of a governor by the people, the most important step forward in our colonial policy since the Tydings Act which preceded Philippine independence. We submitted a constitutional amendment to the States limiting a President to two terms. We provided for succession to the Presidency in case of the death of both President and Vice-President. We have thus found time during the intense controversy on taxes and labor to develop constructive policies in four important fields, and in many others.

Among the matters pending on the calendar and in committee are extensive programs sponsored by Republicans to provide federal aid to states and local communities in the fields of health, education and housing. It certainly hardly lies in the mouths of the Democrats to accuse us of delay in these matters when they have been in power for 14 years without enacting such comprehensive programs. Apart from the fact that we were involved in programs demanding more immediate action, there were several good reasons why those programs should be still carefully considered. There has not been time to crystallize opinion among Republicans on the exact measures to be taken, and there are strong differences as to methods. All of them involve a considerable expansion of federal spending, and activity, even though the administration is to be left solely to the states and local communities. At a time when we have such a huge budget of expense, involving large items—which we hope are temporary—for armed forces, foreign relief and veterans' education, it is hardly consistent to branch out into vast new fields of federal activity. The budget situation will be much clearer in 1948. Finally, the question whether these principles are carried out in accord with the spirit of federal assistance to states and local communities, without interference with local administration of the plans, or whether they will be set up by New Dealers imbued with the desire to increase federal power, depends on the men appointed to carry them out. A Republican Congress would like to be sure they were initiated by men who really believe in keeping control out of Washington. Our hope for sound appointments from the President was not increased by his appointments to the National Labor Relations Board. Neither of the appointees can be said to have the slightest sympathy with the views of the majority who enacted the Labor Act. But, Republicans agree that action must be taken to improve health, housing and education. Federal assistance in fields of social welfare is definitely on the list of action in 1948.

Foreign Policy

In the field of foreign policy, this Congress has done its best to cooperate with the policies of the President. We realize that the Constitution and existing law confer upon the President almost complete power over the foreign policy of the United States. In general, I believe Congress should hesitate to interfere unless that policy involves us in the danger of an unnecessary war, or proposes to drain the resources of our taxpayers and our productive labor to an unreasonable degree. I believe it is a field where Congress should not, except with great provocation, give foreign countries a picture of a divided America. I am not happy about the country's foreign policy. Through the agreements made at Teheran and Yalta by President Roosevelt, and at Potsdam by President Truman, we practically abandoned all of the ideals for which the war was fought. We created an impossible situation in which freedom is suppressed throughout large sections of Europe and Asia. In Germany our policy has been dominated by the harsh and impractical Morgenthau plan, even though the government pretended to repudiate it. Our German policy has wrecked the economy of Europe and now we are called upon for cash from our taxpayers to remedy the breakdown. The whole policy has created an impossible situation, which only a strong executive policy can hope even to alleviate. Certainly it is beyond the power of Congress, which cannot initiate foreign policy.

Congress went along this year with the Greek-Turkish loan and with the relief for Europe made necessary by the stupidity of our previous policy. It seemed that these things might help to maintain the political status quo without serious danger of war, until some peace treaty can be worked out and until there can be some economic recovery in Europe.

No country has ever been so generous as the United States in affording aid to others. We have made dollars available to foreign countries in almost unlimited amount, with little restriction of the use to be made of them. We have thus permitted the raising of many domestic prices. Certainly, we are interested in reasonable loans to enable foreign countries to go to work and help themselves, but I believe those loans hereafter should be confined to actual goods, machinery and equipment necessary to enable the countries which receive them to restore their own productive ability. Certainly, we must move very cautiously and be sure that additional loans really furnish incentive to the foreign peoples involved to work harder to support themselves, and are not too burdensome on our own taxpayers.

Finally, the Republican Congress is trying to bring home to the people the character of the Democratic election tactics which have prevailed in Kansas City, in Maryland and West Virginia. We refused to admit Senator Bilbo to the Senate without a searching examination of his dealings with war contractors. At the end of the session, the Democrats were so concerned about what might be revealed in a full examination of the Pendergast situation in Kansas City, that they filibustered for a week against the investigation at the risk of sacrificing all necessary legislation which had to be completed.

Opposition of President

Throughout this session, it has become clear that the President is completely opposed to the principles of the Republican Congress, representing the people of the United States. He has often talked in a conservative way, but in every crisis he has shown that he is still dominated by the principles of the C.I.O. It is not his personal fault. He faces a division in the Democratic Party in which Democratic success depends upon retaining in the Democratic Party the radical and Communist votes of the largest northern cities. The people can never expect a Democratic President to take any other position.

The President clearly believes in the New Deal doctrine of spending, spending, spending. He has shown not the slightest interest in one cent of economy. He believes in taxing, taxing, taxing, now and as far ahead as we can see. He insists upon a health plan which will socialize our entire medical profession and make every doctor an employee of the federal government. He has favored every step toward centralization of power in federal bureaus, or in federal Valley Authorities, as against the power of independent states, cities and schools. He has appointed to office those who believe in control by government. He has violently opposed every effort to bring about labor reform.

While the Presidency remains in Democratic hands, a Republican Congress is faced with the job of undoing, step by step, the more serious abuses of the New Deal, and in every step it faces a veto by the President. There is only one way to do the job as it should be done. The Republican Party has shown its complete capacity to develop policy in this most difficult field of legislation. It has shown its ability to administer the executive department as well as the legislative. Its domestic policies will always be sabotaged and opposed by a Democratic executive administration. The befuddled foreign policy can only be redeemed by a change in the executive administration. If the people want a definite end to overgrown bureaucracy, overgrown spending, overgrown taxing, and overgrown regulation of everybody—all abuses of the New Deal; if they wish a return to the common sense American method of handling our problems of regulation and social welfare, and our foreign policy, within the principles of American government, they can only reach that end by electing a Republican President in 1948—and they will do so.

C. L. Vertin Co. Being Formed in Salinas, Cal.

SALINAS, CALIF. — The firm of Herman, Hampton and Company is being dissolved, and C. L. Vertin, who has been a limited partner in the firm is establishing C. L. Vertin Co. with offices at 341 Main Street, to conduct a securities business. Frank M. Meyer will be manager of the new organization.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Magne Hoel, formerly Assistant Secretary, has been appointed an Assistant Vice-President of the **Corn Exchange Bank Trust Company of New York.**

* * *

William L. Croker was elected a Vice-President of **Sterling National Bank & Trust Company of New York** at a meeting of the bank's board of directors held on July 31. He will be in charge of the bank's 42nd street office, located in the Chanin Building. Mr. Croker was formerly in charge of the Bank of the Manhattan Company office at Madison Avenue and 41st Street.

* * *

Following stockholder approval on July 29 of the merger of the **County Trust Company, of White Plains, N. Y.,** the **Washington Irving Trust Company, of Tarrytown,** and **The Bank of Westchester, of Yonkers,** the board of directors of the merged bank, to be known as **The County Trust Company,** held its organization meeting on July 30 and elected officers. The executive officers of the new institution are Andrew Wilson, Jr., Chairman of the board; Joseph E. Hughes, President; William L. Butcher, Executive Vice-President, and William W. Post, Secretary-Treasurer. The merged bank has capital funds in excess of $7,750,000, total resources over $120,000,000 and 18 Westchester offices. A reference to the merger appeared in our issue of July 31, page 457.

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The **Essex Trust Company,** of Lynn, Mass., announces the death of its Vice-President and Treasurer, Joshua Mills, on July 20.

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The Board of Directors of the **First Camden National Bank and Trust Company, of Camden, N. J.,** announces the election on July 10 of Henry Knepper as President of the bank and F. Morst Archer as Chairman of the board.

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A. Dean Swift, Jr., Assistant Cashier of the **Central-Penn National Bank of Philadelphia,** will become Cashier on Sept. 1, it was indicated in the Philadelphia "Evening Bulletin" of Aug. 1, which also said:

"His promotion was announced yesterday by C. A. Sienkiewicz, President. Mr. Swift, a Marine Corps veteran, will succeed Leo M. Kelly, who is leaving for Kansas City, Mo., to join the Gustin-Bacon Manufacturing Co. Central-Penn directors also promoted Elwood K. Acker and Harry F. Richards from Assistant Vice-Presidents to Vice-Presidents. Four new Assistant Cashiers were appointed. They are Clifford L. Elliott, Roger S. Seasholtz, Charles G. Douglas, Jr., and Thomas H. Chase.

* * *

Lee Sowden, Chairman of the board of the **North Philadelphia Trust Co., of Philadelphia, Pa.,** died on July 28. Mr. Sowden, who was 73 years of age, had been President of the trust company for 28 years, retiring in 1946. According to the Philadelphia "Evening Bulletin," he was one of the founders of the Title Co. of Philadelphia and President of the company from 1927 to 1929 and was a director of the Commonwealth Title Co. at his death.

* * *

Directors of the **Fidelity Trust Co.** and **Western Savings & Deposit Bank,** both of Pittsburgh, Pa. have voted for a merger of Western into Fidelity, subject to approval by stockholders of both banks.

Mellon National Bank & Trust Co. of Pittsburgh, Pa., announces that the **Bellevue Savings & Trust Co., of Bellevue, Pa.,** will shortly become the Bellevue office of the Mellon National, subject to stockholder approval.

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Guy A. Smith, district manager of the Metropolitan Life Insurance Co., and Alexander W. Dick, President of Fowler, Dick & Walker, have been elected to the board of the **Wilkes-Barre Deposit & Savings Bank, of Wilkes-Barre, Pa.**

* * *

Harold J. Michel, plant manager of the American Viscose Corp., has been elected a director of the **First National Bank of Lewistown, Pa.**

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Announcement of the sale of the **City Trust & Savings Bank** to the **Dollar Savings & Trust Co.,** both of Youngstown, Ohio, effective in September, was made on July 20 in a joint statement by Carl W. Ullman, President of the Dollar, and H. Russell Hooper, President of the City Bank. The purchase price, it is stated, was $1,342,841. The stockholders will meet on Aug. 10 to ratify the sale. The stockholders of the City Bank, it is stated, will receive $43.50 a share. The City Trust & Savings Bank began as the Youngstown Savings & Banking Co., which was incorporated in 1904. It opened the following year and in 1910 the name became the City Trust & Savings Bank, it was indicated in Youngstown press advices. The Dollar Bank was organized in 1887.

* * *

The **Merchants National Bank of Terre Haute, Ind.,** has increased its capital from $300,000 to $500,000 by the sale of $200,000 of new stock, according to the July 28 Bulletin of the Office of the Comptroller of the Currency. The enlarged capital became effective July 18.

* * *

Directors of the **Northern Bank of Milwaukee, Wis.,** have authorized writing down the book value of the bank building at 3536 W. Fond du Lac Avenue, to a nominal $1, it is learned from the Milwaukee "Journal." An item to this effect in its June 29 issue, further said in part:

The furniture, fixtures and equipment and a nearby parking lot, 100 by 150 feet, are also down to the same amount. The replacement cost in today's market, it is estimated, would exceed $200,000. A. E. Francke, President of the bank commenting on the action, said the building had been purchased in 1939 at a figure then substantially under its replacement cost. About $20,000 was spent at that time on modernization.

Since 1939 the bank has made sizable write-offs on the building each year, considerably more than the allowable depreciation for income tax purposes, Mr. Francke said. In January, the successive writedowns had brought the book value to $10,000 and the recent action brought it down the rest of the way. The furniture and fixtures were down to $7,500 before the final write-off to $1.

The Northern Bank began business in 1936 and had deposits of $200,000. It now has deposits of $18,000,000, giving it fourth place."

* * *

Lang Wharton, Executive Vice-President of the **First National Bank in Dallas, Texas,** celebrated completion of his 50th year with the institution on July 26, it is learned from the Dallas "News," which also said in part:

"Mr. Wharton, who began his long career in 1897 as a runner for the old City National Bank, early parent of the First National, was named to his present capacity in January, 1934. He had formerly been Vice-President of the City National before its merger with the American Exchange National Bank in 1930."

* * *

Appointment of Frank L. Beach as Vice-President of the **United States National Bank of Portland, Oregon,** was made known on July 26 by E. C. Sammons, President. In its advices, the Portland "Oregonian" said:

"Mr. Beach, who will assume charge of the bank's personnel division, was elected Vice-President at the monthly meeting of directors on July 25. He will arrive in Portland in early September to succeed A. K. Arnold, who resigned, effective July 1, to join the Interstate Tractor & Equipment Company."

The same advices said that Mr. Beach, who is a native Portlander, accepted in 1933 a position with the **Citizens National Trust and Savings Bank of Los Angeles.** He resigned as Vice-President there to assume his present post with United States National.

* * *

The election of Hamilton M. Redman, as a Trust Officer of the **National Bank of Commerce of Seattle, Wash.,** was announced on July 24 by Andrew Price, President, it was reported in the Seattle "Times" of July 24. In the account of his election, the "Times" notes that Mr. Redman has located in Seattle, having moved from Philadelphia, Pa., where he served with the **Provident Trust Company** 16 years and was promoted to Trust Officer three years ago. Robert W. Sprague continues as Vice-President and Trust Officer of the Seattle institution, the "Times" says.

* * *

The London Head Office of the **Chartered Bank of India, Australia & China** received on July 10 advices from their Bangkok Agent advising that their Tongkah (Bhuket) Agency would reopen for business on July 14.

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Fant, Others With Penington, Colket

PHILADELPHIA, PA. — Penington, Colket & Co., 123 South Broad Street, members of the New York and Philadelphia Stock Exchanges, announce the association with them as registered representatives of Marshall P. Deputy and Jules G. Franks. John H. Kelsay has joined the organization as a member of the statistical department and John F. Fant, formerly of Kennedy & Co., has assumed duties on the trading desk.

John F. Fant

Wharton B. Carroll With Lewis C. Dick

PHILADELPHIA, PA. — Wharton B. Carroll, formerly of Fitzgerald & Co., is now associated with Lewis C. Dick Co., 1420 Walnut Street.

Rejecting Outcome of War

(Continued from page 2)

Great Britain and all the major countries of Europe experienced a maximum of security. To preserve this status was the British war objective.

Great Britain had not been attacked nor had any country in Western Europe. No immediate attack was anticipated. Nevertheless the British knew that a Germany, *or any other state*, grown all-powerful upon the Continent could successfully challenge British might. The reasons for this were many. A power which could occupy all of Europe if need be could command its resources both of men and materials, leaving the British without a single Continental ally or supplier. Such a power could close the narrow waterways at Gibraltar and Suez and thus drive the British from the Mediterranean; it would lie between the British Islands and Asia and its armies could follow overland routes into the Near East, Middle East, and Far East, as it chose. Fear that Germany was about to reach this stature through the strategy of destroying or absorbing independent Continental States one by one caused Great Britain to enter the German-Polish War upon the side of Poland, thus converting a localized conflict into a general European War. It is not improbable that the wisdom of this step will be challenged by persons viewing the event in past perspective. But such a challenge is unnecessary to a correct understanding of what has happened, since the decisions which brought Great Britain to her present unhappy position were decisions *taken during the progress of the war* and might have been avoided. Moreover, it admits of no doubt that in reaching the somber decision to enter the war the British Cabinet considered itself to be giving adherence to a successful foreign policy followed by British soldiers and statesmen without deviation for more than three centuries. As I shall point out in more detail, *it was deviation from this policy after the war began* that has brought the British Empire face to face with disaster.

(3) Appreciation of the real outcome of the war, as affecting Great Britain and through Great Britain ourselves, requires a comparison of the prewar Europe with that of today. Before Great Britain entered the war there stood *vis-a-vis* Russia, a strong, capable and productive German State. Though a competitor of Great Britain, Germany was also one of her most valuable customers. Between Germany and Russia stood Poland and the Balkan States. The small states of Western Europe were in excellent condition both financially and industrially. They also possessed a certain tangible military strength. The French Army was believed to be the strongest in Europe although France suffered from acute internal dissension. Italy was stronger than in many decades, and Spain was making recovery from a civil war. *In this dispersion of power and wealth resided the balance British security demanded.*

Today there is no German State, and German cities and productive facilities are for the most part in rubble. More than half of the German population and of the arable land of the Germans are now in Russian hands. Italy lacks strength either for war or for peace. France, impoverished and unstable, is torn with internal quarrels, a condition aggravated by unsound fiscal policies, which the French Government declines to abandon. Holland and Belgium could offer resistance to no one. The strong independent states of Eastern Europe no longer exist. All have been engulfed in the western expansion of Russia. They are held within the Russian orbit, not through bonds of friendship between free peoples but by heavily armed minorities, which, under Russian direction, impose their rule upon the majority. Not one of these governments can meet any reasonable test of legitimacy, and their behavior both in respect to internal and external affairs will be molded by this controlling factor. Those who suppose that either peace, contentment, or a prosperous trade or commerce are to be anticipated in such an atmosphere, have observed the conduct of mankind to little purpose.

This comparison of prewar Europe with that of today demonstrates how complete has been the destruction of that salutary balance which assured the independence of its various peoples. Because states essential to the maintenance of the balance have been annihilated the totalitarian military and police government of Russia, controlling the enormous war potential of that country, as expressed in territory, population, and natural resources, has been made supreme upon the Continent. In contrast, Great Britain, her wealth dissipated; her vitality sapped; many of her most valuable customers either ruined or taken permanently into the Russian orbit; her military and moral prestige diminished; her loyalty to more than one faithful ally under serious question, for the first time since she became great is confronted upon the Continent by one power of sufficient strength to swiftly overcome all others.

In this singular outcome of a titanic struggle carried to a seemingly victorious conclusion by a great and brave people is to be found one of the strange episodes of history. The British people entered the war with a single purpose, that of preventing an anticipated concentration of continental power within a single state. Yet before the war was over they had become party to a plan of campaign, the certain consequence of which, if successful, was to establish a concentration of continental power more formidable, and hence more dangerous to their Empire, than that for the prevention of which they had felt compelled to fight. The discussion which follows is intended to make clear this fact; the fact that an ancient policy was abandoned by the British War Government; that sound military and political principles and precepts were ignored; that because of it the balance was destroyed; that Great Britain was party to its destruction; that its destruction has brought her peril and not security and that we, who deem protection of the British Empire essential to our own safety, are so deeply involved in the tragic consequences that our entire manner of life must be adversely affected for many decades.

II

Here are a number of basic principles. They are sustained by reason and find support in the writings of all recognized authorities on war and the correct practice of states in its conduct.

(1) Civilized nations engage in war as a means toward political and politico-economic objectives. Success as to each belligerent must be measured in terms of its objective. While military victory is a step toward the goal, of itself, it is not the goal.

(2) To suppose a war to have been successful solely because of an overwhelming military victory, or because of the total annihilation of the enemy state is a misconception born of failure to observe the true nature of war. In the exaltation of military victory emotion triumphs over reason and for a time the people fail to comprehend that the military victory was barren since the political objectives for which the war was fought remain unrealized. This misconception is not infrequently fostered by those whose political calculations have proven faulty or whose errors of judgment have been responsible for the failure. But in due time the force of events makes manifest even to the least observant the sterility of military victory alone.

(3) Geographical, no less than racial and political considerations, render some states natural allies, while present or recognizable future conflicts of interest render alliances between others unnatural. An instance of an unnatural alliance is where, despite temporary unity of military purpose, unity in respect to present and future economic and political interests does not and cannot exist.

(4) The military power of a nation and hence its capacity for offensive or defensive action consists of its own war-making potential plus that of those states whose interests in a given controversy induce them to act in concert with it. Thus it is not impossible for a state of moderate population and war-making potential to establish and maintain itself as a great power provided it possesses requisite skill in the organization and leadership of coalitions of neighboring states. Great Britain presents a brilliant example of this. Throughout the long Napoleanic wars Great Britain was the recognized organizer and leader of the coalitions resisting the expansion of France. *But it will be observed that such a state of lesser population and resources, being dependent upon allies, will cease to be a strong power when allies are no longer available to it.*

(5) For reasons outlined in the preceding paragraphs *it must be regarded as a principle admitting of no exceptions* that a power substantially weaker in population and resources than a strong state *with which its interests sharply conflict* should never form a military alliance with such a state, the purpose of such alliance being the total destruction of neighboring states. By assisting in the annihilation of its neighbors the weaker member of such alliance in reality strikes a blow against itself. In the destruction of its neighbors it destroys the sources of its strength, since it lessens the number of its potential allies. But in respect to the more powerful ally the contrary is true. With the destruction of each lesser state the strength of the more powerful ally is enhanced since its weakness and the natural deterrent to its expansion rests in the possibility of formidable resisting coalitions and combinations. It is plain that a nation which violates the principle here laid down, whatever may be the prompting motive, in reality fights to destroy the sources of its power and to remove the sources of the weakness of its potential adversary. It thus not only invites its own destruction but paves the way for it.

III

(1) When the British War Government hastily concluded its compact with Russia calling for the joint prosecution of the war to the total annihilation of the Germanic and Italian states and their Balkan allies, it pledged itself to a violation of the principle last above outlined. When the war was concluded it had fully implemented this pledge. Under the circumstances existing when the pledge was made the Russian Empire was not and could not be a natural ally of the British nor would British interests be well served by the destruction of the Axis states. The armies of France, Belgium, Holland, Norway, and Denmark, all natural allies of Great Britain, had been overthrown and their territories occupied. Drained of their wealth they were weakened for a generation to come. Polish resistance had long since been broken and the partition of Poland between Germany and Russia was an accomplished fact. In addition to her seizure of Polish territory and a portion of Finland, the Russian Government had seized the Baltic States of Lithuania, Latvia, and Esthonia, and was even then deeply engaged in the process of murdering or deporting all citizens of these countries deemed capable of organized opposition.

Only the annihilation of the German and Italian States and their Balkan allies was required to make the Russian Government with its unparalleled reserves of territory, manpower, and natural resources, supreme upon the European Continent. And Russian supremacy upon the Continent meant that the long delayed and long desired expansion of the Russian Empire at the expense of the British could no longer be resisted by Great Britain. Events have made it clear that in their contemplation of the Hitlerian threat British statesmen ceased to give sufficient heed to the far greater threat of a Russia made all-powerful as a consequence of the war. And this is the less understandable since it was the British Empire which for centuries had barred the natural expansion of Russia, and Great Britain had more than once gone to war in resistance to that expansion.

German desire to replace the British in the Near and Middle East was a matter for some concern. But Russia and at least a portion of the Balkan States together with Turkey, for reasons affecting their national security, could be counted upon to join Great Britain in resistance to a German movement into these territories. In this is seen the natural working of the balance. The single possible exception to this, Russo-German collaboration predicated upon a division of the seized territory, was removed by the German attack upon Russia. Great Britain, at the moment of her pledge to Russia, was of course in deep distress. Moreover, beyond her own immediate necessities, her interest clearly demanded preservation of an independent Russian State, since such a state was essential to a correct distribution of European power. *But independent German and Balkan States were no less essential to preservation of that distribution, and hence to British security.* It was not the pledge of aid to Russia *but the pledge to continue that aid to the complete destruction of the strong independent states of Eastern and Central Europe and their occupation by Russian armies that constituted deviation by Great Britain from her established policy. As certain as it was that British security demanded aid to the Russian State, it was no less certain that it demanded refusal of such aid when it came to a continuation of the war to the complete annihilation of the German, Balkan, and Italian States.*

(2) In form and theory and manner of government; in ethical, economic, and religious concept; in viewpoint respecting the status and rights of the individual, the Russian Empire was the very antithesis of the British. The latter, long established and ruled by a government of unquestioned legitimacy, desired above all else to be left to the tranquil enjoyment and development of its possessions. Russia was governed by a group of revolutionaries who ruled by force and violence; they could assert no claim to legitimacy and hence tolerated neither discussion of nor opposition to any policy they chose to embark upon. These men had not seized power from the Czar, as seems so commonly supposed, but from a democratic government which succeeded to power following the Czar's abdication. Not content with seizure of the government, they had swiftly seized all the property within Russia as well, including lands and dwellings, thus at one stroke reducing the people to helpless servitude. They had denounced as enemies all states where free enterprise was permitted; had secretly carried out organized attempts to overthrow the governments of such states and had never made the slightest effort to conceal their profound dislike of the British Empire and of its institutions.

In political and economic policy and in material interests and ambitions the points of present and future conflict between the British and Russian Empires were without number. British leaders were not unaware of them. In his volume "Great Contemporaries" Mr. Churchill, with characteristic vigor and eloquence had described the rulers of Russia and the character of their government, and had taken pains to define their aims and ambitions. The files of the British Intelligence Office must have contained that enormous output of printed matter, in part recently analyzed by Mr. Max Eastman, which, while fully disclosing Russian plans and policy, made no concealment of the adverse views of its leaders respecting the British Empire and British Institutions.

All this makes it the more difficult to understand why, at the moment when their fears of Germany or of Russo-German collaboration might well have been quieted by the German attack upon Russia, the British War Government swiftly renounced an age-long policy and accepted its precise antithesis. And the difficulty is the greater when one considers that acceptance of the thesis of Russian military domination of the Continent could have been predicated upon no less tenuous a supposition than that the Russian rulers having it firmly within their grasp would renounce an imperial prize, the expansion of their Empire and the broadening of their zone of influence. One may well inquire by what process of reasoning, by what example of conduct upon the part of Empires of the past or present, including the British, could this supposition be sustained. Did not all history point unerringly to the conclusion that, the power to expand her Empire being given her, Russia would exercise it? It is not impossible that British leaders fell victim to their own and our war propaganda. That they themselves came to believe that vast flood of false witness, of concealment of the truth, of deception and distortion, which is the vocal and accepted accompaniment of modern war; a detestable dissemination of untruth which falsifies history, denies the existence of even the humblest of virtues among enemy peoples, and conceals or ignores monstrous infamies known to be practiced by the rulers of allied states. It is supposed that common persons readily fall victim to untruths often repeated. Perhaps it is no less the case with leaders.

Finding the answers to such questions is a matter for the future. It is the fact with which, as a people, we are concerned and not with those forces which led up to it.

(3) There are some who say that Russia, being weaker because of the war, is less to be feared. These are persons of little perception. The strength of a nation, in respect to its neighbors, is not abstract but relative. If war has weakened each of two potential adversaries their relative strength may be little changed. If the potential adversary of Russia is relatively weaker *vis-a-vis* Russia because of the war, as against that adversary Russia, though herself weakened, is stronger. It is precisely in this manner that the situation as between the British and the Russian Empires has been changed. As against the British Empire Russian strength is many fold greater than before the war began. The states which, before the war, in concert with Great Britain could have successfully

resisted Russian encroachment upon her neighbors either in Europe or Asia, and could have been counted upon to do so since their national interest demanded it, have been destroyed. Their destruction, while making Russia strong, leaves Great Britan weak. Because of the total destruction of Germany and her allies, British power as against Russia has declined and that of Russia as against Great Britain has risen. So great has been the decline in British power as against that of Russia because of the total destruction of Germany and her allies in Europe and of the Japanese Empire in Asia, that it is not an exaggeration to say that Great Britain as against Russia has ceased to be a first-class power. Should our protection be withdrawn the destruction and spoilation of the British Empire would be swift and certain.

(4) So apparent were the things pointed out in the paragraphs just preceeding, that objective reasoning admitted of but one conclusion: the annihilation of the German State and its European allies being an accomplished fact, the Russian Empire would lose no time in pushing toward completion its ancient and hitherto thwarted ambition for expansion at the expense of the British. Yet our State Department and its staff of supporting publicists, feigning ignorance of well known facts respecting the despotic and illegitimate character of the Russian Government, and ignoring the centuries old conflicts of political and material interests between the Russian and British Empires, assured themselves and the American people that there need be no fear. At the close of the war, said our officials of state and their supporters of the press and radio, the Russian leaders will promptly withdraw their armies from occupied and liberated countries, permit independent governments to be established there, and, like prudent businessmen, give themselves over to the peaceful pursuit of Russian industrial and internal reconstruction. This ill-considered and fateful opinion, born of refusal to give heed to simple truths, flouted factual and historical premises of the utmost importance. Among them were the following:

(a) The rulers of Russia were not businessmen but revolutionaries. Their power over the Russian people, lacking all semblance of legitimacy, had been established by force and violence, and, as their conduct demonstrated, could be maintained only by continuous and bloody repression. To such governments external controversy and even external conflict is a necessity.

(b) The Russian rulers' plans for conquest and empire expansion had been made manifest through the Russian war against Finland and the seizure of Finnish territory; through war upon and conquest of the three Baltic Republics of Latvia, Lithuania and Esthonia, accompanied by the systematic murder or cruel deportation to Siberia of all elements of their population deemed capable of heading resistance against Russian rule, and by the partition of Poland in agreement with Germany, a partition accompanied by no less inhuman treatment of the Polish people.

(c) The calculated revival within Russia of the Imperial traditions of the Russian Czars; traditions which openly called for Russian political and commercial expansion at the expense of the British Empire.

(d) The fact that opportunity to gain not only the traditional territorial objectives which for centuries had been a calculated part of Czarist policy but the political objectives of Bolshevist world revolution as well would come to Russia through the elimination of precisely those European and Asiatic powers slated for annihilation; a simple fact capable of concealment from no one with knowledge of the past and a desire to look, even slightly, into the future. And, as plain as it was that the door was about to be opened for Russian expansion at the expense of the British Empire, it was no less plain that, in time, that door might be closed again; *since every successful step toward the revival of strong independent states upon either continent would, as between Britain and Russia, enhance the power of the former and diminish that of the latter.*

Russian antagonism toward General MacArthur demonstrates appreciation of this. It stems from the fact that General MacArthur has successfully resisted the unwise efforts of visionless men in our State Department to bring about the total destruction of the Japanese State.

Given the premises outlined above reason admitted of no other conclusion than that the Russian leaders, intelligently intent upon their own interests, would move swiftly to capitalize upon their advantage, and that, since development and execution of Russian plans would require delay of recovery in Europe, as well as Russian control over such governments as were reestablished, they would unhesitatingly take steps to these ends. Russian interest would also be best served by removal of American troops from both Europe and Asia and the disbanding of American forces, and the Russian Government would exercise the great political influence it unquestionably possesses both in America and abroad to bring this about.

If American leadership remained uninformed respecting that which reason and a little knowledge made so clear, it is because persons who lack understanding of the true interest and historical background of those with whom they deal; or, in the passion and tumult of war, fail to comprehend the forces they are unleashing; or are deceived in respect to them, are persons walking in the dark. While the Russians fought to clear their country of an invader, America and Great Britain, insofar as the plans of their leaders contemplated total annihilation of the German and Japanese States, or the transfer of substantial German or Japanese property or territory to Russia, fought to make Russia the master of two Continents and the Asiatic successor of the British Empire. If it is true that American political and military leadership were unaware of the natural consequences of their acts, that fact could not and did not affect the result in the slightest.

The discovery of the atomic bomb and the precedent established for its use in the mass extermination of civilian populations are playing an important part in the timing of events. The Russian Government's final moves must of necessity be delayed until it also possesses an adequate supply of these missiles. It will then feel free to move more rapidly. In the meantime it pursues its interests with determination and intelligence, though not without both guile and ill-temper, and presses its advantages as far as prudence admits. This all the world can observe. The natural and inevitable course of events will be delayed but not changed by discovery of the atomic weapon which all scientists agree both Russia and her smaller satellites will possess with no considerable lapse of time. But the contribution of its discovery to British insecurity can scarcely be overestimated. With that insecurity we are deeply concerned.

Our objectives in the European War as announced by our leaders and by those important formulators of public opinion who aided our leaders in expressing their viewpoint were the same as the objectives of the British-National Security. Our national security was deemed menaced by the growing might of Germany, a European totalitarian state which with its allies threatened to assume supremacy upon that Continent. We went to war to avert that anticipated danger. We attempted to avert it by the defeat and total destruction of the threatening states.

In bringing about the defeat and destruction of those states we were successful. But now that they are destroyed what seemed obscure to many is now apparent to everyone; that because of the destruction of the Axis States a totalitarian power, both European and Asiatic, stronger by far in land war potential and resources than Germany, has become supreme upon two continents, and the menace to our security is no less than before. It is equally apparent, comparing the prewar status with the present, that the Russian threat to Great Britain and her Empire is greater than was that of Germany. That our military leaders are aware of it is made evident by their demand, as a measure essential to our safety, that we now submit to universal military training, a practice heretofore unknown upon this continent; to the maintenance of a military and naval establishment many times greater than formerly; and provision for annual military expenditure several times larger than our entire prewar budgets. These demands made by intelligent and patriotic men evidence a sense of great insecurity and not of security.

(5) To one who troubles himself to take stock of the European situation objectively the plight of the British is clear. Since it can be concealed from no competent person British, American or Russian, it had best be openly faced. Even the petty tyrant of Albania, who in the past would have trembled before a British gesture of displeasure, conscious of the decline of British power, now does not hesitate to wantonly attack and sink British ships of war cruising on peaceful missions along his coast. In return he neither fears nor experiences reprisals.

Congested as the British population is upon a small open island lying close to the Continent, swift annihilation by a powerful enemy controlling and occupying the mainland and armed with atomic missiles would be its certain fate. Against such an enemy Great Britain dare not risk a war. At present there is no such enemy. Within a few years there will be. Great Britain will then be called upon for concessions which she dare not refuse.

The British are our natural allies and blood cousins. Their Island is our one effectual outbase against the Euorpean mainland. It would therefore be more quickly attacked and overwhelmed by a power determined upon undisputed control of the Continent. Even in the event of a formally declared war the possibility of our saving the British from swift destruction would be no greater than was the possibility of the saving of Poland by the British. But there will never again be a formally declared war. Science has rendered that stately practice obsolete. Consider also the question of Turkey as typical of other independent states in the East and Near and Middle East. For us at present to express firm determination to oppose Russian expansion at the cost of Turkish independence and territory is a matter of little difficulty. We possess atomic weapons. Russia does not. When Russia does possess these weapons, will either we or the British be willing to press that opposition to the point of war? Knowing the fearful cost, would the American people support their Government in such an enterprise?

The pattern and precedent for the dropping of atomic missiles upon civilian populations has been set. It must be considered as a recognized form of warfare, and it is not without significance that we ourselves, the most humane and sensitive of peoples, in collaboration with the British, designed the pattern and set the precedent for the mass extermination of civilian populations by atomic explosives. The American people received the news of this new method and manner of waging war with apparent satisfaction, and applauded the declaration of the President that it was his purpose to continue the atomic attacks upon the civilian population of Japan until that people surrendered itself into our power without reservation.

IV

(1) Events do not as yet give a clear impression of our situation in Asia. We have settled all questions of relative strength between ourselves and the Japanese Empire. This has been accomplished without destruction of the Japanese State, and under the administration of General MacArthur there seems little opportunity for a communist seizure of power over the Japanese people. We have forced the Japanese out of Manchuria and Korea, but at the expense of letting the Russians in. In both countries the Japanese had established and developed industries to the value of many billions of dollars. The despoilation of these industries by the Russian Government constituted a heavy blow to the Manchurian and Korean people. So while we brought the Koreans and Manchurians relief from Japanese rule, we also brought them industrial ruin at the hands of the Russians. The withdrawal of the Japanese armies from China and Manchuria has not relieved those countries of war. Civil wars, raging when the Japanese landed and thereupon discontinued, have been resumed. Until these wars are concluded it cannot be known whether China is to become one state under a single government or two or more states under as many governments, nor can we know whether China or its segments will become strong and independent or controlled within the Russian zone of power. Thus despite our victory over Japan, the outcome of our long quest for an open door in China remains in doubt.

Complete appraisal of Russian gains in Asia must also be postponed until the conclusion of the Chinese Civil Wars. But with our consent and aid she has already gained enormously both territorially and in relative power. Such balance as existed between Asiatic States was that between the power of the Japanese Empire and that of the Russian Empire. Japan having disappeared as a power there remains in Asia no state capable of offering even slight resistance to any operation the Russian Government may undertake.

(2) The deterioration in the position of Great Britain vis-a-vis Russia is a matter of vital consequence to us, insofar as our determination to see the British through represents an enduring policy. Increase in the power of the Russian Empire, the indirect, but because indirect, no less certain result of the fall of the enemy states, means that we must either reconcile ourselves to such expansion of power and territory both in Europe and Asia as the Russian rulers may seek, whatever the final consequences, or prepare ourselves, with such aid as the British Empire can offer, to meet force with force wherever or whenever need may arise.

To many, exultant in the military successes we have gained, or in the fall of hated governments, it will no doubt seem curiously unfitting that upon the military victors in a great war should forthwith fall the heavy task of standing a guard once stood by the defeated. But from this there is no escape. No other country is capable of performing that duty.

Should internal collapse bring about a change in the Russian Government, with a consequent change in policy or decline in strength, our position and that of all independent states would experience immediate improvement. Such improvement might go very far. But a resurgence in Russian strength from whatever source or cause, her government and policy continuing as at present, will bring deterioration to our position and necessity for increase in our defensive measures.

V

(1) As a people we are confronted with perils and problems of unparalleled gravity. Many of these perils may be much closer in point of time than we suppose. There is abundant reason to fear that we may be approaching new and more terrible conflicts than any yet experienced by mankind. Whether these can be avoided depends, unhappily, not upon ourselves but upon ambitious rulers who do not hesitate to express their disdain and contempt for us and our institutions, and whose personal safety at home may require conflict abroad. It is therefore necessary, not only that every essential defensive measure be taken at home but that every phase of our foreign policy be intelligently appraised lest one day we discover enmity where our national safety demands nothing so much as friendship. It is by our conduct of today both in respect to present friend and present conquered enemy that our future safety is in no small part to be secured. To assume that we are permanently so powerful in offense and so impregnable in defense that we may flout time-proven standards of human and humane behavior with impunity is to challenge all historical experience and precedent. Yet in many aspects our national conduct seems to exhibit a total disregard of the opinion honest and intelligent men the world over must entertain respecting us. As example of this, our State Department, the meanwhile walking hand in hand in the exercise of world authority with one the absolutism of which is unmodified and unabridged, has not hesitated to directly interfere in the internal affairs of foreign states and demand the overthrow of their governments because of the practice of a modified form of absolutism. Not content with the powers we unquestionably enjoy under the law of nations to punish all who have committed crimes against the laws of war, we denounce aggression and the breaking of treaties as crimes and join in sending enemy leaders to the gallows for each of these offenses. Yet we ourselves are guilty of breaking many treaties while our two collaborators in these condemnations have not only broken innumerable treaties but of all the world's aggressors are the two greatest. That the world stands a silent observer of our conduct is not to be accepted as proof that these things have escaped its attention.

(2) As additional instance of our reckless attitude, we have permitted ourselves to be made party to ancient practices condemned by reason and conscience; practices for centuries abandoned by civilized peoples because proven by experience to make future wars both more certain and more terrible. Thus we have become party to the enslavement of captured soldiers, recognizing the right of our Allies to make chattels of human beings in the name of "reparations." Similarly we have become party to the long abandoned practice of the looting of conquered lands and cities and of the private property of individuals. We have become party to these practices notwithstanding they are in open and notorious violation of treaty covenants to which we became a signatory power following the first World War.

Our press also carries the an-

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Rejecting Outcome of War

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nouncement that we now propose to enter the field of internal German politics and condemn learned and skilled men to common labor for the balance of their natural lives for belonging to the dominant political party of their country, and to place upon trial and punish manufacturers for supplying their country with munitions in time of war, and bankers for supplying funds. All this pursuant to so-called "new and modern precedents."

(3) I do not know who fixed our national policy respecting the matters just discussed or under what laws such persons presumed to act. It was not the President, since the policy was laid down before he came into office. But I do know who will bear the burden of the hatreds they are now engendering. Since the bearers of this burden will be the American people as a whole, your children and grand-children and mine, it becomes our problem and we are entitled to speak respecting it. It is a question far broader than the fate of perhaps a few million wretched individuals now in our power. While we talk today primarily of the fate of these, we are establishing precedents which will be followed, and so in reality are talking of and preparing the fate of our own. This being so, we had best consider these questions:

(a) Will wars be more or less terrible because rulers and generals are aware that death on the gallows awaits them if defeated? Or because industrialists, bankers, and producers, anticipate a like fate? Or because soldiers know that in event of surrender they become chattel property to be distributed as reparations among the conquerors?

(b) Will rulers and generals be more or less patient in their efforts to peacefully dispose of critical international disputes, knowing that a sudden blow in the night from a suspicious or coldly calculating adversary may lay their country waste and hasten them to the hangman's noose?

These are no longer moot questions. Our policy makers have made them real. The precedents we have established in the conduct of the war, and those we establish today as conquerors may some day determine our fate and that of our allies, and that day may not be far distant as the lives of people are measured. It is far from exaggeration to say that your children and mine and their children may perish in flames because of policies now being laid down and precedents established by unknown men in Washington. And no more mistaken idea could be entertained than that these policies affect only enemy peoples and hence may be disregarded.

VI

An excellent method of demonstrating an unwise course of conduct is to compare it with one of which time has proven the wisdom. Such a comparison of our present conduct in Europe is open to those who will trouble themselves to examine the work of British and European statesmen following the overthrow of Napoleon. These men were dealing with the problem of France and her subject and satellite states under circumstances paralleling those of today, the chief dissimilarity being that France was the Germany of that period. The result of their work, and the demonstration of their wisdom are to be seen in the years of peace and prosperity which followed. These men did not destroy the French State nor plunder either its industry or its citizens. They took no slaves and French troops as well as French military leaders, including the Emperor, were treated as prisoners of war and their personal and property rights respected. They burned no books, destroyed no monuments, and erected no tribunals, before which to try men for alleged crimes of state of which they themselves were equally guilty. They made no pronouncements respecting collective guilt upon the part of the entire French people, and proposed no national punishment such as future subsistence at near-starvation levels. On the contrary they dealt with the French through their recognized leaders, carefully preserving the established mechanisms of French Government and of French industry. Through lawful channels they aided in bringing about the restoration of the Emigre Bourbon King, thus reestablishing the Government upon the principle of legitimacy, leaving to the future and the French the determination of changes in their own Government. To this Government they left questions of punishment for political or military crime. From the revival of French industry and commerce which speedily followed all Europe benefited, conquerors as well as conquered. In short, while not forgetting the interest of their respective states, the men who constituted the Congress of Vienna recognized the eternal truths of life and the natural limitations upon the power of both rulers and ruled.

While contending among themselves respecting the territorial and political rearrangement of Europe made necessary in undoing the work of Napoleon, in the end they reached moderate decisions. Having determined that the French people should be permitted to live and reestablish themselves under a new government, they followed the principle that a capable and productive people stimulated by a desire to repair their fallen fortunes were of value not only to themselves but to all of Europe, and they carefully refrained from those senseless persecutions so characteristic of small and petty minds and so foreign to those endowed with high qualities of leadership. They also avoided the taking of any step which would tend to destroy the balance of power upon the Continent, and took every essential step necessary to its preservation.

It is when arrogant men in power, refusing to recognize the existence of human nature with its universal virtues as well as its universal limitations, proceed to treat mankind as though man were what he is not and never has been, that disaster impends. As conquerors, such men, in their ignorance and fanaticism promote hatred and not understanding, and in the ruins of one war make haste to sow the seeds of another. As administrators, by their vain interference with those immutable natural laws under which mankind must advance through the efforts of the competent individual, they turn abundance into scarcity and contentment into misery. Given power, and such men, in time of peace, may destroy more than armies do in war, though the evidences of their mischief may not be immediately visible to the people.

If one wishes additional light light upon a proven course of conduct toward a conquered people, none better is to found than in that of Mr. Lincoln toward the fallen Confederacy, and in the simple and humane terms of surrender dictated by General Grant after his memorable conversation with General Lee at Appomatox. Does any American now believe that the welfare of the country would have been better served had Mr. Lincoln and General Grant yielded to those men from whose minds reason had been driven by hate, and who demanded bloody reprisal against Southern leaders and influential Southern citizens? Would it not have been far better for both white and colored and for the nation as a whole had the detested "Carpet-baggers" never been permitted to invade and plunder the South under pretense of reeducating and reorienting the Southern mind?

The conclusions expressed herein have been reached upon an objective appraisal of mankind as he is and not as one might suppose him to be who permitted his mind to be inflamed by hate or whose sources of information were confined to the feverish propaganda of war. I have accepted it as an immutable truth that man is what he is because nature made him so and that he will remain what he is until nature through timeless processes effects changes. He will respond to good and to bad treatment, and his responses will be much the same whatever his nationality or color.

It is the nature of man to live under governments and render obedience to laws, since he recognizes that without government and laws he and his would be at the mercy of the low and the vicious. He knows that there is no other course open to him. For the same reason he will fight his country's enemies when summoned by his government. It is impossible for him to divine the secret intentions of those whom he must follow in war or to determine for himself whether the war declared by his government is, let us say, a war of anticipational defense, or a war of conquest. To him the one is precisely the same as the other. Its purposes are declared to him by his government and the word of his government he accepts in preference to that of foreigners. We need not criticize him for this since learned historians having at hand all relevant documents and materials contend bitterly respecting the causes of and the right and wrong of the international quarrels which culminate in war. He will also fight as an ally whenever directed by his government and every people in Europe have fought both as friend and as foe to every other people in the interminable wars of that Continent and may be expected to do so as long as wars continue. Men do these things because that is the way they are made and from it there is no escape.

Mankind possesses many great virtues and to these no people can claim a monopoly. Man will sacrifice his life unhesitatingly for his country; he hates tyrants though often compelled in his weakness to live under them; he hates injustice and hypocrisy and deceit; he writes, and cherishes through the ages epics holding up to everlasting scorn arrogant and cruel conquerors and glorifying courage, justice, and magnanimity. But whatever his virtues or his vices he lives and must always live within the limits of his capacity. It was recognition of these truths that actuated the men who made the great peace of Europe following the overthrow of Napoleon and that moved Abraham Lincoln and General Grant in their treatment of the fallen Confederacy. It is failure to recognize them that lies behind errors now being committed in the conquered lands of Europe. The most forlorn of human vanities is the belief of persons in power that they can override nature as manifested in the mass behavior of mankind; or alter man's basic character by the passage of laws; the infliction of punishments; or the erection of political structures. That which in the affairs of government or in the conduct of war or in the treatment of conquered peoples fails to take account of human nature and to recognize its possibilities and limitations never has and never can succeed.

The Economics of Dollar Shortage

(Continued from first page)

might offend some one in the Government. I admire this modesty, but the plain duty to help bring about the correct solution of these international problems seems to me an obligation at this time upon all industrial and commercial men who are informed about what is going on in the world.

The comments upon and response to the article on "the Dollar Shortage" have impelled me to write these lines by way of a further explanation of the causes and remedies for the so-called dollar shortage.

Dollar Shortage an Illusion

The much discussed dollar shortage is largely an illusion. It is due to a failure to see the real underlying causes of the breakdown of trade. The solution to what is called the shortage of dollars in foreign countries lies in a return to free convertibility of currencies. The law of supply and demand in free markets with currencies convertible into gold and into one another will let prices find their natural level. Then dollar shortages will disappear because prices will be the arbiter of shortages and under multilateral trade and payments world trade will move into balance. The unfavorable balances of one country will be paid with the favorable balance on other countries. All we need to do is to get rid of the OPA-minded bureaucrats in the field of money and international trade and restore sound and dependable principles which worked so well before the modern era of managed currency theorists, and trade regulators got under way. Then dollars and gold now hoarded will flow back to the banks and trade, production and employment will increase.

The present plight of England arises from economic regimentation. In spite of her large war debts, conditions have arisen in England since the war which encourages capital to emigrate, or seek hiding within the country rather than productive opportunity. These conditions are largely due to government "planning," nationalization of industries at the expense of the tax payers and the slowdown of productivity. Further regimentation and restriction of trade promise to make her condition worse instead of better. The sound economic solution is to throw off regimentation and restore at home the freedom the people fought the war to gain. Then permit the law of supply and demand to establish prices and restore the pound to the convertibility of prewar years when it was really the currency of international trade.

In commenting on "The Gold Standard in a Free Gold Market" in the "Chronicle" Nov. 14, 1946, I pointed out how England with free markets and a currency upon which the whole world could depend had built up the greatest trading empire the world had ever known and had reaped billions of gains for her people from these free markets and their wealth producing processes, and expressed the hope that she would again return to this leadership in free markets for the benefit of the whole world. But while England was struggling to find her way back to sound principles and free markets the United States had both the duty and opportunity to restore the convertibility of currency into gold and establish a free gold market for measuring the necessary readjustments to be made in monies, money prices, costs and value relationships all over the world.

It is very disheartening to those of us who would like to see expanding production, trade and prosperity for the good of all people to learn that free markets in gold everywhere are to be stamped out by the planners under the management of the International Fund. Can a government stamp out the black market in gold any easier than in other products? When any product is believed to be worth more than its government-fixed currency price, a black market arises immediately; because any one who can get hold of this product can profit by making a black market or bootlegging it. To stop the trade in gold just because currencies are not worth the International Fund's stated price (a free market tells this story every day) is to refuse to face reality and to try the old game of stamping on pieces of paper a value they do not have. The correction should come in turning gold loose in the market and letting the values of the inflated currencies gravitate to what they are worth in terms of gold. With only the secret black market prices for gold left we can not know how rapidly inflation is taking place.

Countries that have taken the necessary steps to restore confidence in their currencies and political administrations are not finding it very difficult to get the foreign credits they need. Such countries are the Philippine Islands, Holland, Belgium, Denmark and Norway.

Integrity, organization, administration and technical skills applied to production, together with freer multilateral trade between countries, and convertible currencies could quickly change the trend of the so-called dollar shortage.

Examples of the Dollar Shortage Myth

Canada: At the present time Canada claims she is going broke buying from the United States. Canada bought from the United States more than $600,000,000 in excess of the purchases of the United States from Canada. But in world trade as a whole Canada had a favorable balance due her of over $458,000,000 in spite of the continuous deterioration of the currencies in the countries of many of Canada's debtors. If Canada's debtors had currencies that were convertible into dollars, her obligations to the United States would be settled with claims on these countries, most of which owe the United States for imports. Instead of Canada being a victim of a dollar shortage, Canada is a victim of "soft currencies," bilateral trade, and regulations restraining the free movement of goods and services in a world commerce developed for multilateral trade. Nevertheless, Canada's unfavorable balance with the United States is real to Canada. Unless the rest of the world restores convertible currencies and freer markets, Canada must sooner or later restrict her purchases from the United States or the United States must buy from Canada a great deal more than she is now buying. For Canada to buy less from the United States or the United States to buy goods she does not need from Canada is economically unsound for both countries and unnecessarily costly. This is the wrong solution. The correct solution for the benefit of Canada and the United States as well as for the rest of the world is the restoration of convertible currencies, sound economic conditions with multilateral trade on the part of the countries that buy from Canada and the United States.

France—France is a rich country. The peasants of France are said to have hoarded over a billion dollars in gold. It would be interesting to know just how much American currency is hoarded in France because the American armed forces and civilians have spent plenty of American money in France and most of this money has gone right into hiding. The real people of France who are thrifty and understand monetary values know the uncertainty of the value of the French franc. They also know the instability of the French Government. They are fully cognizant of the breakdown of integrity and administration in France. Then they understand that simple economic and monetary principle that bad money drives out the good. With vivid memories of the destruction of their well-being caused by inflation and cheap money after World War I and at many other times in the history of France, the French peasant and shopkeeper wisely hoards American paper dollars, gold, silver, and any other currency that he thinks will keep its purchasing power. He pays his debts with French francs that he knows are several times overvalued by the International Monetary Fund. Shopkeepers are anxious to sell their merchandise for foreign money, and particularly dollars, but they are very unwilling to give you change in or part with their foreign monies which they believe to have a more permanent value than the franc. The farmers and gardeners in France find little incentive to produce in excess of their own family needs because they can only sell these products for French currency that has a dubious value. They cannot buy with French francs at reasonable prices the tools and machinery they need.

In the French internal economy one might well claim that there is a currency shortage in spite of the fact that the currency outstanding in France at the present time runs into hundreds of billions and it is doubtful if anyone knows, or outside of the Bank of France could estimate, just how much currency is in circulation. There are probably enough American dollars, gold, and other stable currencies of other foreign countries hoarded in France to supply all the necessary currency requirements of France if these currencies could be adopted as a national currency and all the French francs immediately blotted out of existence. There is a real money shortage in France, but it is not because of any scarcity of francs in circulation. It is because of too many francs in circulation and too little confidence in the future value of these francs. The money shortage in France, or the shortage of good money in circulation in France, illustrates the so-called dollar shortage in the world. England sells goods to France for francs with a stated value far above the real value of these francs. But England cannot use the bills of credit on France or French currency to pay her obligations to Canada or to the United States because of the uncertain value of the French franc and the unwillingness of American and Canadian exporters to accept obligations on France in the settlement of debts due them.

Central European Currencies: The monetary and trade conditions in France are not as bad in many other European countries such as Greece, Albania, Hungary, Austria, Yugoslavia, Rumania, and Italy. Up to the present the German currency is not freely convertible and for this reason it is not wanted outside the borders of Germany by any country. Inside Germany any currency such as the American dollar, Swedish kroner, or British pound is quickly hoarded because of the uncertainty of the future value of the mark. Good money does not circulate; only the bad and uncertain money is offered freely in trade. As a result trade is at a low ebb and black markets and barter dominate the trade activities. The currencies of such countries as Holland, Denmark and Switzerland are in demand in Central Europe and the Low Countries because these currencies are believed to have a more permanent value than the currencies of the countries of the hoarders.

Production and trade are disorganized and lagging in every country where uncertain currency values prevail. The first step in reconstructing production and trade in any country is that of reconstructing and stabilizing the currency of the country.

South America: Many countries in Central and South America are finding it necessary to restrict their purchases from the United States because these purchases exceed in dollar value our purchases from South American countries. If these South American countries could collect from the Sterling Bloc countries and from the "soft currency" countries of Europe in credits that we would accept in payment, it would not be necessary for these countries to reduce their purchases from the United States.

The Sterling Block Countries: The key currencies in the world today are the United States dollar and the British pound. Both of these currencies are inflated to the danger point. Currency outstanding in the United States has been increased more than 400 percent in about ten years. Bank deposits payable on demand in currency have increased probably about 350 percent. In England the currency in circulation has not increased quite as much as in the United States, but bank deposits have probably increased a little more.

If the Sterling Bloc countries and the United States Dollar Bloc countries would get together on a currency and gold free convertibility program and restore the free international exchange of monies between these countries with a free flow of gold to settle balances, at free market rates, the present myth of a dollar shortage would disappear. Moreover, the restoration of free economic and monetary practices between the Dollar and Sterling Bloc areas would set an example for the rest of the world. Countries with goods to sell would know that their ability to buy from foreign countries is determined by the delivery of goods and services to other countries who wish to buy. Also, in order to buy goods from other countries, it is necessary to pay in currencies and credits that are acceptable and this should be adequate hint to any country to establish governmental administration and restore monetary conditions in which the rest of the world can have confidence.

Any country in the world can maintain dependable economic and financial conditions just as Switzerland, Sweden, and Canada have done. Of course, the economic conditions of these countries and their financial stability are menaced by the unstable conditions, mismanagement, and inflationary practices of other countries who want to buy their goods but can't pay for them. But in spite of the political and financial chaos of neighboring countries, each country must manage its own financial affairs and meet its obligations to other countries or it cannot expect to attract either loans or productive capital from abroad.

The so-called dollar shortage results from inflation, tariffs, trade restrictions, and the loss of confidence in political governments. No two countries can correct the dollar shortage, such as the United States and Canada might attempt to do by Canada buying less from the United States or the United States buying from Canada — goods not needed. The correction lies in restoring political and economic integrity, convertible currencies, and an environment in which the capital resulting from the savings of labor, regardless of the country of origin will seek productive opportunities in free markets and free competition.

The Immediate Needs of Relief

Because of the breakdown of political and economic systems the defeated countries and many others are being frightfully degraded by poverty and starvation. The immediate need is for food, clothing, medicine, shelter, and the bare necessities of life until local production can supply these needs and produce for the markets which will enable these countries to purchase from abroad the tools, machinery, and consumers' goods they do not produce. Almost two years have now elapsed since the end of the war and many of the countries in greatest need could have overcome a large part of the shortage of consumers' goods with domestic production if economic and political management had not been so stupid. In fact, the hoarding of food supplies is well known in the countries where black markets and poverty are most pronounced. Such countries are China, France, and Greece, to mention only a few examples. Vast food supplies are going to waste while people are unemployed and poverty and begging are on every street corner. Even the United States has found it necessary to destroy tons of food supplies for lack of a market at any price. Perhaps one of the best illustrations of this distrust of the domestic purchasing power of monies is in Greece, where soup kitchens and hunger predominates. Greece is living off the charity of other countries, including the United States. But still there are producers in Greece who have products to sell and they want good American dollars instead of the uncertain Greek currency and credit. Just recently food products have been exported from Greece to the United States for sale while the United States Government and the charity organizations of the American people are pouring into Greece consumers' goods to keep the population alive. The Americas and the producing countries of Europe, Africa, Australia, and elsewhere can probably spare from their own consumers' goods large quantities of foods and other consumer products. These products will be given to countries in need or sold to them on credits extended by the United States and other countries. But if this negligence in restoring order and home production is to continue and these supplies are to be turned into gifts and not to be paid for while the countries in need continue to argue over "isms" instead of getting down to the sensible problem of restoring economic order for production and distribution, the industrial workers in producing countries, whose weekly paychecks are being taxed to pay these charity bills are going to become discouraged with the administrations of their own countries.

Along with these gifts and loans it seems necessary to deliver also leadership, or at least the principles of good management, in order to restore the necessary technical understanding of production and distribution policies that will serve the best interests of the countries in need. The breakdown of production and distribution is largely the result of the breakdown of economic integrity and understanding of the simple principles that induce effort, savings, and enterprise. In many countries the warring ideologies which have delayed economic recovery have cost the people more than the war. Along with every loan or gift to any country should go a thorough understanding based upon well established principles of restoring order and production by the best methods known with the facilities at hand. Any country that deliberately adopts experimental and unproved policies which shrink trade and production and levy heavy burdens of taxation upon its own people is not deserving of support with a part of the production or the deduction from the weekly paycheck of taxes from the people who toil in the producing countries.

Causes and Remedies for Present World International Exchange and Trade Difficulties

Depreciated currencies and pegged conversion rates, causing the hoarding of gold and American dollars, trade restrictions, bilateral trade regulations, quotas, tariffs and the lack of confidence in political governments have prevented the recovery of production, and trade since the war ended. Instead of turning to sound policies all countries are adding more restrictions. Imports are being curtailed, currency inflation thrives in most countries, free markets for gold to test the value of the currencies are being forced into black market hiding, and the development of totalitarianism is gathering supporters in almost all countries.

The remedies are to restore strong democratic political governments, free the exchanges, restore gold convertible monies, and let the law of supply and demand make prices efficiently without costs to the people. In the "Chronicle"* I pointed out the trend that world trade and exchange would take if we did not obey the laws of sound convertible monies into gold and free markets. The way the freezing of exchange rates for paper money not convertible into gold freezes the exchange of goods, and trade has to be restricted, was thoroughly described by me in these columns Nov. 14 last. Now we have the inflated currencies with pegged prices by government planners and trade is beginning to shrink. If these conditions continue the shrinkage may turn into a collapse before long. Then the governments will blame the speculators when no one is to blame but the government planners who failed to maintain free markets on sound principles. But instead they have created the fictitious value conditions that have or will close the marts of trade.

Again, I repeat briefly, what I said more fully in the articles referred to in these columns. We should throw off restrictions as fast as we can and establish free markets as rapidly as circumstances will permit. Prices should be allowed to seek their own level in any currency of the world. The law of supply and demand will be the leveler of prices. Currencies should be made convertible into gold through a free market for gold thus enabling every trader to find out easily and quickly what currencies are worth. Trade restrictions should be removed and international balances that are unfavorable canceled out with balances that are favorable. Unless we work toward this goal instead of putting on more restrictions and thus creating more black markets we are headed for less trade with its inevitable crises.

The outlook in Europe with the approach of another cruel winter and shrinking trade should bring on some sober thinking about how to reverse the present trend toward limiting imports. The first step is to abandon managed currencies and restore free convertible currencies into gold. Bring the gold and American dollars out of hoarding by establishing free convertible markets for all currencies and hoarded money and black markets will disappear because there will be no profit in them. All currency controls, restrictions and embargoes should be abandoned. The United States dollars should be convertible into gold. Gold should be permitted to circulate freely. The hoarding of gold will diminish when currencies are readily convertible into gold at free market rates.

A free auction market for gold should be set up in New York where all currencies can find their real values in the market place in terms of gold and in terms of each other. This free market for gold and currencies should be under the guidance of an impeccable governing board and a totally unbiased management, experienced in operating a free auction market. Traders from every country in the world would come to this market to buy exchange to finance their trades and to sell their surplus bills of exchange on countries from which they had bills due. Wide fluctuations in exchange rates would disappear as countries restored their currencies to gold convertibility. Trade between countries would be balanced by multilateral payments, and the present economic causes of the so-called dollar shortage would disappear.

*"A Free Gold Market Essential to Economic Stabilization," Sept. 5, 1946; "A Free Gold Market for Stability," Oct. 10, 1946, and "The Gold Standard in a Free Gold Market," Nov. 14, 1946.

N. Y. Curb Team Wins Softball Championship

Walking off with both ends of a twin bill, the New York Curb Exchange copped the Wall Street Athletic Association Softball Division championship for the second straight year in the play-off finals last night at Croke Park, where Josepthal & Co. was subdued 9 to 3 and 5 to 2 by the masterful hurling of the Trinity Place ten's Johnny Bertuzzi, league leading hurler.

With the Curb leading 2 to 1 in the first game, Johnny Bagely, Curb left fielder slammed a home run with two mates on the base paths to put the game on ice. Arthur Denny, Curb second baseman, contributed a homer to the winning cause in the second game with the score tied at 1 all and two men on base.

Johnny Bertuzzi who notched the double win last night completed an undefeated season, winning sixteen straight. In all, the Curb took 17 games, losing but one game during the regular season.

Anthony J. Shields of Harris, Upham & Co., President of the Wall Street A. A. presented the unretirable Jules S. Bache trophy to Harold Godsell, Curb Exchange member and manager of the softball team. The Curb has retired two trophies in its reign of softball supremacy, which includes a three year period of consecutive championships in the now defunct Wall Street Softball League. There was no play during the war years.

Arthur Bonham, member of the Curb's Athletic Committee, announced that a dinner would be tendered the victorious team in the near future.

Two Join Staats Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — George E. Forrester, previously with Schwabacher & Co., and Robert E. Norton, formerly with Merill Lynch, Pierce, Fenner & Beane, are now associated with William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange.

With E. F. Hutton & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Gerald W. Dalboy is with E. F. Hutton & Company, 623 South Spring Street.

Two With Merrill Lynch

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — Joseph F. Brady and Robert C. Kennedy have become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Implications of the Marshall Plan

(Continued from page 2)

correct their policies (socialism, inflation, etc);

(9) Lastly, there is nothing indicated to set a limit to the Plan's operation. In other words, it is another financial experiment to bridge over an emergency, which may or may not be terminated thereby.

The Great Fiasco

An obvious, but never mentioned, implication of the Marshall Plan is that so far our postwar planning in international reconstruction is a failure. That follows logically from the necessity not only to re-start and expand it, but also to do so on a new plane. That a failure was inevitable has been foretold, among others, by the present writer. It is important to realize in what that failure consists.

World-wide financial planning for the postwar era broke loose as early as 1942. UNRRA was supposed to bridge over the acute shortages of the first two years or so, until production in the devastated countries got under way. The result is that after UNRRA's means, mainly our $2.7 billion stake in it, had been exhausted, the world's need for "relief" as we understand it has not been relieved. Witness the current or pending budgetary appropriations of $350 millions for post-UNRRA relief in half-a-dozen countries, $71 millions for refugees, $550 millions to support the population of occupied countries, etc.

Next, the Bretton Woods program was supposed to follow up UNRRA and solve the long-run financial problems of the world other than relief. So far, those institutions have not even started to operate in an appreciable fashion. Their means are altogether inadequate to handle the problem; their 6-odd billions of dollar resources might be exhausted very fast. The best they can do is to do very little. (They are run by a firmly established bureaucracy, the vested interest of which is to perpetuate itself.) "Now we know that Bretton Woods was not bold enough," writes the "Manchester Guardian." That is only part of the story. Bretton Woods was sold as a quasi-commercial approach to the world's financial troubles, not as a charity affair. However, charity ("lend-lease") is what the world demands, not even such pseudo-banking arrangements as the "sale" of surplus property, the British cash loan of $3.75 billions, the Export-Import Bank's credit volume widened to $3.5 billions, etc., which were supposed to supplement Bretton Woods.

By July 1 of this year our disbursed postwar credits, donations and subsidies reached about $12 billions. But currencies are further away from being genuinely stabilized, budgets and balances of payment more out of balance than two years ago. Nothing has been accomplished to keep the distressed economic systems operating without continued American shots-'n-the-arm; very little to eliminate internal tensions, colonial and civil revolts, or the threat of full-scale conflagrations. From a long-run point of view, the $12 billions spent plus the still available, some $12.5 billions appear as so much waste—using that word in a more literal sense than applied to the large-scale capital export of the 1920's. Then, the dollar outpour was instrumental in spectacularly raising living standards, greatly expanding productive capacities, permitting the accumulation of large exchange reserves and inventories, and creating a peaceful climate, at least for a while. This time, living standards of the masses are far below the prewar level, and dangerously low in many places; the distressed nations' exchange and gold reserves are dwindling; instead of building capital, most countries indulge in consuming what is left to them; entire political systems are deteriorating, and the area of distress is widening. International economic relations and internal price structures are perverted and made inoperative by a maze of "Schachtian" exchange restrictions, quantitative import regulations, price manipulations, bulk buying and bilateral practices. Multiple currencies flourish right under the nose of the International Fund, the very purpose of which is to eliminate them.

A $25 billion tonic (not counting an annual $1 billion or so in private charities and investments, nor the $2.5 billions or so thrown in by Canada, Sweden, and Switzerland) that leaves the outer world with its financial reserves evaporating at the yearly rate of $4.7 billions (!), and with diminished prospect for equilibrium, was an expensive planning experiment, indeed, even after allowing for the physical damage that had to be repaired on the receiving end.

The New Departure

It is in the light of this almost total failure of "boondoggling" that the Marshall Plan has to be understood. Its starting point evidently is the assumption that the 1943-46 international planning was a groping in the dark, that world-wide rehabilitation is a far greater problem than had been foreseen, and that a new planning has to be devised as well as fresh amounts provided. The Roosevelt approach turned out to be basically fallacious because the "loans" were given without relevant strings attached. As the Administration emphasizes now: Europe must help herself to be helped by us, meaning (so far) a self-help consisting in some sort of priority system for the allocation of fresh dollars. Limited as it is, this is a new idea injected into our "international finance," except for the terms of the Greco-Turkish loan of $400 millions which go even further in controlling the debtor.

Exit Russia

Moreover, the new approach limits the area to be financed by cutting out the Soviet sphere, a logical sequel to attaching strings. It was a bright idea to put the Soviets on the spot by offering them, or their satellites, help in exchange for "cooperation" in an all-European scheme. Moscow had to refuse the offer or could enter into it only for the purpose of sabotaging the scheme. The economic break between East and West had to come out into the open, for more than one reason. The least an international plan presupposes is some sort of check-up on the debtors, thus driving a wedge into the Iron Curtain for anti-Russian observers and "propagandists." The bolshevization of Central Europe would have suffered a severe set-back, and the extracting of several billion dollars annually from that area presumably stopped, with a parallel strengthening of "capitalism" and U. S. prestige all around. The very idea of promoting European stability must be repugnant to the Soviets; troubled waters are the ones in which they can fish.

Whether we planned it that way or merely stumbled into it unwittingly, one thing the Marshall Plan has accomplished already is to have reduced the geographic radius of our forthcoming commitments, and to have put the blame for it on Russia. Of course, that means also that we have finally given up Central Europe—if there is anything final in history—cost what that may in terms of international ethics, long-run power relations, war anxieties, and economic consequences.

It is to the credit of the Marshall Plan that it has greatly weakened Soviet influence in western Europe, especially also in France. Ever since the liberation, France has been playing a double-faced game. At the original conference on the Plan, Bidault presented another sample of this kind of diplomacy by offering a formula to justify morally the Russian position and to accept the American materially. It did not work; the French had to choose between Russian friendship and American finance. Short of a Congressional refusal to swallow the Plan—which is most unlikely in view of the political implications—we can count on France being in our camp (as long as fresh dollars are forthcoming). The new alignment has been foreshadowed and followed by partial communist retrenchment in French politics and trade unions.

Enter Germany

But French cooperation also presupposes that we limit what the Secretary of State declared on July 16 to be the Number One necessity: the reconstruction of Germany, which used to provide 26% of Europe's steel and 40% of her coal. That objective has been recognized by recent Anglo-American agreements, first, to restore inter-zonal economic unity, and then to double German steel output (up to one-half of the prewar, four or five times the actual level) following the example set by Russia in her zone. In the American zone, the new Industrial Level directive supersedes the disastrous directive J. C. S. 1067/6, thereby eliminating the infamous influence of the Morgenthau plan. These are only paper moves so far, but they are decisive signs of realizing, at last, that Germany is an integral part and the geographic center of the Continent; that without her fertilizers, coal, steel, chemicals, machinery, etc., Europe cannot become a going concern; and that therefore the **reconstruction of the Ruhr must have precedence over virtually any new European financing** other than pure relief.

That, indeed, must be the first consideration: can Germany be refinanced and reorganized under the prevailing circumstances? French resistance will have to be overcome presumably at the price of new funds to France, iron-tight guarantees of her security, and cession of the Saar. But she cannot be a "hold-out" for very long in view of the overwhelming European consensus and her own desperate position.

However, there is no reason for optimism about the early prospects of German reconstruction. It will take extensive bickerings to pacify the short-sighted French resistance and to iron out the administrative conflicts about the Ruhr, where the British seem more interested in mine nationalization than in coal output. Also, the entire military administration of the zones is in need of thorough revamping. There will still remain the influence of Russia that will use every monkey-wrench, especially its grip over our appeasement-dreaming State Department. (The shelving of Ben Cohen and Vincent Carter may indicate a change in "ideology.") Little can be done without Russian cooperation to issue a German money that has circulating power without revoking the ludicrous Potsdam agreement, and without burying reparations at least for some time. In every way, the Soviets will use their German and Austrian zones—and their plates to print German marks—as hostages through which to blackmail us into concessions at Germany's expense, if not at our own. And they can do so effectively, because of the dependence of western Europe on the export potential of food, coal, metals, linseed oil, etc., from the Russian sphere. Cutting off those exports is tantamount to raising our burden substantially.

Another difficulty may confront the plan for Germany's revival right at home. Public opinion here (and in Britain) is still under the spell of war-propaganda and fearful of a new aggression. The underlying theory is that industrial reconstruction *per se* is the source of imperialistic danger. The instance of the post-Versailles revival and subsequent remilitarization of the Reich is the great bugaboo. In reality, had the Allies stuck to the disarmament clauses of the Versailles Treaty, had they not tolerated and even legalized Hitler's war preparations, he would have been stymied from the outset. In other words, there is no danger whatsoever in Germany's industrial revival provided we do not permit its use for war-like purposes. And nothing is simpler than to accomplish that, with or without military occupation, leaving aside the fact of Germany's greatly reduced war potential in view of her territorial and manpower losses and national disintegration. But it may take some time to enlighten our public opinion.

The Cost Aspect

Assuming (wishfully) that Germany is accepted as the first item on the Marshall Plan agenda, and all obstacles are overcome: how much has to be provided annually, and for how many years? Semi-official figures, put out on both sides of the Atlantic, indicate the cost of the Marshall Plan at $4 to $5 billions for each of four to five years. However, the forthcoming annual deficit in Europe's combined balance of payment is estimated tentatively by the House sub-committee on foreign affairs at about $10 billions, not counting the Far East or any other distressed area outside Europe. But a substantial portion might be covered by Europe drawing on the bulk of the unutilized dollar commitments and credit potential totalling—on July 1—approximately $12½ billions. The European distressed countries also are the chief recipients of private dollar transfers. Furthermore, they own much of the "visible" $15 billion gold and of the sum $10 billion balances and similar "hard money" reserves of the world (outside the U. S.) and could liquidate some of these remaining holdings.

But these figures do not tell the story. In the first place, from Europe's estimated $10 billion annual deficit on international account, the $600 million share of the satellites should be deducted. On the other hand, the deficit (import surplus) may mount further if the last two year's trend of deterioration continues, and if our export prices keep rising. But what makes the Congressional estimate of European "needs" pretty much worthless is the fact that it contains only a $400 million item annually for Germany (as against $210 millions for Austria alone). That would be a drop in the bucket to rehabilitate the bombed-out cities, decrepit railroads, non-existent inventories, and what have you. The fact is that the Axis countries which have been most thoroughly devastated, and are crucial for all-round reconstruction, have the least means which could be mobilized to pay for imports. Italy's exchange reserves are scarcely worth mentioning; Germany, Japan, Austria, and Korea had been stripped of all. It will take many billions of our dollars before these nations will be able to produce an export surplus without being subsidized from this side.

Even in western Europe, where gold and dollar holdings still are substantial, they mean very little for solving the crisis. Largely, they represent ultimate monetary reserves which could not be liquidated to any major extent without risking currency panics. Unless German industry and transportation become fully operative within a year or so, which is most unlikely, Britain, France, etc., might need billions in new aid, too, to avoid a "collapse." In short, there is no way of escaping the conclusion that **if we accept in principle the burden** of supporting Europe's international deficit, **we have to acquiesce to a very substantial new annual charge, probably $3-5 billions, if not more,** and for years to come. Important private sources set the "need" much higher.

The Crucial Question

That brings up the crucial question. Will the new Plan, with its well-taken emphasis on German reconstruction (if and when that gets under way), and disregarding the Russian monkey-wrench, bring the European balances of payment into the kind of equilibrium in which they can operate on self-supporting "commercial" terms? Technically, it should be possible to raise, within a year or two, the Ruhr coal output by 50 million tons, the 10% difference between Europes pre-war and present production. But that would not, and could not end the fuel crisis. It would defeat the coal famine partially only; Europe's coal demand, greatly inflated by wasteful mal-allocations and by the huge needs of reconstruction for a rapidly growing population far exceeds today the volume that was sufficient in the late '30s. Moreover, it would take years before a major part of the German output could be made available to other countries. German reconstruction itself would absorb most of it. In the meantime, the coal demand keeps growing. The same holds for all other resources in short supply.

Does that mean that Europe is hopelessly sick? No, it means simply that Germany is not the whole answer. The answer is in the internal policies of the western nations as well. Their leading economists make no bones about it: that the combination of super-bureaucratic rule, soak-the-rich taxation, discouragement of enterprise and work, monetary inflation, pampering of idleness, enforcing unnatural exchange rates, and substituting arbitrary confusion in the place of the rational, free price-making process — all add up to declining productivity and growing disequilibrium. But our leading statesmen apparently have not yet grasped the point. They insist that there is an "emergency" that "must" be met, forgetting that we could set the terms of the "meeting." They regard an American export surplus of some $12 billions with its domestic tax burden and inflationary consequences as the minor evil compared with the alleged danger of Europe going bolshevik, or something, and ignore the fact that there is a third alternative. They realize that exchange restrictions and similar trade impediments are one basic cause of the emergency, but ignore the fact that those restrictions cannot be eliminated in countries on socialistic pattern and under inflation. Socialism and inflation drive capital out of the respective countries. Exchange restrictions are the only way to stop the capital-evaporation, in turn putting trade in straitjackets and strangulating economic efficiency. Thus, the "emergency" never ceases.

Europe as a whole has embraced equalitarianism, and expects the Americas to deliver the goods—at no cost to herself. That is the psychologico-political root of her financial anemia. No "diet of dollars" can cure it. On the contrary, we are perpetuating the trouble by giving financial support to the policies which bring it about, ultimately leading into economic chaos, not into revival. As an English economist, Professor J. Jewkes of Manchester, summed it up lately: "The real sources of our (Britain's) troubles are **inflation, excessive physical controls** over the distribution of industrial resources, and the **disruption of the normal working of the price system.** These three conditions are acting and reacting upon each other in a way which will undoubtedly bring more serious dislocation unless they can be promptly and firmly dealt with." As to dollar-scarcity and labor-shortage, the two Evil Demons in the economic mythology current at all European headquarters, they are not even mentioned, except indirectly, by pointing out that inflation causes the material bottlenecks which throttle production.

The State Department may be led by great generals and astute diplomats. But their economics stems apparently from Washington, D. C., or London, or Paris—certainly not from Manchester (where the free-trade movement originated).

The Problem of Small Business

(Continued from page 7)

pand the operations of a going concern. This is due primarily to the fact that the sources of long-term loans or capital are not available today. We are in the anomalous situation of having an unprecedented amount of funds seeking investment on the one hand and a dearth of funds available to the small-sized business on the other. The problem here is to provide some effective mechanism to bridge this gap.

This situation was developing over a period of years preceding the war and was brought about in part by changes in custom and in part by newly developed government controls in the capital markets. Investors generally have been placing much more emphasis on the marketability of their investment securities than on the possibility of higher interest rates, with the result that well-seasoned listed securities of large corporations are in great demand, while the issues of small companies not listed on the principal stock exchanges are not considered desirable investments. In other words, the risk-taking function has become less attractive to those having surplus funds to invest. They would much rather hold government bonds or triple-A corporation bonds than to take a chance on relatively unknown projects.

This change in custom on the part of investors was stimulated further by the very effective controls instituted by the Securities and Exchange Commission and the various state regulatory agencies. Organized for the purpose of protecting the unwary investor from losing his savings in get-rich-quick schemes, these government agencies have practically dried up the source of capital funds for new or untried ventures of modest size. The small concern that needs capital, ranging in amount from $20,000 up to a half a million, is unable to find a market for its securities—either stocks or bonds—even if it has fulfilled all the requirements for registration with the Securities and Exchange Commission. Furthermore, the procedure for registration of securities is such a costly process that it is beyond the means of ordinary small corporations to qualify.

Under these circumstances it is not at all strange that several proposals have been made for direct aid from the government in the form of long-term guaranteed loans. Both the Federal Reserve Banks and the Reconstruction Finance Corporation are now authorized to make long-term loans to small business concerns that are unable to secure accommodations from their local banking institutions. These institutions, however, have failed to fill the gap because the need is for genuine risk capital rather than long-term bank loans.

It is clear that some institutional arrangements are necessary to fill the gap created by the absence of the speculative investor. If this function is to be effectively performed, it must be expected that there will be substantial losses. The question is how those losses will be assessed. One proposal that has been repeatedly suggested is a system of long-term loans to be extended by commercial banks and guaranteed in full, or at least to 90%, by the government. A bill was introduced in the last session of Congress to establish such a system. This obviously is a plan to shift the risk in whole or in large part to the government. In order to operate such a system it would be necessary to create a large revolving fund, perhaps a billion dollars, to be replenished from time to time from taxes. At best, this would be a means of assessing the losses inherent in the establishment of new enterprises and small business upon the shoulders of the taxpayers.

This presents an interesting anomaly in the government's relations to the individual. On the one hand an agency is created to protect the individual from the hazards of private enterprise—the Securities and Exchange Commission. This operation is carried on so effectively that it becomes practically impossible for the individual to win or lose in new or venturesome business. On the other hand, recognizing the importance of risk capital to the new and growing enterprise, the government assumes the risk and assesses the costs involved to all the taxpayers.

If a system of guaranteed loans were established with private financial institutions choosing which loans to carry independently and which ones to be insured, it is not difficult to anticipate the results. All of the sound or reasonably safe ventures would be carried by the private agencies and all the doubtful ones by the government.

Government-guaranteed loans are not the answer to the risk-capital problems of small business. Some method to stimulate the flow of private funds into risk ventures must be developed. This does not imply that the Securities and Exchange Commission should be abolished. That agency has rendered an effective service in protecting the small investor. At the same time, it is desirable to open the way for the more speculatively inclined to place their surplus funds in more venturesome affairs. This is more of a problem for private enterprise than it is for government.

Both the American Bankers Association and the Investment Bankers Association have announced plans for credit-pooling schemes through private agencies outside their regular banking channels. So far, these have not been very effective in providing the volume of long-term loans necessary to meet the needs of small business.

The type of institution most likely to fill this gap is an independent, privately financed, risk-assuming agency at the local level. The purpose of such an organization is to furnish capital to promising new ventures through the purchase of capital stock—either preferred or common—thus avoiding the debt character of long-term loans. The New England Associates, Inc., was the first to undertake a program of this sort, and the plan has been adopted in several other localities. Agencies of this type, if they are well managed and are given sufficient financial support from local investors, might well fill the need for risk capital in small business and obviate the need for government subsidies.

III.

The most serious deterrent to the financing of small business is the impact of the federal income tax on corporations and individuals. Business income is affected by the imposition of these taxes in several ways. A tax is assessed against a corporation at the rate of 40% of its net income, and then that portion of the remaining income which is distributed to the stockholders is taxed as individual income. This form of double taxation has an unfortunate effect upon business in general and is particularly oppressive to the small corporate enterprise where ownership is limited to a few individuals.

In case the small enterprise attempts to avoid this double tax assessment on the same income by not incorporating, it immediately runs into another difficulty. The personal income tax is assessed against the incomes of individual proprietors and partnerships as they accrue regardless of whether they are distributed or retained in the business. Furthermore, they are taxed at progressive rates, the result being that the profits retained in the business are taxed at the highest individual rate applicable to the proprietor or partner. Suppose, for example, that Mr. X, a proprietor of a small manufacturing plant, should have a business profit, after withdrawing a reasonable amount for salary, of $100,000. He is in need of additional capital for expansion and decides to leave the entire amount in the business. Under the graduated individual income tax rates he very well might have reached the 50 or 60% bracket. His assessment on the amount which he planned to leave in the business would be taxed at still higher rates, so that he would only be able to reinvest a small part of the $100,000. Obviously, it is practically impossible, under these conditions, for a business to expand through the process of plowing back earnings.

A second complaint of business, and particularly small business, is the rigid adherence to the single year as the basis for computing income. There are frequently wide fluctuations in the earnings. Tax payments are naturally high in years when income is high and low in years when earnings are low. The actual losses incurred in particularly bad years cannot be carried over for a sufficiently long period to compensate for the exceptionally high taxes paid in the good years. This creates a very real hardship on any business which is subject to wide variation in income. The obvious remedy for this situation is an amendment in the procedures for computing taxable income so that the assessments can be made on an average covering several years' income.

The capital gains and loss features of the present income tax laws also work to the disadvantage of small business. In the case of the individual returns, losses incurred on capital investment can be deducted only to the extent of capital gains on other assets. This tends to limit the source from which the small concern can secure risk capital. In the days before the income tax became a major factor in the investor's calculations, a man of means was prone to take chances on a number of ventures in the hope that probably one out of ten would work out well. Under the present law he cannot report the capital losses on the failures against the current earnings on the successful ones. Hence, he prefers to invest his surplus funds in much safer ventures.

These comments on the present federal income tax structure are not meant to be a criticism of the income tax as the principal source of revenue. It is undoubtedly the most equitable method of assessing the cost of government. It is clear, however, that the adjustments suggested, namely, (1) elimination of the double tax on incomes earned under the corporate form of organization; (2) adjustment of the tax on retained income in the case of business conducted by single proprietors or partnerships, and (3) changes in the capital gains and loss provision of the law, would have a salutary effect on the financing of new and small business enterprise.

IV.

It is in the field of management that the small business is at a distinctly competitive disadvantage. The administrative staffs of large corporations are supported by a great many technical specialists, for management today is a complex affair. In order to cope with the varied problems involving a knowledge of production, marketing, accounting, and personnel relations, the large company finds it necessary to maintain sizable departments in each of these fields. The small business, operating in the same markets and subject to the same governmental controls, is beset with the same types of problems. Obviously, no single individual can possibly have the knowledge necessary to attack these varied problems intelligently. He needs outside advice and counsel, not just periodically when some particularly acute problem faces him, but continuously, so as to avoid some of the pitfalls before he reaches them.

The mortality rate among small businesses has always been high. Numerous studies have been made to find out, if possible, the major causes of failure. Although "lack of capital" is the reason most frequently listed by credit-rating bureaus, more careful analysis usually leads to some personnel factor—lack of ability, experience, or knowledge—as the basic cause. In case of sheer incompetence, there is nothing that can be done to aid a sinking business. Those persons entering business totally lacking in ability will fall by the wayside just the same as those lacking the necessary attributes often try their hands and fail at law, medicine, or other walks of life. Such failures are incidental costs that are always present in a free society.

In cases where failures result merely from lack of sufficient knowledge or experience, however, there is something that can be done. Small business is on sound ground in seeking government assistance in this area. Extension services of an informational sort covering the whole field of management can and should be rendered by government to the small business community. This is one method of aiding business generally without subsidizing inefficiency.

There is ample precedence for this type of service. For many years the Department of Agriculture has maintained an effective program of instruction in farm management. This extension service has been a potent factor in improving the purely management function in agriculture.

A start has been made in this direction by the Department of Commerce through the Office of Small Business. While this office has been in operation for less than two years, it has already prepared and published a series of pamphlets entitled "Establishing and Operating a Business." Each of these covers the major problems of production, financing, marketing, and account keeping for a specific type of business. They are well prepared and constitute usable handbooks that can be used for the instruction of the owner or operator of a small business. A number of regional offices have been opened in different parts of the country, manned by counselors equipped to give general advice and counsel. It is not the purpose of these counselors to render professional services usually performed by accountants or other specialists, but rather to advise as to the types and sources of information essential to the successful operation of a business.

The Office of Small Business is developing its extension program gradually, recognizing the fact that much of the information required for effective counseling must first be obtained through research. The small business enterprise is not in a position to maintain a research department or even to undertake minor studies. The study of management problems in small business is properly the function of a public-supported agency. It would be impossible, even if desirable, to maintain an adequate staff in Washington to undertake all of the research work necessary in this field. As an alternative, the Office of Small Business is now experimenting on a program in cooperation with the research divisions of three of the schools of business administration—at Indiana, Texas, and Michigan. This program also follows the pattern of the Department of Agriculture in its cooperative research projects with the land-grant colleges. It is planned to extend these cooperative arrangements to other schools of business administration after the present experimental projects have been completed.

It will take some time for the whole program of extension counseling, and research of the Office of Small Business to become fully effective. When it does, however, the management phases of the small business problem will be largely met.

In reviewing some of the problems of small business one is apt to conclude that its position is hopeless. Yet, in spite of all the problems and in spite of the very definite trends toward concentration, the small units still persist. There are today somewhat over three million business units. Of these, over 2.7 million, or 90%, are units that employ less than four workers. There are less than 5,000 firms that employ 500 or more employees, and many of these are engaged in types of business that could not be conducted on a small scale. Thus it is clear that the very small enterprise does continue to represent a very substantial segment of the economy.

It is true that the small business units are facing more difficult problems than ever before. Mortality rates are high, and although they are offset by the birth of new units, the costs of failure are a drain on the economy as a whole. The primary purpose in attacking these problems is to attempt to reduce the costs to society.

Corrective measures, however, should be of such a character as to retain the free and independent status of the individual businessman. Substituting the government as the source of risk capital in place of the private investor would jeopardize that freedom. The small business is in fact the lifeblood of a free competitive economy. If that segment of the economy were to become socialized through paternalistic governmental policies, it would be the end of free enterprise.

These suggestions for meeting the problems of small business with respect to risk capital, taxation, and management aim to afford the necessary relief without destroying the essential features of the private enterprise economy.

"Whither America"

(Continued from page 6)

war levels, and in some instances wiped out altogether.

On the other hand, we have a situation where we are now collecting 75% of all revenues from income taxes, corporate and individual. If we could be assured of a uniformly level degree of prosperity for a considerable number of years the present arrangement would be ideal; but unfortunately, in time of depression there is a rapid falling off in revenue from that source and it would be highly desirable if the Congress could find a method for supplementing the falling revenues in such periods.

You have had several able representatives appear before our Committee and urge reduction or repeal of the excises affecting your industry.

Obviously, I am not in a position to say to you definitely what will be done, because after all I am but one member of a committee of 25, and of a House consisting of 434 other members. However, I do feel myself to be on safe ground when I assure you that it will be our aim to *not* impose taxes that will injure business or threaten the revenues. The two must be kept in constant focus if we are to maintain a sound and prosperous economy.

Our Committee devoted the better part of a month to hearing scores of witnesses on excise taxes and nearly all of them presented carefully prepared and informative briefs which will be of the utmost assistance to our Committee when we come to draft a revision of the Revenue Code.

Does Progressivity Fit in With Free Enterprise?

Progressivity in taxation conflicts with American ideals of fair play. The theory of our competitive free enterprise system is that the rules of the game are set by government. Every individual is expected to do his best to win, while abiding by these rules. The most skillful players are entitled to their winnings, and what they do with their gains is not the business of anyone else—provided, of course, that the winnings are not used anti-socially.

But, under our present tax laws, the government is likely to seize the lion's share of the winnings. When it does so, it makes a travesty of the rules and, in effect, endorses the communistic doctrine that the whole institution of private property is anti-social, and that outstripping one's rivals is criminal.

We are told that the free enterprise system is out-moded and must give way to what the do-gooders are pleased to term the "new order." Their arguments are that the free enterprise system is a failure and wholly inadequate to our times.

If their contentions be true, how does it come that in the darkest hour of the great contest to destroy Nazism and Fascism in their worst possible form, the world looked to us to *become the arsenal of democracy, also the banker for the allied side?*

I cannot yet understand how it was possible for a decadent system of capitalism to convert from peace to war, almost overnight, and produce the endless and limitless quantities of planes, and tanks and trucks, and tractors, and guns, and shells, precision instruments, not to mention the required supply of food and clothing, all so desperately needed in the Battle of Armageddon.

We even had to step in and save Russia from being crushed and destroyed. If what those who would destroy our soul tell us be true, it should have been in the reverse, and Russia should have done the saving, but she couldn't because it takes free initiative to do that kind of job.

We are in general agreement, I think, that it is most fortunate for the world that there yet remains one country—the United States of America—which has its foundation in the free enterprise system, and has the money to give and lend for the relief and rehabilitation of the less fortunate countries of the world.

True, we put everything that we possessed into that war. We felt then, as we feel now, that no sacrifice was too great, when made to preserve our liberties, our free institutions and our way of life, to the end that our children and their children may enjoy the benefits and advantages of our historic and traditional institutions, our free enterprise system, our representative form of government, and the many other blessings with which we have been so generously endowed.

True, there is yet a great battle to be won, not only abroad, but also here at home.

For 14 years the American people lived under crisis government, moving from one crisis to another crisis, each succeeding one the product of its predecessor, some created by the men in power to enlarge their control over American citizens and industry. Sectional jealousies, class prejudices and suspicions and strife—all foreign to our way of life—were encouraged. It was a period of experimentation and improvisation in government, so much of it dangerous to the American system of representative government.

It was a period of government by men, not by law; a period of government encroachment upon business and industry; a period of immunities and privileges granted one class for the sake of political power, and denied to all others; a period in which new instruments of public power were created which could have enslaved us; a period of prodigious spending with votes its major aim; a long, long period of reckless and wasteful deficit financing on an unprecedented scale, and the accumulation of an enormous public debt which long has been a potential source of an inflation that could destroy our economy; a period of many attacks on constitutional government, some by men in power, some by advocates and preachers of foreign ideologies who would substitute some form of the corporate state for our republican form of representative government.

Mandate for Tax Reduction

You will recall that we had an election last November, when 50 million voters marched to the polls, and by an overwhelming majority issued a mandate to the President and the Congress that the Government of the United States should be returned to the people; and that the Constitution be reinstated as the organic law of the land.

Unfortunately, we failed to reckon with the bureaucratic lust for power, and individual stupidity, as witness President Truman's two vetoes of the tax reduction bill and the labor measure. At the November election the American people, by a preponderant majority, declared that they wanted relief from the staggering tax load that had been imposed upon them as a war measure. They demanded a stop to wasteful spending; they also emphatically registered their will that the power of racketeering labor leaders be curbed, if not destroyed.

A Republican Congress, responsive to the mandate of the people, enacted a tax reduction bill (H. R. 1) which would have granted tax relief to 49 million taxpayers, ranging from 30% in the low bracket to 10½% in the highest brackets. That measure met with universal approval and fulfilled a sacred promise that had been made by a great political party to a free people.

The Constitution of the United States has conferred upon the Congress the sole power to levy taxes, yet it was vetoed by a President who has little or no conception of his Constitutional limitations. I charge that President Truman's veto of H. R. 1 was a usurpation of the sole authority of the Congress to impose taxes. His veto of the second tax reduction bill compounded the wrong.

I need not say to you that the reasons given in the veto messages for withholding approval from the measures would not have been creditable to a grammar school student. After having read the two messages it was easy for me to understand why Mr. Truman had failed in his one business venture.

The veto messages dwelt heavily upon the inflationary effect of giving the people more of their own money to spend, but it is significant that he had no such compunction when he signed the repeal of the excess profits tax in 1945, which put about $6 billion into private corporation pockets at a time when the government was running on a $19 billion deficit, but he vetoed a $4 billion tax cut for 49 million individual taxpayers at a time when the government is running a big surplus. Figure that out for yourselves, if you can. Frankly, I have not been able to reconcile the two acts.

You will agree with me, I am sure, that one of the major causes for the labor unrest is the number of tax fingers that dip into the pay envelope. The working man naturally computes his wage as being what he takes home, after all deductions have been made. The result is a constant demand for increase in wages and every increase granted means an increase in the price of what we buy, and that creates a vicious inflationary spiral that can conceivably get out of control.

On the other hand, a tax reduction will increase wages, but not prices.

I am reliably informed that a large midwestern manufacturer has figured that H. R. 1 would have been equivalent to an average of 3½ cents per hour wage increase for his employees and that is not to be sneezed at.

Canada and the United Kingdomdom have already each given their people the benefit of a substantial reduction in personal income taxes and on July 1, a second decrease, amounting to as much as 29%, went into effect in Canada. But we, the richest people in all the world, are told by our President that it would not be safe to increase the income of the American people through tax reduction; that the better method is through wage increases. Have you ever witnessed a similar example of crass stupidity and unbridled demagoguery?

Present Taxes Destroy Incentive

The big thing that prompted me to introduce the tax bills is my positive conviction that if we are to forge ahead in this country, our people must be permitted to retain a greater share of what they earn. You and I know that the present tax law has practically destroyed incentive. As an industrialist in California wrote me some weeks back, and I quote:

"I have sold control of my business because there was no longer an incentive for me to remain in business. Most of the money that I made went to taxes."

Congressional opponents of tax reduction bleat over the radio, and in the open forums, that my tax bills were discriminatory in that they did not give the little fellow as many dollars in reduction as the so-called big fellow received. They utterly ignored the f a c t that H.R. 1 gave a 30% reduction to the little fellow as against only a 10½% reduction to the big fellow.

Our ability to redeem the debt depends upon the productivity of our tax system, which in turn depends upon the national income, and that is based on production. By reducing the tax burden we are more likely to see production and the national income remain at high levels than if we continue the present heavy tax burden.

To attain maximum production there must be incentive, and that incentive can only be provided by allowing all to make and retain a reasonable profit.

Severe, crushing tax rates do not necessarily produce the greatest revenue. There is such a thing as starving the goose that laid the golden eggs, as well as killing her outright. At the current level of national income, the net receipts for the fiscal year 1948 may be conservatively estimated at $41.5 billions under existing tax rates. Even with a legislative budget ceiling of $33¼ billions, there would be a margin of $9¼ billions, to be apportioned between tax reduction and debt reduction in the fiscal year 1948. The estimated revenue loss under H.R. 1 would have been approximately $4 billions, which would have left $5 billions, or more, for application on the debt.

When it comes to spending there is little to choose from between Mr. Truman and Mr. Roosevelt but if I were to award an accolade it would have to go to Mr. Truman because he has made Roosevelt look like an amateur when it comes to spending. I base that ascertion on the fact that two years after VJ-Day he sent a peacetime budget to Congress that is 400% bigger than any peacetime budget ever submitted by Mr. Roosevelt.

The President has insisted, again and again, that his estimate of $37.5 billions is the rock-bottom figure for the fiscal year 1948. It is enlightening to compare this record of decline from the war peak with that established after the first World War. After that earlier war the maximum Federal expenditure was made in the fiscal year 1919, when the total was $18½ billions, or about one-half.

Many of you are wondering what's the next step? Can we still get tax relief for 1948? That, my friends, is up to you and 49 million other tax-weary Americans. The Republican Party has lived up to its promises. Whether you can influence Mr. Truman, or a handful of Democrats in the Senate, remains to be seen.

But I will make a prediction for you. If Truman takes this tax reduction issue to the American people in 1948, I predict here and now he won't carry as many States as Cox carried in 1920. And, I might add, the 80th Congress will never accept a politic tax bill written by the CIO for Mr. Truman and his White House advisers.

Taft-Hartley Law

Now a word about the Hartley-Taft Labor law which the Congress passed over Mr. Truman's veto. Not one of labor's legitimate rights will be denied by the law which the Republican Congress has enacted. Labor's right to strike for legitimate purposes will be preserved; so will its right to free collective bargaining by agents of its own choosing. But the law will place some much needed restrictions and curbs upon union labor leaders—all intended for no other purpose than to protect the public against widespread abuses of power and the evils inherent in the exercise of that power. The new labor law will return to the rank and file of labor control of their union affairs.

You will agree with me, I am sure, that the need for corrective labor legislation was even of greater importance than tax reduction. We have had our fill of strikes since J-Day and the need of the country is for labor tranquility and maximum production.

It took such strikes as the railroad tie-up of a year ago, John L. Lewis' several coal strikes, the New York truck strike, the Pittsburgh power strike, not to mention a multitude of lesser strikes, to convince Congress and the country that we were nurturing a government within a government, and I am not so sure that at times the inner government, made up of labor leaders, was not as strong, or stronger, than the Federal government, and I say that because time after time labor leaders have defied the President and the Congress.

However, the worm has turned and an aroused people compelled Congress to act. The Taft-Hartley law is deficient in several respects in that it permits industry-wide strikes and recognizes unionized shops. It will need some clarification.

Industry-wide strikes are un-American and indefensible. As a matter of fact, they constitute a canker sore on our economy. I need not go into detail with you folks on that score because the iniquity of the thing is so flagrant as to be apparent to all. The union shop has no more place in our scheme of things than has the closed shop. Both are half brothers born out of wedlock.

I well recall during the late war constituents writing to me and complaining that they could not secure employment on war work until they joined a union. Many members of Congress tried to do something about it, but the labor leaders were so firmly entrenched in the Administration that our efforts got us nowhere.

I ask you, fellow Americans, if this is yet a free country? If it is, why should it be necessary for an American citizen to pay tribute to a labor union before he can secure employment? I consider the closed shop and the union shop a clear violation of Articles 9 and 10 of the Bill of Rights.

If we are to maintain our economy on a sufficiently high level to meet all of our needs we must have maximum production. For years labor leaders have insidiously worked to curb the output of the individual. Even during the war, when the cry was for more and more of everything, we found instances where union leaders were deliberately trying to slow down the production of their own co-workers with a remark something like this: "What's the hurry, buddy, are you trying to win the war alone? Take it easy, pal." I do not like to think of what would have happened to individuals who preached that kind of doctrine during the war had they lived in Germany or Russia, but under a representative form of government I suppose we have got to take it and grin.

All over the country building operations are virtually at a standstill because of excessive building costs. Brick layers, plasterers, carpenters, and other building trade groups are not alone demanding wages so high as to throttle construction but, to make matters worse, they are only turning out a fraction of the work that they did a few years ago.

The same holds true in industry. I seem to recall a statement by young Henry Ford to the effect that with 30% more workers employed, Ford production was down 25%.

The present high prices are, in a large measure due to high production costs and excessive exports of nearly everything we need.

Fellow Americans, I ask you in all sincerity, how long can this continue without bringing an economic paralysis?

Gods knows I want to see the working man get as much money as he earns and I rejoice with him in many of the gains he has made over the years. I, myself, have carried a card in the typographical union for more years than I care to recall, so I know somewhat of the benefits that have accrued for the working man by being organized, but the situation has gotten out of hand.

The average union member has little or nothing to say about how his union is to be conducted and indications are that the rank and file are getting fed up with their leadership. I think that was demonstrated at Detroit more than a year ago when Mayor Jeffery was reelected over a man named Frankensteen, a Vice-President of the Automobile Workers' Union. You will recall that Mayor Jefery was elected by a 50,000 majority, and to me that was most significant, because the automobile workers can elect anyone they wish in the city of Detroit.

I have gone into the labor question in some detail because I consider it the paramount question confronting us today. It involves the workers, who are being exploited, just as much as it does the employer, business in general, and it is unfortunate for the country as a whole that President Truman failed to recognize and take cognizance of a situation that at various times has threatened our economic stability. If he thinks that his veto of the Taft-Hartley Bill will win him support from the rank and file of labor, I fear he will become a very much disillusioned man when the votes are counted in November of '48.

The country applauds the action of Congress in overriding Mr. Truman's veto of the Taft-Hartley Bill by such whacking majorities. It is the first ray of sunshine to illumine the economic horizon in a long time. My friends, it is the first step in our return to Constitutional government, and rule by the people, rather than by favored groups.

Not a Do-Nothing Congress

For months the New Deal propaganda bureaus have been trying to sell the American people on the idea that this has been a do-nothing Congress. Based upon my more than 30 years' service in the House of Representatives, I say to you that this is a foul falsehood. I cannot recall a Congress that has accomplished so much in such a short time.

The Republican controlled 80th Congress came into being on Jan. 3 and our first act was to streamline the organization in conformity with the Reorganization Act passed by the late Congress. In the process it was necessary for us to squeeze 49 committees into 19 committees and at the same time give due regard to the seniority rights of the older members.

We had to set up research staffs for the various committees, and you people know that it was not an easy matter to pick trained and experienced men for the various staff positions. In the case of the Ways and Means Committee, of which I am honored to be Chairman, we have not yet been able to find a suitable individual for one particular position, notwithstanding that the job pays $9,000 a year.

The 80th Congress has to date moved carefully, and with as much dispatch as is advisable, to fulfill the Republican Party's campaign pledge to eliminate all that portion of the huge bureaucratic machine which is not absolutely essential.

Congress is doing this without impairing a single essential governmental function or service.

We promised the American people to drastically reduce the costs of government which, under the New Deal, have assumed Frankensteen proportions.

Let me return to the budget for a few moments:

I wish to say to you, and I say it advisedly, that closely linked to a balanced budget is tax relief.

One of our most important concerns must be the maintenance of existing, and the creation of new jobs, dependable income, and the well-being for the many by preserving and promoting the economic motives and incentives of the few.

At this point may I remind you that it requires an investment of over $8,000 to create a new job. The average person who receives a small income does not create the job through which he gets that income. Someone else has made that job possible, through his decision to provide capital, or assume a business risk, or take on managerial responsibilities. Any plan of tax revision which does not give at least proportionate recognition to this basic reality of our economic system would be gravely deficient.

If our economy is not to remain static we must provide proper incentives for expanding existing industries and businesses, and the creation of new ones, both of which would make more jobs, greater production, lower prices, and an expanded market for finished and raw materials.

I am one of those old-fashioned Americans who believes that in order to have a sound and expanding economy all investments should return at least 5 or 6% over and above taxes, cost of operation and depreciation. That should be true of the farm, the shop, the factory, the railroad, and all other activities.

Under the New Deal we enacted 18 tax laws, each one slapped on top of the other until the whole thing looks like a suitcase that has traveled around the world. It is our purpose, so far as time will permit, to iron out all wrinkles, remove all bugs and incidentally, give tax relief next year.

Two weeks ago, with the approval of the majority members of the Ways and Means Committee, I named a Tax-Study Committee consisting of 11 outstanding representatives of industry, labor, agriculture and other activities. This group will be a fact-finding body, and as a result of their findings we hope to report out a revised Revenue Code early in the new year that will be workable, understandable and fair. There is a great need for revision.

The Depression Bugaboo

Fellow Americans, I am greatly disturbed, as I am sure you are, over the talk that we hear about a depression. Let me say to you with all the candor and force at my command that there is absolutely no foundation for such expressions. The situation today is wholly different from what it was back in the late '20s. Then we had a runaway market and no backlog of orders. Our credit system was over-extended and we were skating on mighty thin ice.

Today the situation is wholly different. Our banks are bursting with deposits. Every manufacturer has a backlog of orders. We need everything from shoes to automobiles, household gadgets watches and clocks, rolling stock, farm and factory equipment, and so I could go on and enumerate indefinitely.

If we get a depression it will be altogether due to loose and irresponsible talk by persons who should know better. A depression will only come when we lose our heads, our faith in America, and in the future. I believe that with intelligent leadership we can work out a program that will continue the present level of prosperity indefinitely.

Oh, we must have some readjustment, of course, but there is a vast difference between such readjustment and a depression.

Early in the reign of Franklin the First, he told us we had reached the outermost horizon and that we need look for no further expansion or development. Now we know how loosely and ill-advisedly he spoke. Then our national income was about $40 billions a year. Now that income has increased to about $173 billions, and while I am well along in years, I confidently expect to live to see a national income of $225 billions.

America is a land without present economic horizons. There is no limit to where we can go if we have the will and the industry. Today we stand on the threshold of the greatest era of development in all the history of mankind.

What we need, my friends, is a spiritual rebirth of the American people. We must recapture that fine old American spirit of self-reliance that made America what it is.

We must get over the idea that the government owes us a living. I freely concede that there are certain fixed obligations to the people that are incumbent upon the government and which should not be avoided. On the other hand, the people of America also have certain obligations to their government. I have never conceded it to be the duty of the Federal government to act as a nurse or Santa Claus to all and sundry and I feel, with my whole being, that the American people must stop looking to Washington to do the things for them that they should do for themselves.

America was not builded and made great by Washington bureaucrats and government subsidies. Rather, this great and glorious country is the product of industry, freedom, opportunity and personal initiative.

The brave men and women of the East, who loaded all their worldly possessions into covered wagons and turned their faces resolutely and hopefully to the setting sun, braving the hidden dangers of the forests; who in 150 years transformed an empire wilderness into the richest empire on earth—they were the ones who builded America.

Not only did they wrest the empire west of the mountains from the hostile Indians; they built roads and railroads, opened up farms, established schools and churches, and created thousands of modern and prosperous cities, villages and hamlets where the standard of living is so high that it is the envy of all the world.

When the early pioneers set out on that great migration they cut all ties with the old home, and what they did, and what they accomplished, was done without government subsidies, government controls, or even governmental planning. In short, they gladly underwent the tribulations and the trials of their brave and hardy forefathers, who had landed on Plymouth Rock two centuries before.

While their wordly possessions were few, they had boundless faith in the future of America, and a supreme confidence in God and in themselves. *That is what America needs today.*

They demonstrated to an admiring world what the American people can do if but given a free hand.

Today that area which we proudly call the "bread and butter basket of the world" holds as many opportunities as it ever did but in order to bring these opportunities into fruition we must be released from the stranglehold in which we are held by a grasping and a thoroughly selfish bureaucracy.

The venturesome spirit which made America now lies dormant, because the incentive to branch out has been repressed and suppressed by excessive taxation and oppressive regulations. The big job before Congress and our people, as I see it, lies in re-awakening the spirit that was America in our earlier days, and this can only be done by permitting the American people to retain for themselves a fair share of the wealth that they create.

Fellow Americans, I have boundless confidence in the future and in the destiny of America.

I believe we now stand on the threshold of the most wonderful era in all the history of mankind.

Let us here and now resolve to break the last shackles that a bureaucratic octopus has fastened upon us. Let us recognize the necessity of mutual sacrifice for the realization of the "last best hope on earth"—the freedom and dignity of the individual man.

Let us also resolve that while Washington shall have every dollar that is needed for the necessary conduct of government, and for our national security, there shall not be one penny for extravagance and waste.

America no longer has money to throw away. *Henceforth, let us think of America first.* Then we will again become a happy and prosperous people. Let us ever remember that only a prosperous America can help rebuild a war-devastated world. Indeed, a solvent America is necessary to the rebuilding of that world.

Perhaps I can best illustrate what I have in mind by quoting an Englishman, Herbert Casson, of London, on—

Private Enterprise

The power to chose the work I do,
To grow and have the larger view,
To know and feel that I am free,
To stand erect, not bow the knee,
To be no chattel of the state,
To be the master of my fate,
To dare, to risk, to lose, to win,
To make my own career begin,
To serve the world in my own way,
To gain in wisdom, day by day,
With hope and zest to climb, to rise,
I call that private enterprise.

Construction in Mid-1947

(Continued from page 9)

tile, 47%; cement, 25%; lumber, 189%; paint materials, 144%; prepared paints, 64%; iron and steel, 34%; plumbing and heating materials, 52%. For the building materials group (not including metal products) the increase was 94%, compared with 91% in the general wholesale price index for all commodities. Lumber's price behavior has been very similar to that of agricultural products. Paint materials include many imported items which have commanded high prices in world markets; in spite of high prices of ingredients, manufacturers of prepared paints have held prices of their products closely in line with general commodity price increases.

On the face of this price record the most likely adjustment within the range of manufacturers' prices would appear to be reductions bringing lumber more nearly in line with other commodities. This is, of course, a highly important factor in the cost of single-family houses. Paint materials dropped sharply in June. Materials required for semi-fireproof and fireproof buildings and heavy construction are priced at wholesale today at levels reasonably comparable with rises in general commodity prices and the cost of living.

Imminent Lowered Construction Costs

Lowered construction costs will result from the following factors:

(1) Continued high production of materials and maintenance of normal inventories by wholesale and retail dealers.

(2) Reduction of some material prices badly out of balance with the rest.

(3) Competition as the price regulator; including not only competition between different producers and different distributors of the same materials, but also competition between different kinds of materials, such as lumber with cement blocks and clay products.

(4) Reduction of any unusual profit margins charged in the shortage period.

(5) Elimination of all abnormal excess costs that arose in the shortage period.

(6) Increased productivity of construction labor; better coordination and improved managerial efficiency on construction jobs.

(7) Increased willingness of contractors to tender lump-sum bids and to guarantee completion dates.

All these things are currently taking place and considerable progress has been made. Reasonable stabilization of these numerous elements of construction costs will permit and encourage the development of new methods by which builders can give progressively better values for less money. Already a number of homebuilders have successfully introduced site-prefabrication for large-scale single-family house projects and are making notable progress.

Unless indeed the country is in for a new round of price inflation, it looks as if general commodity prices at wholesale, cost of living and construction costs might be stabilized at levels somewhere in the range of 45 to 65% over their 1939 averages.

It does not appear that the extent of cost deflation that is necessary is such as to require a deep or prolonged recession in construction. Since necessary stabilization of costs could not, apparently, be effected without a slowdown of construction activity, the coming of the slowdown just when it did is a far better indication of economic health than would have been a 1947 boom accompanied by further price, wage and construction cost increases.

Sound Recovery in 1948

Sound market adjustment this year should pave the way for sound recovery in 1948. If this proves to be the case, next year will usher in the third phase of postwar recovery, the phase of catching up with deferred demands, likely to last several years.

After World War I it took until the end of 1924, a period of six years from the cessation of hostilities, to catch up with deferred construction demands. In that postwar period cost stabilization was affected by a two-year depression (1920-1921), the like of which we seem to be avoiding this time.

Many people expected declining construction activity after deferred demands had been taken care of in 1924. The reverse happened. Following 1924 there were five years of the largest construction volume the country ever had in peacetime. During the third phase of recovery a climate favorable to broad economic expansion was created, so that the fourth phase of postwar recovery was one of greatly increased activity in construction and in industry generally. Prophets who are now thinking in terms of a future depression to follow fulfillment of deferred construction demands and filling of industry's backlogs of unfilled orders might do well to give thought to possibilities of general expansion as the fourth phase of recovery following World War II. Much will depend upon the kinds of solutions found for the country's current problems of industrial labor relations, public debt, taxes and international political and economic relations.

Joins Corbrey Staff

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Donald E. Weekes has joined the staff of Carter H. Corbrey & Co., 650 South Spring Street.

As We See It

(Continued from first page)

early future, must be that our exports sales must shrink and with that shrinkage our prosperity would disappear.

Give to Prosper!

In fine, we have been told repeatedly that we had to continue to carry Europe on our shoulders if we wished to maintain our own good times at home. But now some observers who should have been more alert long ago are beginning to observe that our exports are not confined to Europe, that even with a continuance of a large volume of exports to that Continent (including gifts as well as commercial sales) a sharp reduction in the volume of foreign shipment would occur if, for example, the other parts of the western hemisphere were to cut down sharply in their purchases in this country. What more natural, then, than the question: Why a "Marshall Plan" for Europe to sustain the economy of the United States, when for that purpose it is as much needed in Canada, and the Latin American countries as in Europe? Nor have some of these other claimants upon our generosity and our naivete been slow to point out that the "standard of living" in many of the countries in this hemisphere—at least so far as the great rank and file are concerned—is fully as low as in most of Europe even in these bad times. Neither have they been backward in listing this fact as a hazard to democracy.

While not so much has been seen in the press about Asia and, possibly, some other sections of the globe, it may be taken for granted that sooner or later voices will be heard demanding that China, India, possibly Japan, and many other parts of the world be included when such programs as that supposedly embodied in the "Marshall Plan" are under consideration. And many of these arguments will be fully as valid, so far as sustaining the economy of the United States is concerned, as those now being advanced in support of European aid. Other pleas on humanitarian considerations, too, may be as strong in one as in the other case. This, then, would leave the defense of any plan which singles Europe out for special treatment with only the notion of building or maintaining a "bastion" against the encroachment of Russia to support it. This is as it should be, for if what is apparently being considered in the case of Europe can be successfully defended at all it must be on some such ground as self-defense, albeit obviously very costly self-defense, against the Titan pushing farther and farther into Europe from the east.

What Is It?

But what is this that is under consideration for Europe? Is it possible that what is being suggested by apparently well-informed and usually reliable sources can really be under serious advisement? If so, the public certainly has the right to be officially informed to that effect. And we might add that if this is the case many official minds at Washington must be affected with a naivete which is almost incredible. And here we are not making reference to any of the cries for further assistance from the other side of the Atlantic. We do not at the moment have in mind the "warnings" from London about how limited is their remaining supply of dollars—that is, how great their poverty, for that is what dollar shortages really mean in most contexts. We pass over the plainly implied, if not expressly stated, proposition that they can not "wait" for the fruition of the "Marshall Plan," but must either have more dollars within the next month or two or renounce some of the undertakings on the strength of which dollars in gigantic amounts have already been supplied that country—which, incidentally, finds it difficult under a socialistic regime to bring itself to hard, consistent work in order to gain a self-respecting status of self-support.

But it is not this type of phenomena—now all too common on the other side of the Atlantic—that for the moment concerns us. It is rather the notions and the strange ideas which appear to be developing, if indeed they are not already flourishing here in the United States. If some reports are to be credited the "Marshall Plan" would stop at nothing short of "modernization" of the industrial plant of Western Europe. Mere assistance in the restoring of war damages is not enough. Factories must not only be restored, and rehabilitated but "modernized." Such questions as the installation in Western Europe of American mass production techniques are apparently to be decided by some one in governmental circles somewhere. Not only that but government would undertake to do the installing, selecting the forms of organizations and arranging for instruction from this country, and all the rest that go with such a program.

Nowhere, so far as we are aware, has it been officially asserted that such plans are under consideration in the capitals of Western Europe or in Washington. Certainly we have no official word that decisions have been reached in such matters. But if repeated "feelers" and numberless discussions which appear either to have been "inspired," or at the very least to have had their origin in knowledge of what was in the heads of officialdom in various countries are to be given their normal weight, such things are actively under study, so much under study that thoughts have turned to estimates of requirements of materials, tools, machinery and what not to give effect to such planned economy embracing most of Europe. The idea would be worthy of Russian communism, of course, but that is apparently nothing which would deter some of the leaders in Western Europe today, or in this country either.

That such notions are utterly fantastic is pointedly suggested by the recent controversy over the relative production rates of France and Germany. The obvious impotency of the Labor Party in Britain to persuade even its own followers to go to work with a will also points up the fact. And a political revolution in Europe in effect erasing political boundaries and age-old animosities would be essential. What nonsense is this?

Neither a New Bull Market Nor an Old One

(Continued from first page)

technical situation existed as the Dow Jones industrial average reached its low of 163.21 on May 17, last. The Dow Jones rail average had already made a new bear market low and on that date it and many other averages were again going into new low ground. Market opinion, which by every competent analysis had been found to be either evenly balanced between the bullish and the bearish sides or slightly on the bull side up to that time, suddenly swung heavily to the bear side. Not only did opinion become nearly unanimously bearish but there also was very general agreement on another score. That was that the expected break in the market would mark the end of the whole downward movement and would present an outstanding buying opportunity. As at so many times in the past the stock market failed to be so nice to so many people at the same time.

The close approach of the Dow Jones industrial average to its low of October, 1946 was accompanied by a fairly complete selling climax, which was an important factor in holding that average, temporarily at least, just above its October lows both on a closing basis and on an absolute one. A further factor was present at that time, which was to play an important part in the ensuing recovery movement and make it much more than a mere rebound from a selling climax. By mid-May investors had been able to shred out from the mass a few important industries and a fair number of individual issues for which either the outlook for six months to a year or longer appeared favorable even if the much touted business decline was about to get under way, or which contained a strong enough growth element to make the purchase of their common stocks a relatively riskless venture at the then prices. These industries were such important ones as the oil, chemical, tobacco, automobile and electrical equipment industries. These five industries happen to constitute a very large proportion of the Dow Jones industrial average, being represented by 12 of the 30 issues in the average or 40%, while in dollar value these 12 stocks compose 48% of the total value of the average. The blue-chip character of these issues was another attraction to investment funds. This characteristic and the minority that they represent of the broad list of stocks will be commented upon further on.

As the recovery from the May lows progressed, it was fed by a number of developments. Of most importance in the early stages was the rapidly growing belief that the over advertised drop in business was either to be very minor in scope or was not to make itself felt to any degree for many months to come. If this were true, and the evidence was a good deal in that direction then the equities of many other industries besides the five mentioned above seemed likely to give good accounts of themselves during the remainder of 1947. The six months holding period came back into the stock market on the constructive side for the time being. In very short order the Marshall "proposal" became the Marshall "plan" in the majority of peoples minds and for some weeks the bogey of what might be going to happen to our export trade in the final months of the year lost its terrors. Faith in the business outlook for six months or longer expanded and fears that the current high level of earnings was very temporary subsided. The postponement of any tax reductions for the individual until at least 1948 was a disappointment but only a mild one in view of the better feeling about other matters that was then abroad. Passage of the Taft-Hartley labor bill was deemed a considerably more important development and one that should be placed definitely on the constructive side in terms of the stock market. And finally the extravagant settlement reached between industry and coal labor brought about a resurgence of interest in the inflationary elements in the picture. The possibility that the Marshall plan would involve large scale expenditures to rehabilitate Western Europe drew added attention to the inflation angle.

Bullish Factors Lose Strength

If all of these factors that favor the bullish side are to remain in force for an indefinite but considerable number of months ahead, then the supply and demand factors in the stock market at its present levels might be considered as having a balance on the demand side that was sufficient to warrant the belief that the market was capable of negotiating successfully the heavy supply area that lies immediately ahead of it. The apparently brilliant outlook for the oil industry for many months ahead and the consequent success of a number of oil stocks in working their way up through both their 1946 and 1947 top areas could be cited as an example of what might be expected of the rest of the market. Unfortunately the past few weeks have seen definite indications that the favorable factors are losing their force, one or two of them quite rapidly. On the other side the supply factor seems to be headed for an increase in either one of two forms.

The six months outlook is no longer as clear as it seemed to be only two months ago or even two weeks ago. Business activity, as measured by the Federal Reserve Board index or any other index, is trending downward. Slowly, to be sure, but the trend is down. Question has again appeared as to how far this trend will go and whether or not it will accelerate. Will agreement be reached by the Western European nations on the relaxation of restrictions on trade and on other changes in their methods of doing business quickly enough to encourage a skeptical and cynical Congress to appropriate large enough funds to implement properly whatever plan may be agreed upon for the rehabilitation of Western Europe. Will the Russians find the new monkey wrench to throw in the works that they are so obviously searching for? Will the sizable drop in American exports just reported for June be followed by even more sizable declines as the "dollar crisis" widens and deepens?

The decline in the Federal Reserve Board index from its high of 190 to the June figure of 183 and to the lower figure indicated for July in itself represents merely a retreat from a very high level of business to a still high one. The decline could continue a fair amount further, say to 170-175, and yet leave business at a very good level. But at a time when the latest upward twist in the cost of living, the growth of restrictions on our foreign trade, the end of the inventory accumulation period and other factors point clearly to the downtrend in business continuing for a somewhat indefinite period the question of the break even point of American industry has been reintroduced into the picture in a distinctly discouraging manner.

The Break Even Point

Officials of Westinghouse Electric have publicly estimated that the break even point of their corporation is double what it was in 1941. The majority of earnings reports of industrial companies for the second quarter of 1947, while revealing a continuing very high level of earnings in most instances, show a decline from the first quarter despite increases in sales. In the limited number of instances to date where sales have decreased, earnings have declined and usually in a rather dramatic and disturbing manner. Thus once again the permanence of the present high rate of earnings or even of a rate below the current one but still high enough to support the present level of stock prices is being questioned. The tremendous increase in the break even point of American industry necessitates the maintenance of volume at very high levels, levels that are difficult to maintain for any really protracted period.

Once again as the stock market has made a close approach to the 190 level some of the factors on the demand side have weakened. The seriousness of the foreign political situation, with warfare breaking out in Greece and Indonesia and the threat of increased troubles elsewhere is enough to account for part of the low price-earnings ratios of many stocks. New fears regarding the permanence of earnings might complete this picture and invalidate the argument that the market has never been so cheap in relation to a level of business and earnings.

At the same time the amount of financing to which many corporations have already been or will be forced to resort must be considered. Westinghouse Electric again provides a good example. Ahead of its 13,000,000 shares of common stock have gone in one year $80,000,000 of debt and $58,000,000 of preferred, with either more senior securities or an increase in the common stock to come. A pyramid has been created that formerly did not exist. Competent authorities believe that industrial corporations alone must sell securities at the rate of 6 to 7 billion dollars a year for purposes of plant expansion, modernization and working capital. And it is notable that the percentage of new funds that is dedicated to working capital requirements is steadily rising. The railroads and utilities will be turning to the security markets with increasing frequency for new money in large amounts. Thus the overall supply of securities is headed for a large increase in the months ahead. If the new money is raised largely through bonds and preferreds the pyramids ahead of the common stock increases and in turn increases the importance of the break even point. If common stock financing is resorted to in any quantity the supply of stock overhanging the market becomes greater.

A Hint from the Motor Stocks

Possibly the most interesting market development of the past two months—and potentially the most ominous one—has been the failure of the motor stocks to better their February highs. Chrysler, of course, has been the exception but this was obviously a special situation brought about by the timing of the 2-for-1 stock split. On the other side, despite the fact that the Dow Jones industrial average on July 24 closed $2.36 above its February high of 184.49, the best price for General Motors has been 61⅞ compared with 65⅞ in February. The same observation can be made regarding the other auto manufacturing company stocks and about the majority of the auto equipment company stocks.

While the motor group is not alone in having failed to better its February high the apparently very strong position of the automobile industry and the past history of such performances by the motor stocks combine to make their current action of possibly real significance. The strong position of the motor industry is very widely conceded and the general expectation is that demand for its products will remain at a high level for many months to come. The following table gives the significant highs and lows of the motor stocks and of the Dow Jones industrial average over the past eleven years.

	Motor Stocks	D. J. Ind. Average	Time Lag
1936-37 highs ------	Nov. 1936	Mar. 1937	4 months
1941-42 lows ------	Dec. 1941	Apr. 1942	4 months
1946 highs --------	Jan. 1946	May 1946	4 months
1947 highs to date--	Feb. 1947	July 1947	5 months
1938 Lows --------	Mar. 1938	Mar. 1938	--------
1939 highs --------	Oct. 1938	Oct. 1938	--------

The record speaks for itself. It is further bolstered by the fact that when the industrial average on May 17 virtually duplicated its low of last October the motor group still had a comfortable margin above its low seven months before. Some few observers took this as an important indicator of the advance in the industrial average since May 17, which totaled $23 at the recent high.

The motor stocks are not alone in having suggested that the situation is not as strong as the extent of advance in the Dow Jones industrial average might make it seem to be. Analysis of the industrial section of the market reveals that the advance has been carried largely by a distinct minority. Only 29% or less than a third have done really well on the advance. A number have participated only slightly, a few not at all. A reflection of this fact is to be found in the performance of the N. Y. "Times" 50 stock average which has fallen just short of duplicating its February high. An additional manifestation of this phenomenon can be seen in the fact that in May, when at times the D. J. industrial average was some 7 points above its low, as many as 100 stocks were making new lows daily while in the latter port of July, with the average in new high ground for the year, the number of new highs was averaging only about 25. In fact it can be argued that the concentration of the flow of funds in the investment issues in itself reflects a lack of confidence in the overall situation.

Conclusion

With doubts and fears again arising about such fundamental stock market factors as the permanence of corporate earnings and the impermanence of the foreign political situation it is difficult to forecast an advance by the stock market through a supply area that grows in quantity with each point of gain in the average. On the other hand it is not difficult to envisage a combination of unfavorable developments that would bring about at least a test of the stock markets recent lows and that could result in a break into new low ground.

Refutes Taft

(Continued from page 6)

The Republicans babble wild statements about Presidential vetoes, but on these vital issues Congress itself vetoed any action. They were typical Republican vetoes, the vetoes of inaction and reaction.

The 80th Congress did make an effort to handle foreign policy on a non-partisan basis. There were some delays and some hanging back on minor issues, such as the admission of a limited number of displaced persons into the country from Europe, but in general the record was not too bad. Yet Taft with a heavy foot strode forth to speak of unity but created disunity by slurs at the non-partisan foreign policy.

The President has taken the leadership in efforts to establish a lasting peace. His approach has been one of complete non-partisanship.

There should be no partisan politics at so crucial a period in our relations with other nations and I hope that Senator Taft will not be the one to shatter our own national unity in the face of this Atomic Age and its terrifying problems.

This then is the real record of the 80th Congress.

It is a sordid story of subservience to the lobbies of Big Business, of shocking inaction in meeting the vital issues of the day.

Senator Taft was the boss of the Republicans who voted this shameful record. When he cracked the whip, they jumped.

Small wonder then that Senator Taft failed to give an accurate report of these failures in last night's political speech. He was holding the mirror up to Boss Taft, and his Captive Congress. Looking through rose-colored glasses he found that what he saw was good.

The rest of the country will not be so short-sighted.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Down signals continue in evidence. If long, prefer stopping positions until clarification occurs.

I have two clippings of two of my old columns, before me, plus a verbal criticism about "pretending" that "predictions were right when they weren't." These little slaps across the wrist are interesting and maybe they're even justified. In one column I advised the disposition of certain stocks (Bethlehem and Big Steel) " . . . during the first two hours in next Monday's session." That was the Monday following the July 4th weekend. In a subsequent column, also enclosed by the same reader, and to which he apparently takes exception, I wrote that Bethlehem and Steel were at 91 and 76 respectively and that " . . . on paper you have a nice profit." His assumption is that, having gotten out of them once, how can I still be long?

If the irate writer would re-read the first column he will also see that I finished off with "In case you want to hold on, my suggestion is that you raise your stops," and then gave the stops.

It must be obvious that I have no way of knowing if readers sold out, or if they even bought the stocks. So I have no alternative but to assume that stocks are being held until a predetermined figure is broken.

Now as to the market.

Last week's action was almost completely meaningless so far as the immediate future was concerned. The averages made a low just under 180 and rallied back to about 185. The majority of stocks did comparatively little.

There has been some drum thumping about the sharply increased income expected from some companies due to the upped price levels. Theory is that the stocks representing these companies were cheap and would therefore advance. This theory isn't original. It's the basis for all stock advances. Unfortunately increased income doesn't mean larger per unit sales. Gains in dollar sales of most products is in my opinion illusory. The rise in sales comes from higher per unit prices not increased sales. If this weren't so there is little doubt but that many stocks would be cheap today not only on potential income but on present profits.

The market isn't a naive namby-pamby that reflects every puff of wind. The people who back their judgment with hard money are apparently quite aware of the potentials that make for bear markets and are being pretty cagey about the whole thing. The market shows it almost every day.

The public, on the other hand, are beguiled by estimated earnings and either hold on to what they have on the theory that because they hold them outright they can't be hurt, or buy more. So far as this column is concerned the advice to walk softly still applies. Stops in Bethlehem and Steel remain the same.

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.]

Britain's Economic Situation

(Continued from page 11)

disposing of our manufactures abroad.

If you asked me what are the most important factors today in the building up of our exports I would say coal, steel, electric power and transport. A shortage of any one of these has a doubly adverse effect. First it actually diminishes the possible volume of production, but second and perhaps even more it brings about a sense of frustration and impotence which slows down the general tempo of production. Nothing is so inimical to production efficiency as constant hold-ups for lack of power or raw materials. We are therefore concentrating on these four factors, they are having an absolute first call on our available resources so as to enable us to get through the very difficult period of next winter with as little dislocation as possible.

Here I would like to mention the great interdependence of our industrial and domestic user of these things. It is of no use our working out elaborate and troublesome methods of saving fuel and power industrially by ingenious methods of economy or by staggering hours of the domestic user is going to mop up the surpluses so created and leave industry as much embarrassed as ever by shortages.

It is an absolute condition of reaching anything like full production next winter that every citizen in the country should exercise the very maximum of domestic economy in fuel and power. If that economy is rigorously exercised it looks as if we should get through—if not we shall certainly fail and that failure will fall largely upon our exports. Our exports in most cases still come from the surpluses over a very meager home consumption and in many cases it is well nigh impossible to cut that home consumption further, so that—as we experienced with the last fuel shortage—the bulk of the loss must fall upon exports.

We are gradually climbing back up the ladder of exports from the point to which we were knocked down by the fuel shortage. We haven't yet reached as high a point as we had achieved last autumn but we are not far off it. But after that there is a long and most difficult climb to get to the 140% target we have fixed for next spring—difficult because of the increasingly rapid disappearance of the sellers' market abroad and because of the shortages which are affecting or may affect our production.

The lesson of all this is I think easy to point out.

We cannot continue living on tick as a country any more than we could as individuals. The only remedy is in our own efforts and if need be in our own abstinence.

No More Slack to Be Taken Up

We can only balance our overseas payments either by importing less—that is enjoying a lower standard of living—or exporting more, that is working harder than ever. There is no more slack to be taken up in our internal economy. We cannot increase our standards by greater money rewards unless also we get a greater production. To increase profits, salaries or wages or to shorten hours without more production will merely increase the internal inflationary pressure and will be of benefit to no one. It is production that is the first necessity.

The most important section of our economy is that which I have mentioned as basic to all production, coal, electric power, transport and steel. If we fail in these we fail in all our production.

We have neither time nor resources to spare. The situation is as urgent for our future as was the period before D-Day. Everyone can contribute to our success by their effort or to our failure by their lack of effort. The Battle of the Balance of Payments is on, our independent economic survival as a great power is at stake. The courage and determination of a great constructive effort by the entire nation is needed today. We should be neither optimists nor pessimists but realists facing up to the gravity of our task and using for its accomplishment those qualities that have made our country great in times of peace and war alike. Our democracy, economic and political, is on trial before the eyes of the world. Our failure would mean its collapse, our success would immeasurably strengthen all that we believe to be right and hold dear in our civilization. Seldom in the world's history has a greater call come to any nation, a call for courage and leadership, let us welcome that challenge and meet it with all our resources and energy so that the British Commonwealth of Nations by its practical idealism play its full part in helping to save the world from what otherwise will be economic chaos.

George Carpenter Dead

George Washington Carpenter, a partner in the brokerage firm of Jesup & Lamont, New York City, and a member of the New York Stock Exchange, died at the age of 64. Mr. Carpenter joined Jesup & Lamont in 1921; he had been a partner in Teft & Co., also a brokerage firm.

The State of Trade and Industry

(Continued from page 5)

For the first time in a good many years major firms in the steel industry this week were operating on a multiple price basis for such products as semifinished steel, galvanized sheets, enameling sheets and long ternes. The price lists issued by the U. S. Steel Corp. subsidiaries indicated that their prices on galvanized sheets are $2 a ton less than other major producers, $1 less on enameling sheets and $4 a ton less on long ternes, a product extensively used by the automotive industry.

With customer relationships and strong competition involved in today's steel market, despite the heavy overall demand, it is unlikely that the price differentials will last very long, the trade paper points out. There are indications from some sources, it adds, that independent steelmakers will meet U. S. Steel's lower prices on some items but so far this week the situation was not clear cut.

The inroads being made by aluminum sheets may cause sober reflection on the multiple prices for galvanized steel sheets and the knowledge of the importance of automotive buying may cause a change in the price of long ternes.

There was little or no complaint from steel consumers this week over the new high prices for the simple reason that most manufacturers were expected to pass the increases along to the ultimate consumer.

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 94.9% of capacity for the week beginning Aug. 4, 1947, as compared with 94.4% one week ago, 78.9% one month ago and 89.0% one year ago. This represents an increase of 0.5 point, or 0.5% from the preceding week.

The week's operating rate is equivalent to 1,660,700 tons of steel ingots and castings compared to 1,651,900 tons one week ago, 1,380,700 tons one month ago, and 1,568,500 tons one year ago.

AUTOMOTIVE OUTPUT EXCEEDS PREVIOUS WEEK AND YEAR

Notwithstanding the adverse effect of the Murray Corp. strike, car and truck production in the United States and Canada the past week rose to 94,643 units from a revised figure of 83,807 units in the week preceding. The gain resulted chiefly from the resumption of operations by most General Motors plants after a week's idleness, according to Ward's Automotive Reports.

Comparable figures for the same week last year show 79,385 units turned out, while in the corresponding period of 1941 only 62,146 units were built, due to widespread shutdowns for model changeover.

RAILROAD FREIGHT LOADINGS ABOVE WEEK AND YEAR AGO

Loading of revenue freight for the week ended July 26, 1947 totalled 919,928 cars, the Association of American Railroads announced. This was an increase of 194 cars, or 0.02% above the preceding week and was the highest for any week so far this year. It also represented an increase of 9,415 cars or 1% above the corresponding week in 1946, and an increase of 33,498 cars or 3.8% above the same week in 1945.

ELECTRIC OUTPUT 10.5% AHEAD OF A YEAR AGO

The amount of electric energy distributed by the electric light and power industry for the week ended Aug. 2, 1947 was 4,805,740,000 kwh, according to the Edison Electric Institute. This compares with 4,730,229,000 kwh in the preceding week and was 10.5% in excess of the 4,351,011,000 kwh produced in the corresponding period of last year.

SUMMARY OF TRADE

Retail volume rose moderately in the week and continued at a somewhat higher level than that of the corresponding week of 1946. Consumers shopped carefully and continued to prefer medium-priced articles of good quality. Credit sales increased and collections were reported to be generally slow. Clearance and promotional sales continue do stimulate public interest.

Gains in wholesale volume over the preceding week and the corresponding week a year ago were moderate. Order volume increased as retailers gained confidence. Buying was cautious but less restricted than in previous weeks. Deliveries improved in some lines, scarcities persisted in others. Retailer preference for known brands of merchandise continued to be evident.

BUSINESS FAILURES TURN DOWNWARD

After increasing in the previous week, commercial and industrial failures declined a little in the week ending July 31, reports Dun & Bradstreet, Inc. Concerns failing numbered 69, down from 76 last week, but almost five times as many as in the comparable week of 1946 when only 14 failures occurred.

The decrease occurred entirely in failures involving liabilities of $5,000 or more, declining from 68 in the previous week to 58 last week. Despite the decline, they were about six times as numerous as the 10 reported in the same week last year. Small failures with losses under $5,000 increased in the week just ended, rising from eight to 11. Compared with the 1946 level, they showed a less sharp rise than the larger failures with liabilities in excess of $5,000.

Manufacturing accounted for one-third of the week's total failures. Retailing had the next largest number of failures, while wholesaling, construction, and commercial service failures numbered less than 10.

Over half of the week's failures were concentrated in the Pacific, East North Central, and New England States.

Five Canadian failures were reported against four in the previous week and three a year ago.

WHOLESALE FOOD PRICE INDEX SLIGHTLY HIGHER

Food prices moved irregularly during the past week with nine commodities advancing in price and an equal number declining. The wholesale food price index, compiled by Dun & Bradstreet, Inc., rose slightly to stand at $6.51 on July 29, as compared with $6.48 a week earlier. The current figure represents a 24.2% increase over the $5.24 for the corresponding date a year ago.

DAILY WHOLESALE COMMODITY PRICE INDEX SHOWS NARROW TREND

After a moderate rise at the beginning of the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., levelled off and moved within narrow limits during the remainder of the period. The index closed at 266.48 on July 29, as compared with 266.57 a week earlier. On the corresponding date a year ago the index stood at 220.09.

Grain markets last week were irregular with prices of most cereals finishing lower after an early bulge which carried some deliveries to new seasonal highs. Cash wheat and the nearby deliveries showed strength early in the period but declined moderately in late dealings.

The movement of the record Winter wheat crop into market was held up only when the railroads were unable to furnish box cars in sufficient numbers. Reports indicate that many farmers are storing a good part of their grain instead of selling it on the open market at present prices. Prices eased slightly toward the end of the week as heavy selling of the grain occurred. Oats fell sharply at the close chiefly in sympathy with other grains. The domestic demand for flour tapered off during the week as buyers displayed resistance to advancing prices. Export demand was light as buyers awaited announcement of September allocations.

Cotton prices in the domestic market eased slightly during the week. Trading was light and volume consisted mostly of small lot purchases for future delivery. Early strength was attributed mainly to an announcement by the government of the intent to buy 40,000 bales to be sent to Japan.

Steady commission house liquidation and reports of more favorable weather were responsible for price declines in late dealings. Spot markets were faily active with new ginnings selling freely. Reports from Texas and the Far West indicate that the new crop is making excellent progress in those areas. Textile markets continued to be very active the past week and prices were firm to slightly higher. Although some price resistance was noted, a substantial quantity of goods was sold. The demand for almost all staple carded cotton gray cloths was heavy with offerings of print cloths, sheetings, and broadcloths for spot and nearby delivery becoming increasingly limited.

Activity in the Boston wool market declined slightly during the past week due chiefly to the lack of offerings of fine wools. Appraisals of domestic wools for purchase by the CCC during the week ended July 18 totaled 2,097,948 pounds bringing the aggregate appraisals of 1947 wools to 36,438,377. This compared with a total of 144,964,967 pounds appraised to the same date last year.

RETAIL AND WHOLESALE TRADE MODERATELY HIGHER

The volume of consumer purchases last week increased moderately from that of the preceding week and was somewhat higher than that of the corresponding week a year ago.

Clearance sales increased in number and variety and were instrumental in attracting interest to seasonal merchandise. Many consumers refused to buy over-priced items and carefully checked all prospective purchases for quality. Scarcities persisted in several lines.

Substantial quantities of most foods were available. Housewives purchased large stocks of fresh fruits and vegetables. Canned and frozen meats, cold cuts and poultry continued to sell in large volume.

Household specialties and certain types of small electrical appliances sold well. Shortages of known brands of lectric stoves, refrigerators and washing machines persisted. The heavy demand for good quality dining and bedroom suites exceeded the supply. Building materials, screen wire, steel pipe, carpenter tools and most paper products were in limited supply.

Early promotional sales of Fall women's wear were greeted with enthusiasm. Consumers evidenced interest in fur-trimmed coats, coats with hoods, and new style full-backed fur coats. Clearance sales of Summer sportswear, cotton dresses and beachwear were numerous. Men's tropical weight suits and work clothing were hard-to-get items in many parts of the country. The demand was considerable for men's high-quality white shirts and staple colored shirts. Home designers purchased large quantities of laces and ribbons for remodeling last year's styles.

Retail volume for the country in the period ending on Wednesday of last week was estimated to be from 6 to 10% above the corresponding week of 1946. Regional estimates exceeded those of a year ago by the following percentages: New England and Pacific Coast, 5 to 9; East and Northwest, 6 to 10; Middle West, 9 to 13; South, 3 to 7, and Southwest, 7 to 11.

Insistence by many manufacturers that order delays produce delivery delays coupled with continued unchanged replacement costs swayed retailers further from hitherto guarded buying policies.

Wholesale volume in the week ended this Wednesday rose moderately above that of the previous week. Order volume considerably exceeded that of the corresponding week of 1946. Retailers continued to purchase prudently but less restrictedly and nationally advertised brands and good quality merchandise were preferred.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 26, 1947, increased 4% above the same period of last year. This compared with an increase of 8% the preceding week. For the four weeks ended July 26, 1947, sales increased by 7% and for the year to date by 10%.

Retail trade in New York City the past week was adversely affected by the hot and humid weather which prevailed the greater part of the week.

It was reported consumer acceptance of the new fall styles was well received in the wholesale markets with garment buyers attempting to expedite deliveries on orders.

The durable goods field last week had to await the effects of the increase in steel quotations upon prices of finished merchandise.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to July 26, 1947, increased 3% above the same period last year. This compared with an increase of 14% (revised figures) in the preceding week. For the four weeks ended July 26, 1947, sales rose 10% and for the year to date 9%.

The Dollar Shortage

(Continued from page 4)

with you. The first let us call "the Knox Plan" for lack of a better name. I mentioned that Sweden was suffering from too much government. I feel that your country and mine and most of the countries of the world are suffering from this same curse. During the last decade, governments everywhere have been taking a greater and ever-greater interest and participation in business. It is my recommendation that we put a little more business in government. I am not going to be so bold as to recommend reducing the number of people on the public payroll—who are incidentally supported by the workers—to the 1938 level, but, as a starter, I recommend a five-year plan to reduce the number of State employees 10% each year for five years. Certainly, with the prevailing shortage of labor around the world, this seems to be a very simple and sensible suggestion. From a business standpoint, it would mean **lower overhead and increased production!**

"From 5,000 feet in the air I cannot tell the difference between a private enterprise country, a socialist country, or a communist country, nor can I tell when I pass from one to another. You, here in England, are in the midst of a revolution. I am happy to say that it is a revolution brought about by the ballot box and not by the sword and rifle and bomb—but a revolution nevertheless.

"You are apparently accelerating the socialization of industry, not because you necessarily want to, but because conditions are bad and you are always hoping that the next step will solve your problems, though somehow or another it doesn't.

"I do not profess to know all the answers, but I wish to leave with you what may be a new thought. Let us not argue about dogma for dogma's sake, but keep an open mind on my understanding of the object or target, namely, to provide the greatest possible number of people with an ever-increasing quantity of goods and services and ever-improving housing and educational opportunities.

"Even the Soviet who nationalized both labor and capital, discovered that if they took the incentive away from labor, production fell on its face. Accordingly, in Russia today, you will find that they are using both the piece-work system and the bonus system. I assume, without knowing, that under a labor government this is also true. The one thing that I believe that some people fail to appreciate is that it is just as important to have competition between capital as between labor, and that for outstanding production or achievements capital also should receive its rewards or bonuses. Otherwise there will be no desire, need or incentive for capital, regardless of ownership, to risk itself in producing better, simpler and cheaper things that make up modern civilization. And all to the end that not capital, but labor suffers, through lack of production and through a lower standard of living.

"In other words, ladies and gentlemen, change the rules of the game if you wish—but do not overlook the American system of free enterprise. It has many faults, but in both war and in peace it has produced and furnished a quantity of goods and a standard of living for the people, higher than any other system that has ever been tried out on this earth."

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y. (8/18)
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.

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 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.

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. 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. In connection with the sale privately of $35,000,000 3½% debentures announced July 17, 1947, George A. Eastwood stated: "The debenture sale permits immediate accomplishment of some of the objective of the refinancing plan which the directors and management contemplated nearly a year ago when the shareholders at a special meeting authorized the issuance of two new classes of preferred stock. These new stocks were designed to carry a lower rate of dividend than the present preferred stocks and the consequent reduction in annual dividend requirements was and still is regarded as a major objective in the best interests of the company and its shareholders. We look forward to the accomplishment of this objective in the near future."

Arnold, Hoffman & Co., Inc. (8/25-29)
July 22 (letter of notification) 10,000 shares ($20 par) common. **Price**—$23.25 a share. **Underwriting**—Cohu & Torrey, New York. For capital improvements and for working capital.

● **A. S. C. Corp., Marion, Ind.**
July 30 (letter of notification) 2,500 shares of 5% cumulative preferred. **Price**—$100 a share. **Underwriter**—Foelber-Patterson, Inc., Fort Wayne, Ind. For additional working capital.

Atlantic City (N. J.) Electric Co.
March 19 filed 522,416 shares ($10 par) common, being offered by American Gas & Electric Co. **Underwriters**—To be determined by competitive bidding. **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**—Bids for the purchase of the stock submitted July 22 were rejected. A joint bid by The First Boston Corp.; Shields & Co.; Drexel & Co., and White, Weld & Co. of $17.68 per share and a joint bid by Dillon, Read & Co. Inc., and Smith, Barney & Co. of $16.30 per share were submitted.

● **Automatic Business Machines Corp., Birmingham, Ala.**
July 28 (letter of notification) 15,000 shares ($10 par) 5% preferred and 13,666 shares ($1 par) common. **Price**—$10 a preferred share and $5 a common share. No underwriting. For 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.

Bonanza Mines, Inc., San Francisco
June 17 (leter of notification) 65,000 shares (10¢ par) common. **Price**—$1.25 a share. **Underwriting**—A. L. Albee & Co., Inc., Boston. For exploration of mining claims.

Brayton Flying Service, Inc., Robertson, Mo.
March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. **Price**—$5 per unit, consisting of one share of each. **Underwriter**—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

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.

● **Buchanan (Mich.) Steel Products Corp.**
July 28 (letter of notification) 51,800 shares ($1 par) common, of which 50,000 shares are to be sold to D. A. Donahue and Elmer W. Cress, respectively president and vice-president and treasurer, at $1 a share and 1,800 shares will be offered to key employees at $1.50 a share. No underwriting. For working capital.

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 loan of $9,000,000 which the company has negotiated with a group of banks.

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.

● **Chemical Plant Foods, Inc., Monrovia, Calif.**
July 25 (letter of notification) 62,500 shares of capital stock of which 34,000 shares will be offered publicly at $1 a share and the balance of 28,500 shares will be issued in consideration of promotion services to the company. No underwriting. For debt retirement and expansion purposes.

● **Cherryvale (Kan.) Development Co., Inc., Cherryvale, Kans.**
July 31 (letter of notification) 2,400 shares of class A common. **Price**—$25 a share. No underwriting. For factory site and construction of building.

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.

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.

Conlon-Moore Corp., Chicago
July 25 filed $800,000 10-year first mortgage 4¾% sinking fund bonds. **Underwriters** — Illinois Securities Co., Joliet, Ill., and Mullaney, Ross & Co., Chicago. **Price**—Par. **Proceeds**—To pay off indebtedness and to finance expansion of business.

Crawford Clothes, Inc., L. I. City, N. Y.
Aug. 9, 1946, filed 300,000 shares ($5 par) common. **Underwriters**—First Boston Corp., New York. **Price by** amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

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 (8/12)
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. [Revised letter filed on Aug. 6.]

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.

● **Duquesne Light Co., Pittsburgh, Pa.**
Aug. 1 filed $75,000,000 30-year first mortgage bonds. **Underwriting**—To be determined by competitive bidding. Probable bidders include: Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—To redeem $70,000,000 of first mortgage 3½% bonds at 103¼. The balance will be added to general funds to pay part of the cost of new construction.

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.

(Continued on page 38)

NEW ISSUE CALENDAR

(Showing probable date of offering)

August 7, 1947

Delaware, Lackawanna & Western RR. Noon (EDT)........Equip. Tr. Ctfs.
Illinois Central RR........Equip. Tr. Ctfs.
Shackleton Piano Co........Preferred
Vacu-Top Jars, Inc........Common

August 8, 1947

Quaker Products Co........Common

August 11, 1947

Jahn & Ollier Engraving Co........Common

August 12, 1947

Grammes (L. F.) & Sons Inc........Preferred
Hajoca Corp........Common
U. S. Television Mfg. Corp........Preferred

August 13, 1947

Potomac Electric Power Co. 11:30 a.m. (EDT)........Preferred

August 15, 1947

Chicago, Burlington & Quincy Railroad........Conditional Sales Agreement

August 18, 1947

Acme Electric Corp........Common

August 19, 1947

Plywood, Inc........Common
Southern Pacific Co. Noon (EDT)........Equip. Tr. Ctfs.

August 22, 1947

Consumers Power Co........Bonds

August 25, 1947

Arnold, Hoffman & Co., Inc........Common
Florida-Ramie Products, Inc........Common

August 27, 1947

San Francisco Bank........Common

(Continued from page 37)

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.

● **Family Underwriters Corp., Seattle, Wash.**
July 29 (letter of notification) Thomas A. LaFollette, Seattle, Wash., on behalf of the Family Underwriters Corp., a new company which he is organizing filed 3,000 shares ($100 par) 5% cumulative preferred and 1,500 shares (no par) common which will be used as bonus shares. **Price**—$100 a preferred share. One share of common will be issued with each purchase of two shares of preferred. No underwriting. To organize life insurance company.

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.

● **Federated Department Stores, Inc., Cincinnati**
July 31 filed 584,554 shares (no par) common. **Underwriting**—No underwriting. **Offering**—Of the total 102,-380 shares will be offered in exchange for common stocks of Wm. Filene's Sons Co.; Abraham & Straus, Inc.; Bloomingdale Bros., Inc., and the F. and R. Lazarus and Co., all subsidiaries of Federated. In addition, the registration covered 482,174 shares of common for a tentative public offering by 18 stockholders. These may be sold from time to time at the market on the New York Stock Exchange. **Business**—Holding company.

Florida Power & Light Co., Miami, Fla.
June 24 filed 150,000 shares of $100 par cumulative preferred. **Underwriters**—Names to be filed by amendment. **Bids**—No bids submitted for purchase of stock which was advertized for sale on July 29. A negotiated sale is now possible.

● **Florida Ramie Products, Inc., N. Y. (8/25)**
Aug. 1 (letter of notification) 100,000 shares ($1 par) class A common. **Price**—$3 a share. **Underwriter**—Batkin, Jacobs & Co., New York. To purchase new machines and equipment, to pay off some current liabilities and to add to working capital.

General Portland Cement Co., Chicago
July 29 filed 100,000 shares ($1 par) common. **Underwriter** — Lazard Freres & Co., New York. Price by amendment. **Proceeds**—Shares are being sold by stockholders.

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.

● **Golden Valley Cooperative Assoc., Omaha, Neb.**
July 29 (letter of notification) 1,000 shares ($25 par) common. **Price**—$25 a share. No underwriting. For working capital.

● **Goss (Oliver P. M.) and Worth C., Seattle, Wash.**
July 25 (letter of notification) 300,000 shares of capital stock. Offering price not stated. No underwriting. For organization and operation of business.

● **Grammes (L. F.) & Sons, Inc., Allentown, Pa. (8/12)**
Aug. 4 (letter of notification) 5,811 shares (no par) $1.50 cumulative preferred. **Price**—$25 per share. **Underwriter**—Warren W. York & Co., Inc., Allentown, Pa. 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.

● **Hajoca Corp., Philadelphia (8/25)**
Aug. 4 (letter of notification) 6,987 shares of common stock (par $1). **Price**—$35 per share. **Underwriting**—None. Holders of common stock of record Aug. 18 will be given the right to subscribe for the stock in the ratio of one new for each 10 shares held. Rights expire Oct. 1, 1947. Proceeds for construction program.

Hammond Instrument Co., Chicago
July 16 (letter of notification) $100,000 of ($1 par) common, being sold by Laurens Hammond, President of the company. Prices to be determined at time of sale. **Underwriting**—Paul H. Davis & Co., Chicago.

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.

● **Hogue Arizona Petroleum Inc., Holbrook, Ariz.**
Aug. 1 (letter of notification) 300,000 shares ($1 par) capital stock, of which 150,000 shares will be sold publicly at $1 a share and the remaining 150,000 shares will be issued to A. G. Hogue, President of the company, and his associates. No underwriting. Company's fiscal agent is Frank E. O'Connell, of Holbrook, Ariz. For drilling an oil well.

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.

● **Huletts Landing Corp., Washington County, N. Y.**
Aug. 1 (letter of notification) $34,000 of 3% debentures, due 1967, and 1,700 shares (10¢ par) common. **Price**—$502.50 per unit, consisting of one debenture and 25 shares of common. To be offered through officers and stockholders. For reduction of liabilities and for working capital.

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.

Illinois-Rockford Corp., Chicago
July 24 filed 120,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Straus & Blosser, Chicago. **Price**—$9.25 a share. **Proceeds**—The shares are being sold by four stockholders and represent part of the stock the sellers will receive in exchange for their holdings of four furniture companies to be merged with the registrant. The merging companies are Toccoa Manufacturing Co. and Stickley Brothers, Inc., both Illinois corporations, and the Luce Corp. and Stickley Bros. Institutional Furniture Co., both Michigan corporations.

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.

● **International Production Co., El Dorado Springs, Mo.**
July 30 (letter of notification) 200,000 shares ($1 par) class A common. **Price**—50¢ a share. Underwriters not named. For reopening of mine.

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.

Jahn & Ollier Engraving Co. (8/11)
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.

● **Jeanette (Pa.) Glass Co.**
Aug. 4 (letter of notification) 420 shares of 7% cumulative preferred stock. **Price**—$105. **Underwriter**—McLaughlin, MacAfee & Co., Pittsburgh. Working capital.

Kentucky Utilities Co., Lexington, Ky.
May 9 filed 130,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. It was announced July 25 that the company has instituted conversations with The First Boston Corp., Lehman Brothers and Lazard Freres Co. (jointly) toward underwriting the stock. **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. **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 postponed.

Koch Chemical Co., Winona, Minn.
July 22 (letter of notification) 60,000 shares ($1 par) common. **Price**—$5 a share. **Underwriter**—H. P. Carver Corp., Boston. To retire debt and for working capital.

LaCrosse Telephone Corp., Chicago
July 22 (letter of notification) 10,693 shares of common stock (par $10). **Price**—$12 a share. Stockholders of record July 3 given right to subscribe in ratio of one new for each 4 shares held. Rights expire Aug. 15. For property additions and replacements.

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.

● **Li Falco Manufacturing Co., Inc., Little Falls, N. Y.**
July 31 (letter of notification) 5,000 shares ($2 par) common. To be sold at market. **Underwriter**—Birnbaum & Co., New York. Shares being sold on behalf of two stockholders.

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.

Manhattan Coil Corp., Atlanta, Ga.
May 20 filed $500,000 5% serial debentures, due 1949-1957; 12,000 shares ($25 par) 5½% cumulative convertible preferred and 85,000 shares ($1 par) common. **Underwriter**—Kirchofer & Arnold, Inc., Raleigh, N. C. **Price**—The debentures at 102.507, while the preferred shares will be offered at par and the common shares at $4

each. **Proceeds**—To retire bank indebtedness and to finance purchase of machinery and other plant equipment.

Manontqueb Explorations, Ltd., Toronto, Can.
April 10 filed 300,000 shares ($1 par) common. **Underwriter**—F. H. Winter & Co. **Price**—40 cents a share. **Proceeds**—For exploration and development of mining claims. **Business**—Mining.

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.

McPhail Candy Corp., Chicago
July 25 filed 100,000 shares ($10 par) 5½% cumulative convertible preferred and 200,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Shillinglaw, Bolger & Co., Chicago. **Price** — $10 a preferred share and $6 a common share. **Proceeds** — Company will receive proceeds from the sale of preferred only and will use it to pay off bank loans, buy new equipment and for working capital. The common stock is being sold by Russell McPhail, President.

● **Morton Oil Co., Casper, Wyo.**
July 30 (letter of notification) 200,000 shares (10¢ par) common on behalf of Merle E. Morton, President of the company. No underwriting. To be sold at market.

Morris Plan Corp. of America, N. Y.
Mar. 31 filed $3,000,000 debentures. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—To retire outstanding bank loans.

● **National Union Fire Insurance Co. of Pittsburgh, Pa.**
Aug. 5 filed 180,000 shares ($5 par) capital stock. **Underwriter**—The First Boston Corp., New York. **Offering**—Shares initially will be offered to stockholders at rate of nine shares for each 11 shares held of record as of Aug. 25. Unsubscribed shares will be offered publicly through the underwriters. Price by amendment. **Proceeds**—To be added to cash funds for investment in securities. **Business**—Insurance business.

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.

● **Noranda Oil Corp., Perth Amboy, N. J.**
July 28 (letter of notification) 299,000 shares of common and 150,000 warrants. **Price**—$1 per common share and $.0006⅔ per warrant. **Underwriter**—C. K. Pistell & Co., Inc., New York, which will receive a discount of 20 cents a share on the common and who will purchase the warrants for a total price of $100. For drilling three wells in Jackson County, Tex., and for new acquisitions and development of properties.

● **Northeast Finance Corp., Boston**
July 31 (letter of notification) $100,000 of Series A debenture bonds. **Price** — 100. No underwriting. For business expansion.

● **Northwest Casualty Co., Seattle, Wash.**
July 31 (letter of notification) 30,000 shares ($10 par) 6% cumulative preferred. **Price**—$10 a share. No underwriting. For general corporate purposes.

● **O'Harra Bus Lines, Inc., Anchorage, Alaska**
July 31 (letter of notification) 250,000 shares ($1 par) common. **Price**—$1.15 a share on 235,000 shares and $1 a share on 15,000 shares already sold. To be sold through officers of the company. For operation of business.

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.

Plywood Inc., Detroit (8/19)
July 18 filed $500,000 5% sinking fund debentures, due 1967, and 200 000 shares ($1 par) common. **Underwriter**—P. W. Brooks & Co., Inc., New York, is principal underwriter for debentures and Baker, Simonds & Co., Detroit, is principal underwriter for the common. **Price**—Debentures will be sold at par with a 9% discount to underwriter while common will be sold at $2 a share with a discount of 30 cents a share to the underwriters. **Proceeds**—To purchase all the outstanding stock of Kalpine Plywood Co., Klamath Falls, Ore., and to retire bank indebtedness and for working capital. Stock offering scheduled for Aug. 19. Bonds later.

● **Port Chilkoot Co., Port Chilkoot, Alaska**
July 29 (letter of notification) 4,000 shares ($25 par) common and 8,000 shares ($25 par) preferred. To be sold at par. A total of 1,300 shares of common and 600 shares of preferred will be issued in return for services rendered in promotion and organization of company. No underwriting. For exploitation of property in Alaska.

Potomac Electric Power Co. (8/13)
July 10 filed 140,000 shares ($50 par) preferred, entitled to cumulative dividends. **Underwriting**—To be determined by competitive bidding. Probable bidders include Drexel & Co.; Kidder, Peabody & Co.; The First Boston Corp.; Dillon, Read & Co., Inc. **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. **Bids**—Bids for purchase of stock will be received up to 11:30 a.m. (EDT) August 13 at Room 1901, 60 Broadway, New York.

● **Priestly Mining & Milling Co., Inc., Seattle, Wash.**
July 29 (letter of notification) 100,000 shares ($1 par) common. **Price** — $1 a share. **Underwriter** — Paul R. Blomberg, President of the company. For mine exploration and development.

● **Princeton Mining Co., Missoula, Mont.**
July 29 (letter of notification) 451,625 shares of capital stock, of which 400,000 shares will be offered publicly at 10¢ a share; balance will be used to compensate the salesman. No underwriting—J. W. Abbott, President of company, is in charge of all sales. For development of mining claims.

Public Service Co. of New Hampshire
July 28 filed 565,553 common shares (par $10), now owned by New England Public Service Co. **Underwriters**—Names by amendment. Probable bidders include: The First Boston Corp.; Kidder, Peabody & Co.; Blyth & Co., Inc.; Harriman Ripley & Co. **Offering**—The number of shares and terms of offering will be determined by New England as soon as the U. S. District Court of Maine issues an order enforcing its corporate simplification plan approved by the SEC last June. The sale of stock is in connection with the plan.

● **Quaker Products Co., Philadelphia (8/8)**
Aug. 1 (letter of notification) 2,000 shares of common stock (par $100). **Price**—$100. **Underwriting**—None. Formation of a 100% cooperative operating a separate company for distribution of fresh fruit and vegetables and frozen products.

Quebec Gold Rocks Exploration Ltd., Montreal
Nov. 13, 1946, filed 100,000 shs. (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. **Price**—50¢ a share. **Proceeds**—For exploration and development of mining property.

Raleigh Red Lake Mines, Ltd., Toronto, Can.
June 9 filed 460,000 shares of stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—25 cents a share. **Proceeds**—To finance diamond drilling and land surveys.

Refrigerated Cargoes, Inc., New York
Feb. 3 filed 25,000 shares ($100 par) 6% cumulative preferred and 25,000 shares (no par) common. **Underwriter**—John Martin Rolph, Vice-President and director of company. **Price**—The stocks will be sold at $105 per unit consisting of one share of preferred and one share of common. **Proceeds**—To be used in organization of business.

Republic Pictures Corp., New York
Registration originally filed July 31, 1946, covered 184,823 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling Grace & Co. as underwriters. Company decided to issue 454,465 shares of common stock only, which were to be offered for subscription to stockholders of record Sept. 5, 1946, to the extent of one share for each five held. Issue not to be underwritten.

Revere Racing Association, Inc., Boston
July 29 filed 140,000 shares (no par) common. **Underwriter**—Bonner & Bonner, Inc., New York. **Price**—$5.75 a share. **Proceeds**—The shares are being sold by stockholders who will receive all net proceeds.

Rochester (N. Y.) Gas & Electric Corp.
May 26 filed $16,677,000 first mortgage bonds, Series L, due 1977, and 50,000 shares ($100 par) preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley; Lehman Brothers; The First Boston Corp. and Smith, Barney & Co. (jointly). **Proceeds**—To redeem all of its outstanding $7,675,000 bonds and to repay $3,500,000 bank loan and to finance new construction. Corporation has temporarily abandoned the proposed financing, it was announced June 17, due to "unacceptable" conditions of New York P. S. Commission. Instead company June 18 asked SEC permission to issue unsecured notes.

Rochester (N. Y.) Telephone Corp.
June 4 filed 67,500 shares ($100 par) cumulative preferred. **Underwriting**—By competitive bidding. Probable bidders—Merrill Lynch, Pierce, Fenner & Beane 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**—No bids submitted for purchase of the stock when advertised Aug. 5.

Royal Imprints Inc., Lewisburg, Pa.
July 17 (letter of notification) 10,000 shares ($10 par) 5% cumulative participating preferred. **Price**—$10.50 a share. **Underwriter**—S. M. Walter & Co., Harrisburg, Pa. For retirement of bank notes and for working capital.

Salant & Salant, Inc., New York
March 28 filed 240,000 shares ($2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. **Price** by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

● **Santa Maria Mines, Ltd., Toronto, Canada**
Aug. 4 filed 250,000 shares ($1 par) capital stock. **Underwriter**—Mark Daniel, Toronto. **Price**—50 cents a share (Canadian funds). **Proceeds**—For corporate purposes. **Business**—Mining.

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.

● **Schenectady (N. Y.) Chain Co.**
July 29 (letter of notification) 2,500 shares (no par) common. **Price**—$10 a share. No underwriting. For purchase of materials and to pay for labor to manufacture chains.

● **Schweser's (Geo.) Sons, Inc., Fremont, Neb.**
July 28 (letter of notification) 1,000 shares ($100 par) 6% cumulative preferred. **Price**—$100 a share. No underwriting. For working 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.

● **Shackleton Piano Co., Louisville, Ky. (8/7)**
July 29 (letter of notification) 10,000 shares ($10 par) 5% preferred. **Price**—$10.50 a share. **Underwriters** Urban J. Alexander Co.; Almstedt Bros.; Bankers Bond Co., all of Louisville. For additional working capital.

● **Southeastern Development Corp., Jacksonville, Fla.**
July 29 (letter of notification) 8,000 units consisting of one share ($10 par) 6% cumulative preferred and one share ($1 par) common. **Price**—$12.50 per unit. **Underwriter**—Southeastern Securities Corp., Jacksonville. For working capital.

Sta-Kleen Bakery, Inc., Lynchburg, Va.
July 18 (letter of notification) 100,000 shares of common of which 45,500 will be exchanged for outstanding common, 45,450 shares will be issued as a stock dividend, 9,090 will be sold to existing stockholders at $10 a share and 10 shares will be sold to underwriters at $10 a share. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va. For expansion of plants and for equipment.

● **Standard Milling Co., Chicago**
July 29 (letter of notification) 6,000 shares ($1 par) common. To be sold at market. **Underwriter**—Stone Webster Securities Corp., New York. For general corporate purposes.

Strauss Fasteners Inc., New York
March 25 filed 25,000 shares of 60 cents cumulative convertible preferred. **Underwriter**—Floyd D. Cerf Co. Inc. Chicago. **Offering**—The shares initially will be offered for subscription to common stockholders of Segal Lock & Hardware Co. Inc., parent, at $9 a share in the ratio of one share of preferred for each 30 shares of Segal common held. Unsubscribed shares of preferred will be offered publicly at $10 a share. **Proceeds**—For additional working capital.

Textron Inc., Providence, R. I.
Feb. 28 filed 300,000 shares ($25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York and Maxwell, Marshall & Co., Los Angeles. Price by amendment. **Proceeds**—For payment of $3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of $1-000,000 each, and for working capital. Offering date indefinite.

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.

United States Television Mfg. Corp. (8/12)
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 this week.

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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.

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.

• **Vacu-Top Jars, Inc., New York (8/7)**
July 31 (letter of notification) 49,000 shares of common stock (par $1). **Price**—$5 per share. **Underwriting**—None. Purchase of component parts and assembly into completed jars; working capital.

Vauze Dufault Mines, Ltd., Toronto, Canada
Mar. 31 filed 500,000 shares ($1 par) common. **Underwriter**—Name to be filed by amendment. **Price**—50 cents a share. **Proceeds**—For general operating expenses.

• **Velvet Power Co., Inc., Indianapolis, Ind.**
July 30 (letter of notification) 150,000 shares ($1 par) common. **Price**—$1 a share. To be sold through Hugh Niven, Vice-President of the company. For plant rehabilitation and working capital.

• **Vernal Oil & Gas Co., Salt Lake City**
July 29 (letter of notification) 300,000 shares of common. **Price**—10 cents a share. To be sold through agents. For drilling of oil and gas well.

Victory Chemical Co., Inc., Buffalo
July 18 (letter of notification) 2,000 shares ($100 par) 6% cumulative first preferred; 500 shares ($100 par) 5% cumulative second preferred and 2,500 shares (no par) common. **Price**—$100 for each preferred share. The common will be exchanged for presently outstanding common on the basis of five shares of new common for each share of old common. No underwriting. To pay outstanding obligations and for working capital.

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.

• **Welsbach Corp., Philadelphia**
Aug. 4 filed $650,000 of 15-year 4½% sinking fund bonds. **Underwriter** — Paul & Co., Inc., Philadelphia. **Proceeds**—To retire $327,000 of collateral trust 5% 10-year sinking fund bonds, to pay off bank loans and for additional working capital. **Business** — Construction of street lighting systems, valves and plumbing specialties.

• **West Star Mining Co., Coeur d'Alene, Ida.**
July 30 (letter of notification) 359,087 shares of common. **Price**—50¢ a share. To be offered through employees and officers of the company. For prospecting holdings of company near Gem, Ida.

Western States Casualty Co., Helena, Mont.
July 16 (letter of notification) 1,997 shares ($100 par) common. **Price**—$150 a share. No underwriting. To finance stock casualty insurance company.

Whitefield Life Insurance Co., Dalton, Ga.
July 21 (letter of notification) 10,000 shares ($10 par) capital stock. **Price**—$20 a share. No underwriting. For capital surplus.

Wisconsin Power & Light Co., Madison, Wis.
July 30 (by amendment) 10,000 shares of common stock (par $10) to be sold by Middle West Corp. The original statement filed May 21, 1946 covered 550,000 common shares.

Western Mining & Development Co., Salt Lake City, Utah
July 23 (letter of notification) 250,000 shares (5¢ par) common. **Price**—25 cents a share. **Underwriter**—H. A. Emery & Co., Salt Lake City. To purchase mining equipment and supplies and for working capital.

Prospective Offerings

• **Consumers Power Co., Jackson, Mich. (9/22)**
Aug. 1 company filed with the SEC a statement covering $25,000,000 30-year first mortgage bonds of a series bearing interest at a rate not to exceed 2⅞%. Bonds will be sold at competitive bidding. Company plans to spend $100,000,000 through 1949 on improvements and may start construction of a steam-electric generating plant on Lake Erie in the southeast corner of Michigan. Company expects to advertize for bids Sept. 12, to be opened Sept. 22. Probable bidders include: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co.; W. C. Langley & Co.

• **Chicago Burlington & Quincy RR. (8/15)**
Company will receive bids up to noon (CDT) Aug. 15, at its office, Room 206, 547 West Jackson Blvd., Chicago, for the lowest interest rate at which bidders will provide either or both of the following: (a) Not to exceed $2,082,300, from time to time, on or before Dec. 31, 1947, for financing the acquisition of three new 4,000 h.p. Diesel-electric passenger locomotives, one new 4,500 h.p. Diesel-electric passenger locomotive, and 6 new stainless steel streamlined passenger train cars; (b) Not to exceed $1,912,500, from time to time, on or before Dec. 31, 1947, for financing the acquisition of two new 4,000 h.p. Diesel-electric passenger locomotives, one new 4,500 h.p. Diesel-electric passenger locomotive, one new 2,000 h.p. Diesel-electric passenger locomotive, and 6 new stainless steel streamlined passenger train cars.

Delaware Lackawanna & Western RR. (8/7)
Aug. 7 company will receive bids for purchase of $2,800,000 of equipment trust certificates. The certificates are to be dated Aug. 15, 1947, and are to mature semi-annually over a period of 10 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.). Bids will be received up to noon (EDT) at office of J. G. Enderlin, Treasurer, Room 2008, 140 Cedar Street, New York.

• **Derby Gas & Electric Co.**
Aug. 19 SEC will hold hearing on company's refinancing plan. Company proposes to issue to Equitable Life Assurance Society of the United States $5,131,000 3% debentures in exchange for $4,231,000 of its 3 and 2¾% debentures now held by Equitable. The company also proposes to sell enough shares of its common stock to raise $279,000.

• **Idaho Power Co.**
Aug. 6 reported company plans sale of 35,000 preferred shares and 100,000 common shares during next three months. Sale of the stocks probably will be negotiated, with Blyth & Co. as a possible underwriter. Proceeds will be used for plant expansion.

• **Illinois Central RR. (8/7)**
July 25 company asked the ICC for authority to issue $11,360,000 equipment trust certificates, series Y, the proceeds to be used in connection with the purchase of $14,214,609 in new equipment. Bids on $2,500,000 of the issue will be opened Aug. 7 (noon). Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

• **Jefferson Hotel Co., St. Louis**
Aug. 12 stockholders will vote on authorizing a new first mortgage of $1,690,000 of 20-year maturity, of which $1,300,000 would be issued in near future to refund present bond issue. New issue would bear 3½% interest. Issue is expected to be placed privately.

• **Pittsburgh Coke & Chemical Co.**
Aug. 4 stockholders voted to increase authorized $5 preferred stock from 60,000 to 120,000 shares. Management has not any present plans for issuing extra preferred shares, but directors feel company should be in a position to take prompt advantage of any opportunity which may make advisable the issuance of additional preferred stock. Traditional underwriters: Hemphill, Noyes & Co.; Riter & Co.; E. H. Rollins & Sons, Inc.

San Francisco Bank (8/27)
Tom C. Clark, Attorney General of the United States, invites bids for the purchase, as a whole, of 20 shares of common stock (par $1,000) (five-sixths paid). The shares constitute approximately 1.666% of the outstanding capital stock of The San Francisco Bank, 526 California Street, San Francisco, Calif. Bids for the shares must be presented at office of Alien Property Department of Justice, 120 Broadway, New York 5, N. Y., on or before noon (EDT) on Aug. 27.

Southern Pacific Co. (8/19)
July 28 the company asked the ICC for authority to issue $11,400,000 equipment trust certificates, series V, to be dated Aug. 1, 1947, the proceeds to be used to finance new equipment estimated to cost $15,266,286. Probable bidders include Halsey Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.). **Bids**—Bids for purchase of the certificates will be received up to noon (EDT) Aug. 19 at office of J. A. Simpson, Treasurer, Room 2117, 165 Broadway, New York City.

N. Y. Reserve Bank Analyzes Gold Distribution

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ings are believed to be lower now than before the war.

Latin America, which during the war increased its gold and dollars from $1.1 billions to $3.9 billions, further expanded its holdings by some $300 millions in the first year after V-J Day, but used up $700 millions in the first seven months of the second postwar year. Thus, on the whole, Latin American gold and dollar resources are still very large in comparison with the prewar years, but the shrinkage has been considerable in a number of countries in the area. Argentina's gold and dollar reserves declined from $1,654 millions at the end of September 1946 to some $1,200 millions in June 1947; Brazil's holdings from $800 millions in August 1946 to $719 millions in March 1947; and Mexico's gold and dollar assets from $350 millions on V-J Day to about $200 millions at present.

Canadian gold and dollar resources, official and private, which amounted to only $400 millions in December 1938, increased to $1,883 millions at the end of 1945, but they declined last year to $1,475 millions at the year end and subsequently are reported to have been reduced further, although more recent figures of gold holdings have not yet been made public. The resources of the leading sterling-area countries (excluding the United Kingdom) increased from some $600 millions in August 1939 to $1.4 billions in March 1947, owing primarily to the accumulation of gold by the South African Union.

To sum up: foreign gold and dollar balances in the aggregate are still somewhat higher than they were in 1939, but this apparent stability covers widely divergent changes in the distribution by areas. Liberated Western Europe, which had $5.4 billions in August 1939, had only $2.5 billions left in March 1947. On the other hand, the gold and dollar holdings of "neutral" Europe, which amounted to $1.5 billions in August 1939, are at present $1 billion higher. The United Kingdom's gold and official dollar holdings, which were about $2.1 billions in August 1939 had risen to $2.6 billions at the end of 1946, but this increase in official holdings may have been partly offset by some decline in British private dollar holdings. The gold and dollar assets of Latin America were at $3.5 billions in March 1947, compared to $1.1 billion dollars in August 1939, but some countries were rapidly depleting their holdings; and those of the principal sterling area countries (excluding the United Kingdom), which were at $0.6 billions at the outbreak of the war, had risen to $1.4 billions in March 1947. Canada, which had only some $400 millions in December 1938, had nearly $1.5 billions in December 1946, but undoubtedly has considerably less than that amount now.

In judging the significance of the wartime and postwar changes in foreign gold and dollar holdings, several facts must be kept in mind. First, it must be noted that these are only the changes in the official gold monetary stocks and official and private dollar balances; they take no account of the quantities of gold which have been hoarded by the public in many countries. While it is impossible to give an accurate figure for gold hoarded abroad before the war and now, it is known that a very substantial increase in hoarding has occurred since 1939. There is reason to believe that gold privately hoarded outside the United States may amount to several billion dollars, but nothing can be said as to its distribution by countries. Moreover, gold held in this way is of no present use to the monetary authorities of the countries where it is held. Hoarders who have already declined to turn in their gold to the authorities are unlikely to do so until monetary and economic stability is restored in their respective countries or until clear-cut and comprehensive plans for the restoration of such stability are being effectively carried out.

It is necessary also to keep in mind that only a portion of the reported holdings of gold and dollars is actually available for meeting balance of payment deficits. A large part represents legal currency reserves which foreign central banks are required to maintain under existing monetary legislation or customary practice. While the legal reserve requirements (where they have not already been suspended or substantially reduced) could of course be altered, it may be doubted whether in the present circumstances such a procedure would be conducive to restoration of confidence and to orderly reconstrucion. Secondly, about one-half of the $5 billions of American balances and short-term securities held by foreigners are owned privately, and their utilization therefore depends on the willingness of the foreign owners to repatriate these funds or on the ability of foreign governments to requisition them under their exchange control powers. In any event, a sizable part of the dollar funds of the foreign countries are working balances that have to be kept above a certain minimum in order to insure an uninterrupted flow of international trade. Owing to the rise in the American price level, these minimum working balances tend to be higher than before the war.

Wm. W. Brooks Forms Own Firm in Boston

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—William W. Brooks is forming W. W. Brooks & Company with offices at 50 Congress Street, to engage in the securities business. Mr. Brooks, a member of the Boston Stock Exchange, was formerly a partner in Brooks, Smith & Co.

Should Free Gold Markets Be Outlawed?

(Continued from page 3)

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."

When Hoarding Ceases

In view of the large private gold hoardings in Europe, Asia and elsewhere (impossible to estimate accurately), it may be expected that if the trading nations of the world again succeed in returning to a normal stable currency situation (whether through a universal gold standard or some other basis), the visible stock of gold will undergo considerable increase. This happened after World War I.

During and following the first World War gold disappeared from the reported monetary reserves of the banks very much as it has done during the corresponding period of the late war. The great increase in the circulation of paper money which arises out of war financing has had the effect of making people seek refuge in other kinds of property which are more stable in value and less subject to manipulation by the governing authorities. But, when signs of monetary stabilization appear, as it did in the early 1920s, the central banks of the leading European countries gradually accumulated gold, much of it coming from hidden hoards that had been gathered up during the spell of lost confidence and economic disturbance. In fact, a mere suspicion of currency stabilization leads gold speculators and others to dispose of their hoards, since there is danger that the value of gold in terms of currency may be lowered. There was some evidence of this in France, beginning in May, 1946, as indicated by the accompanying chart, which shows the black market quotations of the French gold coin, the "Napoleon," both in Paris and in Switzerland.

As remarked in an analysis of the present gold situation by the Bank for International Settlements:

"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, 1946. 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."

Quotations of Gold Coins in Paris and in Switzerland.
In French francs.

Speculative Gold Market Not an Unmixed Evil

It would seem from the foregoing authoritative analysis that permitting a free speculative market in gold, even under present conditions of monetary distress, is not an unmixed evil. Certainly, if a free market instead of a "black market" were in existence today, there would not be the excessive and abnormal "premiums" widely reported to be paid for gold. The present so-called "market price" of gold is in no way indicative of the price the metal would be quoted if natural marketing conditions were permitted to prevail. The National Bank of Mexico realized this when it endeavored to sell part of its gold holdings at $42.90 per ounce, but soon dropped the price to $39.76. The reports of isolated high premiums which have prevailed in India, South America and the Philippines represent but a minute fraction of dealings, and are in no way representative of a free and widespread market. These transactions resemble somewhat the "black market" operations in meat during OPA, when sporadic instances occurred of excessive prices paid by a small class of consumers that regarded "price as no object." Such prices are not representative of the general price level of the market.

Services of a Free Market

One purpose that a free market in gold would serve is the gradual restoration of greater equilibrium in the supplies of the metal throughout the world. It would undoubtedly lead to heavier purchases of foreign goods by U. S. importers, and would permit the few countries, such as Switzerland, which have surplus gold or hoarded dollars, to dispose of their holdings for greatly needed imports to a greater advantage.

There can be no doubt that following World War I, the heavy spending of American tourists abroad, when the dollar was so highly valued in Europe, was a first step in supplying additional gold reserves which permitted a new monetary stabilization of domestic currencies. But this cannot be done when artificial "official exchange rates" and outlawing of gold transactions discourage tourist traffic as well as import-export operations and prevent the natural exchange rate between currencies from exercising a balancing effect. No American likes to pay $3.50 for a breakfast in Paris, merely because he is required to exchange his dollars for francs at an "official rate" much higher than the true purchasing parity of the two currencies. But he can get around this situation by buying his francs in the "black market" and thus get more for his dollars.

Need for Restoring Private Gold Arbitrage

Probably the greatest evil of restriction on free gold markets is the abolition of private gold arbitrage. This restriction prevents the equalization of gold parities through private bank credits and gold shipments. It was a system that worked excellently well under the old gold standard that prevailed before 1914. It was partially restored after the post-World War I stabilization in the 1920s, but broke down in the currency war that followed the abandonment of the gold standard by Great Britain in 1931. France, after a desperate effort to maintain the convertibility of the Franc, ended her free gold market by prohibiting private gold exports in 1936. The United States and other countries has taken similar action. In fact, the U. S. Treasury actually outlawed free exportation of gold by enactment of the Gold Reserve Act of 1934. All this amounted to a destruction of free gold markets and resulted in further international trade barriers and exchange restrictions. It meant the beginning of black markets in gold—the evil which now threatens to infest international trade relations and may become a permanent malady in the domestic economy of the leading nations of the world.

No better conclusion could possibly be given to this essay than to quote from a small work published in New York in 1929 by Feliks Mlynarki entitled "Gold and Central Banks." On page 112 of this work, in which Mlynarki discusses the freedom of gold movements, he writes:

"From whatever point of view we examine the present monetary system, we always arrive at the conclusion that free trade in gold should be restored as soon as possible. The movements of foreign exchange cannot replace gold movements. The coordination of the gold bullion standard with the gold exchange standard cannot be based on the principle of the closest concentration of gold, in the sense of the narrowest possible limitation of the number of centers possessing free gold in trade. On the contrary such coordination, if it is to be lasting and if it is to serve to stabilize the international independence of currencies **requires free trade in gold on the largest possible scale. Gold movements would then correct the weaknesses of the movements of foreign exchange and the movements of the latter would render possible economy in the movements of gold.**"

Analyzes Budget Reductions

(Continued from page 16)

educational program. Thus a determined effort was required simply to keep the budget from swelling well beyond the bounds indicated in the proposals submitted by the President last January.

Appropriations made for 1948 totalled $31.1 billion, a reduction of $2.8 billion from the $33.9 billion the President asked for either in the original budget or in supplemental requests. Aside from the cut in 1948 appropriations, Congress disallowed some of the requests for extra money for fiscal 1947, rescinded $3 billion in appropriations carried over from previous years and not yet used, and recovered considerable funds which might otherwise have been spent by government agencies.

The Committees' Approach

In going over the budgets for the military services, the Appropriations Committees' objective was to cut out waste and extravagance without sacrifice of efficiency. With the Army it was felt that the percentage of officers—13½% of total personnel compared with the previously planned 10%—was unjustifiably high. Bonuses for flying personnel were discovered to be loosely administered as well as disproportionate to the present risks of flying. The Army was urged to save money and obtain a better control by centralizing its procurement, by sharing duplicate facilities with the Navy, and by improving its accounting and cost records. With the Navy, the Committees discovered that a shift of training activities from the shore to the fleet might cut personnel requirements by more than 25,000 men.

The Committees looked with an especially critical eye on departments and bureaus with swollen administrative overhead, on overlapping of activities between departments or between bureaus within departments, on "public relations" or "publicity work," and on expensive research activities of an "academic," "visionary" or "speculative" character. In harmony with the President's efforts last Fall and Winter, as well as in recognition of the continuing housing shortage and scarcities of labor and material, the Committees cut back public works programs. In the Department of Agriculture soil conservation payments were extended for another year, through 1948, though with maximum payments to any one farmer reduced from $10,000 to $500. With the Veterans' program, the attention of the Committees was directed to large possible areas of savings—in the hospital program in overhead expenses, and in the handling of the National Service Life Insurance Fund. The foreign aid program was enacted with relatively minor cuts such as the elimination of Poland from the list of countries to be granted relief assistance.

How Much Cut in Expenditures?

How much these cuts in *appropriations* will mean in terms of *expenditures* cannot be foreseen with assurance. Many of the appropriations cuts should result in corresponding reductions in expenditures from the originally projected rates. In other cases, wastes have been discovered which the bureaus have agreed to correct. In still other cases, areas have been disclosed where savings are possible though they may not be immediately realized. The final expenditure total, of course, will not be known until the fiscal year ends on June 30, 1948, though the Bureau of the Budget will work up revised estimates based on the Congressional action and data submitted by the departments.

The negative side of the record shows that many of the cuts approved by the House of Representatives were not sustained by the Senate and had to be whittled down to reach a compromise. Likewise the addition of new items not contemplated in January will neutralize many of the savings. In a few instances savings have been disputed, most notably the reduction of $800 millions in appropriations for tax refunds. Here more money will have to be appropriated, should the figure allowed, prove to be too low.

The experience emphasizes the difficulties involved—the complication of government organization and accounting methods, which often seem calculated to prevent rather than promote understanding; the stern battle waged by bureau chiefs against cuts in their funds; and distorted reports that got around of the effects of the cuts and resultant letters of protest to Congressmen from back home.

Cut for Bureau of Internal Revenue

Perhaps the most damaging criticism of the Appropriations Committees' work came when the President, in approving the Treasury-Postoffice appropriation bill on July 1, issued a statement to the effect that "the reduction of $20,000,000 in the appropriation for the Bureau of Internal Revenue will mean a reduction in

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 10	94.9	94.4	78.9	89.0
Equivalent to—					
Steel ingots and castings produced (net tons)	Aug. 10	1,660,700	1,651,900	1,380,700	1,568,500
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	July 26	5,083,650	5,049,850	5,109,100	4,926,050
Crude runs to stills—daily average (bbls.)	July 26	5,162,000	5,126,000	5,093,000	4,887,000
Gasoline output (bbls.)	July 26	16,142,000	15,747,000	16,070,000	14,791,000
Kerosine output (bbls.)	July 26	1,884,000	2,091,000	1,969,000	1,820,000
Gas oil and distillate fuel oil output (bbls.)	July 26	5,708,000	5,912,000	5,606,000	5,847,000
Residual fuel oil output (bbls.)	July 26	8,738,000	8,969,000	8,298,000	8,066,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 26	85,812,000	87,145,000	91,806,000	88,959,000
Kerosine (bbls.) at	July 26	16,807,000	16,672,000	14,369,000	16,165,000
Gas oil and distillate fuel oil (bbls.) at	July 26	47,097,000	46,505,000	41,721,000	45,311,000
Residual fuel oil (bbls.) at	July 26	52,497,000	*51,317,000	48,490,000	49,808,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 26	919,928	919,734	846,141	910,513
Revenue freight rec'd from connections (number of cars)	July 26	694,618	651,744	682,258	705,446
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	July 31	$100,834,000	$134,765,000	$105,599,000	$115,712,000
Private construction	July 31	66,216,000	75,468,000	30,372,000	60,125,000
Public construction	July 31	34,618,000	59,297,000	75,227,000	55,587,000
State and municipal	July 31	25,840,000	49,179,000	45,190,000	35,343,000
Federal	July 31	8,778,000	10,118,000	30,037,000	20,244,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 26	11,800,000	*12,100,000	*8,230,000	12,603,000
Pennsylvania anthracite (tons)	July 26	1,117,000	1,116,000	1,105,000	1,305,000
Beehive coke (tons)	July 26	124,100	*110,700	80,800	126,200
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 26	212	217	245	204
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 2	4,805,740	4,730,229	4,189,824	4,351,011
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	July 31	69	76	82	14
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 29	3.16613c	2.87118c	2.87118c	2.73011c
Pig iron (per gross ton)	July 29	$36.38	$36.18	$33.15	$28.12
Scrap steel (per gross ton)	July 29	$40.83	$40.00	$35.58	$19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 30	21.225c	21.225c	21.225c	14.150c
Export refinery at	July 30	21.100c	21.425c	21.425c	15.925c
Straits tin (New York) at	July 30	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	July 30	15.000c	15.000c	15.000c	8.250c
Lead (St. Louis) at	July 30	14.800c	14.800c	14.800c	8.100c
Zinc (East St. Louis) at	July 30	10.500c	10.500c	10.500c	8.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Aug. 5	122.02	121.89	121.36	123.45
Average corporate	Aug. 5	117.20	117.20	116.80	118.60
Aaa	Aug. 5	121.88	122.09	121.88	123.13
Aa	Aug. 5	120.22	120.22	120.22	120.84
A	Aug. 5	116.80	116.80	116.41	118.20
Baa	Aug. 5	110.15	109.97	109.42	112.56
Railroad Group	Aug. 5	112.37	112.37	111.62	115.43
Public Utilities Group	Aug. 5	118.60	118.60	118.40	119.00
Industrials Group	Aug. 5	120.63	120.63	120.84	121.46
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Aug. 5	1.54	1.55	1.59	1.51
Average corporate	Aug. 5	2.79	2.79	2.81	2.72
Aaa	Aug. 5	2.56	2.55	2.56	2.50
Aa	Aug. 5	2.64	2.64	2.64	2.61
A	Aug. 5	2.81	2.81	2.83	2.74
Baa	Aug. 5	3.16	3.17	3.20	3.03
Railroad Group	Aug. 5	3.04	3.04	3.08	2.88
Public Utilities Group	Aug. 5	2.72	2.72	2.73	2.70
Industrials Group	Aug. 5	2.62	2.62	2.61	2.58
MOODY'S COMMODITY INDEX	Aug. 5	417.5	416.5	403.1	352.5
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	Aug. 2	223.9	221.3	219.6	179.2
Fats and oils	Aug. 2	195.1	198.6	208.2	226.7
Farm products	Aug. 2	258.2	259.4	249.5	219.0
Cotton	Aug. 2	344.4	352.5	351.1	320.7
Grains	Aug. 4	250.5	254.8	256.7	218.1
Livestock	Aug. 2	250.7	249.7	234.0	206.4
Fuels	Aug. 2	180.1	178.6	172.2	151.5
Miscellaneous commodities	Aug. 2	167.7	164.4	159.6	147.8
Textiles	Aug. 2	220.7	221.7	219.7	193.2
Metals	Aug. 2	158.5	150.1	148.8	124.1
Building materials	Aug. 2	216.1	194.7	185.7	177.6
Chemical and drugs	Aug. 2	150.7	152.9	152.4	127.5
Fertilizer materials	Aug. 2	129.6	129.5	127.9	121.4
Fertilizers	Aug. 2	135.0	135.0	134.6	119.7
Farm machinery	Aug. 2	127.1	127.1	126.6	115.1
All groups combined	Aug. 2	206.7	203.6	198.2	172.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 26	163,539	145,615	152,741	149,865
Production (tons)	July 26	176,856	173,699	176,814	161,405
Percentage of activity	July 26	99	97	102	95
Unfilled orders (tons) at	July 26	458,672	474,870	461,226	575,590
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Aug. 1	141.2	141.2	143.2	136.9
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	July 26	150.6	150.3	147.6	124.1
Farm products	July 26	182.0	182.4	179.0	157.3
Foods	July 26	167.1	168.0	162.2	140.7
Hides and leather products	July 26	173.6	172.7	170.0	144.0
Textile products	July 26	138.6	138.4	138.4	109.5
Fuel and lighting materials	July 26	108.9	107.1	104.5	90.2
Metal and metal products	July 26	143.6	142.9	141.4	113.3
Building materials	July 26	174.8	174.8	175.4	132.6
Chemicals and allied products	July 26	117.9	117.9	123.2	100.3
Housefurnishing goods	July 26	131.3	131.4	131.0	112.5
Miscellaneous commodities	July 26	116.4	115.7	115.8	101.7
Special groups—					
Raw materials	July 26	166.0	165.2	161.6	140.2
Semi-manufactured articles	July 26	145.3	144.4	142.1	109.0
Manufactured products	July 26	145.0	145.1	142.7	119.3
All commodities other than farm products	July 26	143.7	143.3	140.8	116.8
All commodities other than farm products and foods	July 26	133.7	132.9	132.0	108.6

*Revised figure.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For Month of June:			
Total gas sales (M therms)	2,110,831	2,312,585	1,942,164
Natural gas sales (M therms)	1,847,537	1,998,796	1,697,292
Manufactured gas sales (M therms)	165,179	185,051	157,526
Mixed gas sales (M therms)	98,115	128,738	87,346
AMERICAN TRUCKING ASSOCIATIONS—Month of June:			
Number of motor carriers reporting	272	*272	272
Volume of freight transported (tons)	2,377,979	*2,379,468	2,109,341
CLASS I RRS. (ASSOC. OF AMER. RRS.)—Month of June:			
Number of miles represented	227,374	227,386	227,374
Total operating revenues	$696,908,689	$724,432,209	$611,998,248
Total operating expenses	550,057,087	557,318,292	517,363,043
Operating ratio—per cent	78.93	76.93	84.54
Taxes	72,653,480	77,345,314	44,664,691
Net railway operating income before charges	60,201,057	75,728,895	37,824,952
Net income after charges (est.)	35,500,000	46,600,000	14,872,000
COAL OUTPUT (BUREAU OF MINES)—			
Pennsylvania Anthracite (net tons) — Month of July	4,091,000	*4,609,000	5,263,000
Beehive Coke (net tons)—Month of July	382,000	*450,300	482,800
CONSUMER CREDIT OUTSTANDING, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Estimated short-term credit in millions as of June 30:			
Total consumer credit	$10,884	$10,663	$7,905
Instalment sale credit—			
Automobile	862	810	336
Other	1,142	1,112	699
Instalment loans	2,902	2,819	1,867
Charge accounts	2,887	2,835	2,327
Single-payment loans	2,216	2,213	1,846
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of May (000's omitted)	17,610,274	17,664,962	15,064,489
Revenue from ultimate customers—month of May	$310,024,600	$310,762,400	$275,606,100
Number of ultimate customers as of May 31	37,022,918	36,794,388	34,932,619
METAL OUTPUT (BUREAU OF MINES)—Month of June:			
Mine production of recoverable metals in the U. S.—			
Copper (in short tons)	72,760	*74,895	‡50,196
Lead (in short tons)	31,083	*31,201	‡27,706
Zinc (in short tons)	59,762	*57,406	‡47,149
NEW BUSINESS INCORPORATIONS (DUN & BRADSTREET, INC.—Month of June	8,922	9,179	11,402
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100 — Month of July	142.5	143.9	137.7
PORTLAND CEMENT (BUREAU OF MINES)—Finished Cement—Month of May:			
Production (bbls.)	13,389,000	14,566,000	12,091,000
Shipments (bbls.)	15,328,000	15,414,000	16,066,000
Stocks (at end of month) (bbls.)	19,392,000	*21,331,000	11,957,000
Capacity used	66%	74%	59%
SHOES AND SLIPPERS (DEPT. OF COMMERCE)—Month of May:			
Production (number of pairs)	36,491,000	39,525,000	49,469,000
Shipments (number of pairs)	36,089,000	38,713,000	Not Avail.
Shipments (value of)	$139,302,000	$149,875,000	Not Avail.
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of June:			
Production (M sq. ft., 3/8-in. equivalent)	139,623	*142,070	121,412
Shipments and consumption (M sq. ft., 3/8-in. equivalent)	142,975	*141,491	125,068
Stocks (M sq. ft., 3/8-in. equivalent) at June 30	31,481	*35,618	24,391
Consumption of logs (M ft., log scale)	60,442	*63,860	53,450
Log stocks (M ft., log scale) at June 30	140,665	*136,862	92,931

*Revised figure. ‡Monthly average in year 1946.

Analyzes Budget Reductions

(Continued from page 41)

personnel of 4,000 to 5,000 employees and will result in a direct loss of revenue of not less than $400,000,000." This sounds like blind budget slashing, and in the face of such a statement many people would be inclined to agree with some members of Congress that the Bureau should have been given more money rather than less.

Following the President's criticism the House Appropriations Committee assigned its investigative staff to the task of determining how the Bureau had made its cuts and the opportunities for introducing savings without loss of revenue. A preliminary report submitted by the staff late in July questions the "sound administrative practice" of the action taken by the Bureau. According to the report, the Bureau applied all of the cut to the work force out in the field, with little or no allowance for a drop in related operating expenses or in Washington personnel.

The Bureau, the report went on to say, imposed the cut by an arbitrary rule which took no account of amounts of taxes collected by the various district offices but only of the number of returns (irrespective of kind or complexity) handled. In consequence, one important office had its number of field deputy collectors cut in half, while some other offices merely cut down the number of vacant positions on their staffs, or were able to take on people released elsewhere within the Bureau. The number of suggestions made in the report for eliminating waste motion, together with the fact that a number of the persons dropped had been given unsatisfactory efficiency ratings, seems to indicate that there is room to tighten up efficiency without loss of revenue. A cut in appropriations, while it can be overly harsh and arbitrary, is often the only way to create pressure looking to increased efficiency.

Obstacles to Retrenchment

It would be contrary to human nature if many government administrators did not resist, after the long "fat" years, making up salary increases by increased efficiency giving up plans for additional new projects, and abandoning present activities which they may sincerely feel to be "indispensable" but which, on close analysis, do not warrant their costs.

Some relevant observations were published in "The Federal Employee," official organ of the National Federation of Federal Employees, last March while the Appropriations Committee hearings were under way:

"With a Congress which for years has been very liberal with appropriations, many of which were not earmarked and therefore often available for purposes which Congress never intended, there has been permitted the expansion of some agencies considerably out of line with the purpose for which they were created . . .

". . . some (administrators) even have gone so far as to state that their agencies cannot be curtailed in the slightest degree which, even if true, is an unfortunate approach . . . Other administrators, who have acquired certain expensive habits with regard to Federal spending which they do not wish to alter, have gone so far as to intimate that they can outsmart the Congressional appropriations committees to secure all the funds they seek.

"Heads of some agencies that were clearly overstaffed have neglected to clear the deadwood out of their own official corners, either through political expediency, laxity, administrative inefficiency, or other equally indefensible reasons . . .

"It almost would seem at times that some administrators instead of trying to preserve in the most efficient manner possible the official organizations entrusted to them, were trying to wreck them by giving substance to the most violent criticisms leveled at Federal administration and Federal employment."

Generating Kickbacks to Congress

Some further insight into how "practical politics" works to defeat economy was given in a speech by Congressman Norris Cotton of New Hampshire before the New Hampshire Federation of Taxpayers' Associations last Spring. "The departments of Government," he said,

"do not content themselves with the mere presentation of their cause but they sometimes resort to desperate and questionable means to prevent budget reduction. When the general budget bill was before Congress the War Department notified many Congressmen by telephone that the air fields in his District would be discontinued if their budget was reduced. When the Customs Service appropriation was reduced 10% the head of the Bureau took no steps to reduce in number the 33,000 employees in Washington but notified the 25,000 operatives in the field that their jobs were in danger and told them to build a fire under their Congressman.

". . . It is obviously impossible and impractical for Congress to attempt to say what employee should be dispensed with or what services should be curtailed. It can only reduce after careful consideration by a reasonable percentage the appropriation of a department, division, or bureau, and rely upon the head of the bureau to apply the necessary economy. In almost every instance bureau heads apply the reduction not where it hurts the least but where it hurts the most, so that not only every employee but every benefactor of the department will apply pressure to Congress to restore the reduction."

Expenditures and Taxes

It is clear that the task of getting government expenditures, taxes, and debt down, if the job is to be done, will require a persistent effort backed up by a wide and unwavering public support. The strongest force behind that public support, quite evidently, is the promise that economy in government will relieve the citizen of some of his taxes. This was evidenced by the enthusiasm for budget-cutting to make possible a first instalment of tax relief this year. It was evidenced again in the weakening of the economy effort after two tax reduction bills both passed by large majorities, were killed by Presidential veto.

The argument is entirely plausible that revenues should be held up while expenditures are curtailed so as to accelerate retirement of the vast debt. Nevertheless, if money over and above a reasonable allowance for debt retirement is available, reasons are almost certain to be found for urging the diversion of such funds to new spending projects. The recommendation to start a $4 billion new flood control plan, which followed the tax vetoes, is an example of this tendency. The citizen should ponder well whether bid additions to an already record-breaking public works program are of greater benefit to him and to the country than a corersponding measure of tax relief would be.

In the speech to which reference already has been made, Congressman Cotton summarizes an experience of disillusionment which many citizens and their representatives in Washington doubtless have shared:

"When I went down to Washington I had a very beautiful theory as to the manner in which we should handle budget and tax reduction. I believed that we should reduce government expenditures first, balance the budget, make a start toward retiring the national debt, and then and not until then we should consider tax reduction. I believed that while money was cheap and employment plentiful we should continue for a time to collect taxes on the present schedule, in order that we might have a backlog for the future. I still maintain that this is a logical and sound program. The only trouble with it is that it won't work.

"The government will spend all the money it can get, and the only way to reduce the cost of government is to reduce the revenue of government."

This sounds like a rather extreme statement. Yet its essential kernel of realism is demonstrated by the course of events. We stand the best chance of getting orderly financial housekeeping in government when the citizen sees that the money the government spends is coming out of his own pocket.

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Capable of organizing an Over-the-Counter department. Drawing account plus commission. Have had over twenty years' experience. Box A 731, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

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Wide experience in all departments having to do with selling, trading, wholesaling and buying. Seeks new connection. Has some present following. Salary or commission. Box L 730, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

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Chicago Transit Bonds Offered to Investors

(Continued from page 8)

Board which consists of seven members, three appointed by the Governor of Illinois and four by the Mayor of Chicago.

The Authority estimates that its net revenue available for debt service will increase progressively over the next ten years, from an estimated $17,734,682 in 1948 to an estimated $25,089,932 for 1957.

The serial bonds will mature in lots of $1,000,000 to $3,000,000 per annum from 1953 to 1972, and the term bonds will be retired by the operation of a sinking fund, starting in 1958, in amounts ranging upward from $1,149,200. It is estimated by the Authority that the entire issue will be retired in less than 21 years.

Among those associated with Harris, Hall & Co., Inc.; The First Boston Corporation, and Blyth & Co., Inc., in the offering are: A. C. Allyn and Company, Inc.; Eastman, Dillon & Co.; Union Securities Corporation; Equitable Securities Corporation; Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Lehman Brothers; John Nuveen & Co.; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; Stranahan, Harris & Company, Inc.; Central Republic Company, Inc.; Hallgarten & Co.; Merrill Lynch, Pierce, Fenner & Beane; Blair & Co., Inc.; Kuhn, Loeb & Co.; Lee Higginson Corporation; Phelps, Fenn & Co.; Shields & Company; B. J. Van Ingen & Co., Inc., and White, Weld & Co.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On July 29, 1947, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable October 1, 1947, to Stockholders of record at the close of business September 17, 1947. Transfer Books will remain open. Checks will be mailed

R. A. BURGER, *Secretary*

Atlas Corporation

Dividend on Common Stock

NOTICE IS HEREBY GIVEN that a regular quarterly dividend of 40¢ per share has been declared on the Common Stock of Atlas Corporation, payable September 20, 1947, to holders of such stock of record at the close of business August 28, 1947.

WALTER A. PETERSON, *Treasurer*
August 5, 1947.

FUNDAMENTAL INVESTORS INC.

The Directors of Fundamental Investors, Inc. have declared a dividend of $.11 per share payable on the Corporation's capital stock Sept. 16, 1947, to holders of record at the close of business on Sept. 2, 1947.

HUGH W. LONG & CO. INCORPORATED
CHICAGO · LOS ANGELES
48 WALL STREET, NEW YORK 5, N. Y.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Preferred Stock Dividend

THE regular quarterly dividend of One Dollar Eighteen and Three-quarter Cents ($1.18¾) per share for the quarter ending September 30, 1947, on the 4¾% cumulative Preferred capital stock of the Company, issued and outstanding in the hands of the public, has been declared out of the surplus net earnings of the Company, payable October 1, 1947, to holders of such stock of record on the books of the Company at the close of business September 4, 1947.

Common Stock Dividend

A regular quarterly dividend for the quarter ending September 30, 1947 of Twenty-five Cents (25c) and 2/100ths of a share of the Common Stock of Atlantic City Electric Company on each share of the Common capital stock of this Company, issued and outstanding in the hands of the public, has been declared out of the surplus net earnings of the Company, to be payable and distributable September 15, 1947, to the holders of such stock of record on the books of the Company at the close of business August 12, 1947.

H. D. ANDERSON, Secretary.
August 6, 1947.

American Woolen Company

INCORPORATED

225 FOURTH AVE., NEW YORK 3, N.Y.

AT a meeting of the Board of Directors of the American Woolen Company, held today, the following dividends were declared:

A regular quarterly dividend of $1.00 per share on the $4 Cumulative Convertible Prior Preference Stock payable September 15, 1947 to stockholders of record August 28, 1947.

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock payable October 15, 1947 to stockholders of record October 1, 1947.

A dividend of $1.50 per share together with an extra dividend of $2.00 per share on the Common Stock payable September 15, 1947 to stockholders of record August 28, 1947.

Transfer books will not close.

Dividend checks will be mailed by the Guaranty Trust Company of New York.

F. S. CONNETT, *Treasurer.*
August 6, 1947.

NEW YORK STOCKS, INC.

The following distributions have been declared on the Special Stock of the Company from Investment Income, payable August 25, 1947, to stockholders of record as of the close of business August 5, 1947.

Agricultural Series	$.07
Automobile Series	.06
Aviation Series	.04
Bank Stock Series	.07
Building Supply Series	.05
Chemical Series	.08
Electrical Equip. Series	.07
Food Series	.06
Government Bonds Series	.05
Insurance Stock Series	.05
Machinery Series	.10
Merchandising Series	.12
Metal Series	.06
Oil Series	.08
Public Utility Series	.01
Railroad Series	.03
Railroad Equip. Series	.06
Steel Series	.06
Tobacco Series	.10
Diversified Investment Fund	.18
Diversified Industries Shs.	.08
Corporate Bond Series	.06
Diversified Preferred Stock Fund	.14

HUGH W. LONG & CO. INCORPORATED
CHICAGO
LOS ANGELES
48 WALL STREET, NEW YORK 5, N. Y.

DIVIDEND NOTICES

THE BUCKEYE PIPE LINE COMPANY

30 BROAD STREET

New York, July 29, 1947.

The Board of Directors of this Company has this day declared a dividend of Twenty (20c) Cents per share on the outstanding capital stock, payable September 15, 1947 to shareholders of record at the close of business August 18, 1947.

C. O. BELL, Secretary.

Magma Copper Company

Dividend No. 100

On August 5, 1947, a dividend of Twenty-five Cents (25c) per share was declared on the Capital Stock of MAGMA COPPER COMPANY, payable September 15, 1947, to stockholders of record at the close of business August 28, 1947.

H. E. DODGE, *Treasurer.*

Newmont Mining Corporation

Dividend No. 76

On August 5, 1947, a dividend of FIFTY CENTS (50¢) per share was declared on the Capital Stock of NEWMONT MINING CORPORATION, payable September 15, 1947, to stockholders of record at the close of business August 28, 1947.

GUS MRKVICKA, *Treasurer.*

THE FLINTKOTE COMPANY

30 Rockefeller Plaza
New York 20, N. Y.
August 6, 1947

Preferred Stock

A quarterly dividend of $1.00 per share has been declared on the $4 Cumulative Preferred Stock of this corporation, payable on September 15, 1947 to stockholders of record at the close of business August 29, 1947. Checks will be mailed.

Common Stock

A dividend of $.50 per share has been declared on the Common Stock of this corporation, payable on September 15, 1947 to stockholders of record at the close of business August 29, 1947. Checks will be mailed.

CLIFTON W. GREGG,
Vice Pres. and Treas.

GROUP SECURITIES, INC.

45th CONSECUTIVE DIVIDEND

The following dividends on the various classes of shares of Group Securities, Inc. have been declared *payable August 30, 1947* to shareholders of *record August 15, 1947* at the regular dividend meeting of the Board of Directors held July 31, 1947 at Jersey City, N. J.:

Class	For Third Quarter Regular	Extra	Total
Agricultural	.07	.05	.12
Automobile	.075	.025	.10
Aviation	.01	—	.01
Building	.07	—	.07
Chemical	.06	.04	.10
Elec. Equip.	.11	—	.11
Food	.06	—	.06
Fully Admin.	.07	.04	.11
General Bond	.095	.035	.13
Indust'l Mach.	.07	—	.07
Institut'l Bond	.09	—	.09
Investing Co.	.08	.05	.13
Low Priced	.05	.07	.12
Merchandising	.07	.11	.18
Mining	.06	.01	.07
Petroleum	.06	.02	.08
Railroad Bond	.03	.03	.06
Railroad Equip.	.04	—	.04
Railroad Stock	.04	—	.04
Steel	.06	—	.06
Tobacco	.05	—	.05
Utilities	.02	.06	.08

By "regular dividend" is meant dividends from net investment income. "Extra" dividends represent distribution from accumulated, undistributed net profits.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Security and commodity markets, brokers and dealers pay the highest average annual wage and salary of any U. S. industry. That's a Commerce Department conclusion from a 1929-1945 survey. Wages and salaries paid by security and commodity markets and brokers and dealers averaged $5,132 for each full time employe in 1945. This compared with a national average of $2,357 for all industry. Second to security and commodity markets, dealers and brokers were gas and electricity utilities with a $3,694 average. For the 1929-1945 era, average pay by security and commodity markets, brokers and dealers reached a $5,186 top in 1944, a $2,742 low in 1933.

* * *

Bank pay averaged $2,622 per worker in 1945, peak for the 1929-1945 interval, as against a 1933 low of $1,725. Average banking pay was just about midpoint of the 64 industrial groups classified by the Commerce Department. Thirty-three had higher, 30 lower averages than banks.

* * *

Consumer buying power is shifting out of New England and the Middle Atlantic States, into the East North Central, South Central, South Atlantic and Pacific States. Office of Domestic Commerce bases this deduction on a 70-page report . . . "State and Regional Market Indicators, 1939-1945." Copies cost 20 cents at Commerce Department field offices or the Superintendent of Documents, Washington.

* * *

Political bricks aplenty are to be heaved at the housing shortage before Congress returns. But the missiles will be deflected by both major parties, won't build houses quicker or cheaper. Best you should expect is a foundation for possible future legislation. Nonetheless, if interested in financing or building homes, better watch the Congressional inquiries coming up.

* * *

A special committee created by Senate and House to investigate housing convenes August 19 for its first organization meeting. Expect a clash between Republican Senators Tobey of New Hampshire and McCarthy of Wisconsin. Both hanker to be Chairman. Only one can have the job. The dour Mr. Tobey is out to scuttle the real-estate lobby. Newcomer McCarthy says he just wants more places to live, isn't after any particular human prey, would like to see everybody happy.

* * *

The McCarthy crowd tried to seize the chairmanship booty by convening a rump committee session last week, failed. Senator Tobey was away with a sick wife, but enough of his friends were there to defer the Chairman election. It's to be a showdown August 19.

* * *

Labor racketeering in the construction industry is to be toted on a national tour in a goldfish bowl—if that's possible—by a House Labor subcommittee with New York Republican Gwinn swinging the Chairman's gavel. The group is ambitious, will open hearings at Cleveland on October 27, swing west, south, then back east for a December windup in Alabama. Members are prepared to be tough, determined to discover if, how, and how much labor racketeering has retarded home construction and hiked home costs.

* * *

High consumer prices include high home rentals, says Connecticut's Republican Senator Ray Baldwin, so he's apt to press for a housing phase of special Senate price probe scheduled for a send-off by mid-September. Senator Baldwin sponsored the legislation authorizing this investigation. It's to be on a regional pattern by three special groups under Chairman Taft of the Joint Congressional Committee on the Economic Report.

* * *

Watch the headlines when the subcommittee holding hearings in the North and East gets busy. Senator Baldwin is a member, advanced thinking Republican Senator Flanders of Vermont is Chairman. Both claim the GOP is sunk unless it woos the middle-of-the-road vote. Both are prepared to do a little wooing of that kind by inviting housewives and other little people with gripes to step before their subcommittee and sound off about the cost of living. That's headline material—and a political powder keg.

* * *

Big airlines may live to rue the day they started scrambling for the plunder of overseas operations. Right now it's almost certain Congress next year will shake the aviation lobbyists out of cocktail lounges and hotel rooms for public inspection. Real cause of this undress rehearsal—if it comes—can be placed on the doorstep of Pan American Airways and front man Samuel Pryor, Republican National Committeeman in Connecticut.

* * *

Mr. Pryor should credit himself with three major strategic blunders last session when he (1) persuaded a group of Congressmen to introduce a bill creating a single overseas American line dominated by Pan American; (2) tendered free rides and entertainment to the House Commerce Commitee members while that group was considering the chosen instrument bill; (3) urged Republican commitee member Miller of Connecticut to withdraw a bill authorizing steamship companies to operate international air carriers.

* * *

Real fact is that Mr. Pryor tossed a cocktail party to celebrate introduction of the chosen instrument bill, invited Mr. Miller and learned with dismay that only a few hours earlier his home state friend had dropped into the hopper the steamship company legislation. It won't be surprising if Congress trys to find out how much Pan American spent on its chosen instrument lobby.

* * *

Federal Housing Administration—reluctantly—went into the business this week of insuring loans made by private lenders to manufacturers of prefabricated homes. Congress ordered such insurance over FHA demurs. FHA regulations limit the loan to one year, maximum interest to 4%, plus a mortgage insurance premium of 1% of the original principal amount, and restrict loan to 90% of the manufacturing cost. Prefabricators expect greater help from this insurance than the old RFC insured market deal.

* * *

Dealers in prefabricated homes will also profit from this new FHA insurance, because manufacturers will occupy a more liquid position, can extend longer credit to the dealers.

* * *

Here's a development worth watching. Today, as compared with yesterday, the farmer is (1) snagging less of the consumer dollar spent for food; (2) borrowing more; (3) repaying fewer loans. Agricultural analysts aren't sure this trend is positive, won't decide for a month or so.

* * *

In fiscal 1947 ended last June 30 long-term farm loans by Federal Land Banks increased 11.3% in number and 8.4% in volume over 1946. Rate of pay-off dropped to an average of $1.62 for each dollar borrowed in fiscal 1947 from $1.81 in 1946 and $3.11 in 1945. The farmer's share of the consumer dollar spent for food contracted from 56c in March to 54c in April and 52c in May.

* * *

All hope for a 1948 census of business covering 1947 distribution died when Congress quit without okaying a business census bill. The Senate passed, but the House blocked it on economy grounds.

* * *

If you're oil minded, keep abreast of the House Small Business Committee's inquiry into charges the big petroleum companies are favoring their own outlets over small distributors. The Committee opens hearings in Chicago, August 21, then swings through Nebraska, Montana, California and Texas.

* * *

Premium payments on copper, lead, and zinc will be whittled slightly this year. The Commerce Department has $35 million for premiums on these three metals and manganese for fiscal 1948. Outlay on manganese is expected to approximate $1.5 million, leaving $33.5 million for the other three. Recent payments on the three have averaged $3.5 to $4 million monthly, indicating that a 1948 curtailment is inevitable.

* * *

The Treasury Department has concluded that state and Federal taxation of stock transfers does not retard trading, should be continued. The Department says that . . . "While some complaints have been made by security brokers, no evidence has been presented to indicate that the levy has had an appreciable effect on the volume of security trading. This consideration, coupled with the facts that the stock transfer tax is relatively simple to administer and that its double compliance and duplicate administration cost aspects are not serious, leads most investigators to the conclusion that the problems arising from overlapping taxation in the field are of secondary importance."

* * *

New York in fiscal 1946 got $26.6 million, or 4% of the state's total revenue, from the stock transfer levy, the Treasury finds. Federal revenue from the same source for the same year totaled $30 million.

Egypt, Too?

"Although primarily an agricultural nation, Egypt regards industrial progress as important to its future. Our chief industries are now concerned mainly with the use of our vast cotton crops, such as cotton ginning, textiles and production of cottonseed oil and soap. We also raise a large amount of sugar and sugar refining is a major industry of Egypt.

"We have made great strides forward in the manufacture of glass, paper, furniture, clothing, artificial silk and leather goods. It is primarily in these fields that we look to the United States for equipment and technical assistance." — Mamdouh Bey Riay, Egyptian Minister of Commerce and Industry.

And Egypt, too?

Very well—if Egypt is able and willing to pay for what she wants or "needs."

Daniel Moffat, Jr. With Wm. Pollock Co.

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, announce that Daniel Moffat, Jr. has joined their staff in the trading department.

Burnett Walker to Study Foreign Financial Condition

Burnett Walker, partner in charge of the Foreign Department of Smith, Barney & Co., investment bankers and brokers, will sail this week for Western Europe to talk with financial and government leaders about conditions which will affect foreign financing in the American market for foreign loans.

Mr. Walker will return in two months after visiting England, Belgium, the Netherlands, Denmark, Switzerland, Italy, and France. The Smith, Barney Foreign Department makes periodic trips on the same itinerary to Europe to be prepared for by the time when the American market is ready to accept financing by countries of Western Europe.

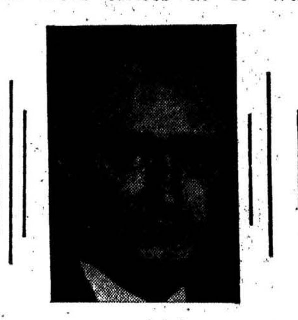
With King Merritt

Special to THE FINANCIAL CHRONICLE

DENVER, COLO. — David D. DeLashmutt is with King Merritt & Co., Inc., U. S. National Bank Building.

Howard E. Phillips Is Opening Own Firm

Howard E. Phillips is now conducting his own investment business from offices at 40 Wall



Howard E. Phillips

Street, New York City. Mr. Phillips was formerly manager of the wholesale and trading department for G. L. Ohrstrom & Co.

Turkey Plans to Seek World Bank Loans

Reported as much as $400 million will be requested for development.

According to a special dispatch to the New York Times on July 31, the Turkish Government is preparing an application for loans from the International Bank for Reconstruction and Development aggregating $400 millions. It is expected that the first application will be for $200 millions to be used to build up Turkish industries, which are being financed by the state owned banks. These include steel works, irrigation projects and textile factories. The loan, of course, will be in addition to the $100 millions which was granted Turkey under the Truman Doctrine. Recently several U. S. economists have been in Turkey studying the country's economic situation.

With B. C. Christopher

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO.—Rodney E. Wilson has been added to the staff of B. C. Christopher & Co., Board of Trade Building, members of the Chicago Stock Exchange.