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What's Wrong With Europe?

By FREDERICK H. ROSENSTIEL

Economist for Arnold and S. Bleichroeder, Inc.

Asserting Europe's economic situation is not hopeless, Mr. Rosenstiel lays present difficulties largely to false economic policies. Sees blight of statism prevailing, and contends internal disequilibrium, arising from price and exchange controls, has led to world dollar shortage and gold hoarding. Points out nations which are striving toward economic freedom have made greatest recovery. Urges "an evangelism" of our economic system.

There is little doubt that we shall be asked in a few months from now to extend new help to Europe under the Marshall Plan. Quite frequently one hears the theory propounded that we should advance new credits and relief to Europe to prevent a slump in our country because a shrinkage in our exports would cause a general decline in business activity. Those who think in those terms forget that a large part of our assistance to Europe is paid for with the taxpayers' money; if we would reduce taxes instead, the taxpayers might well absorb any surplus of goods resulting from a shinkage in exports. Nevertheless, it is true that we are greatly interested in Europe's economic recovery, for economic as well as political reasons. A prosperous Europe is a much better guarantee for peace and the maintenance of our own prosperity than a depressed one. Also, we could get along just as badly with a Europe dominated by Moscow and Communism as we did with a Europe dominated by Hitler and Nazism. Today, Europe's economic situation is by no means hopeless. In many countries, industrial and agricultural production has shown a remarkable recovery since the end of the War. Yet it is true that the recovery of many other countries is much slower than after the First World War. This is due in a large degree to *false economic policies* which have been *strangling the forces of recovery instead of supporting them.* If we, therefore, want to prevent our new efforts from being wasted, we will have to impress upon the European nations the belief that our support needs their own collaboration to be of lasting value. Today the forces of self-help are stifled in many European countries.

F. H. Rosenstiel

The Blight of Statism

Many European countries *suffer from too much "Statism"* — too many controls and too little reliance on the economic initiative of the individual.

This is, of course, a residue from the War. Everywhere, the War was financed largely by inflation which meant a vast increase in the supply of money coupled with an unchanged or even diminished supply of goods. In consequence thereof, an elaborate system of rationing and price-controls was introduced during the War. This system pro-

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The Agitation for Further Devaluation of Our Dollar

By WALTER E. SPAHR

Professor of Economics, New York University

Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr ascribes agitation for dollar devaluation in terms of gold to mining interests and to reports of high premiums paid for gold abroad. Denies higher cost of producing gold is valid reason for reducing gold content of dollar, and holds as long as our gold reserves are adequate, there is no need for devaluation. Asserts our monetary statutes are not in good shape.

Recent months have brought an aggressive agitation for further devaluation of the standard dollar of the United States. Perhaps most of it has come from gold-mine interests both in and outside the United States. But some of it has come from commentators of one sort or another for a variety of reasons, the nature of which usually is fairly obvious. None of these reasons is good or admirable.

Walter E. Spahr

In the opinion of this author, there is not a valid reason known in monetary or economic science that would justify the alteration of the weight of our standard gold dollar, now or in the foreseeable future. On the contrary, the principles of monetary and economic science teach that this is definitely what should not be done.

The agitation of the gold-mine interests for further devaluation of our dollar rests upon their desire to obtain a higher price for their product because of their rising or high costs in mining. In one sense, they are asking the

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EDITORIAL

As We See It

Dollars and Democracy

There are numerous aspects of the current so-called "dollar crisis" in Britain which should receive the most careful attention not only by the British, but, since we and our dollars have become so deeply involved, also by every citizen of the United States. We must take careful note of the inability of the dollar under some circumstances to cure economic ills, and of absolute lack of evidence that even if economic ills are reduced any protection against the encroachment of totalitarianism is afforded.

The recent statements of the British Prime Minister and his Chancellor of the Exchequer are in a number of respects remarkable. It may be said after the poet that they "half reveal and half conceal the truth within." At more than one point they show good understanding of the basic difficulties in their country; at others their concepts are strange to minds steeped, as the British minds are supposed to be, in the traditions of individual liberty. These latter are fully as strange to minds versed in economic history and the principles of human behavior.

Politically, and doubtless with sincerity, the leaders of the British government find an "out," as it were, for them-

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U. S. May Take Individual Action in Greece

Herschel V. Johnson, U. S. Representative, tells Security Council independence of Greece is in grave peril, and if Russia continues to block Balkan Settlement, U. S. may take direct action or bring question before General Assembly. Offers resolution calling upon Balkan powers to cooperate with Greece in effecting settlement.

Herschel V. Johnson, Deputy United States Representative at the UN Security Council, on Aug. 12, in a formal address at a meeting of the organization, declared that the independence of Greece was in great peril because of the attacks of the neighboring Balkan countries and the work of communists within, and warned that unless the Balkan satellites of Russia agree with Greece on a settlement of the conflict, as indicated in a resolution he offered, the United States would not only submit the matter to the General Assembly of the United Nations, but, in the event of another Russian veto, would be justified in taking individual or collective action to prevent the continuation of the guerilla warfare against Greece.


Herschel V. Johnson

Text of Address

The text of Mr. Johnson's address follows:

The Security Council has attempted for many months to find a solution to the Greek question by the processes of pacific settlement. Many proposals have been presented to us, most of which have carefully avoided findings of guilt or blame on either of the parties to this dispute. All those solutions have failed, as you all know, and the report of the subcommittee indicates clearly that there is no longer any hope of reaching compromise solutions.

The Security Council is faced with a complete deadlock which prevents it from taking the necessary measures to deal with the situation in Greece. Under the circumstances the only course left for the Council, in our opinion, is to register for the whole world the opinion of its members as to the facts, and what action they are prepared to take under the Charter. We are no longer under the necessity of attempting to appease further a threatening veto. Let us now record our honest opinions. That is what I propose to do now on behalf of my government.

It is the view of the United States Government that Greece is in grave peril. This peril results from the guerrilla warfare being waged against the Greek Government by Communist-led bands actively supported by Albania, Bulgaria and Yugoslavia and by the Communist party of Greece. It is perfectly clear that the governments of the three northern countries are working in close conjunction with the Greek Communists with a common objective: the establishment in Greece of a minority, totalitarian government which would be subservient to the Communist-controlled countries.

Sees Threat to Greek Independence

The United States Government considers that the evidence obtained by the Security Council Investigating Commission and the subsidiary group as set forth in a series of reports to the Council unquestionably proves that substantial assistance is being received by the Greek guerrillas from the northern countries and further shows that this assistance is of such importance as to constitute a very serious threat to Greek independence and integrity.

It is because of the obvious seriousness of the situation that this government has taken so active an interest in the Greek com-

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The Short Interest and Market Price Movements

By ROBERT T. SHADOAN*

Economics and Investment Dept., National Securities and Reseach Corporation

Pointing out volume of short selling is no indication of market trend, writer reviews fluctuations in short interest since 1936, compared with market value of all listed stocks on New York Stock Exchange. Concludes, though size of short interest may not show turning points in market, it is reliable index in revealing extent of "bearishness."

The subject of short selling and its effect on the market is one of current and recurring discussion. On various occasions in the past, politicians have accused short sellers of precipitating breaks and only recently certain remarks by a Congressman presumably caused the New York Stock Exchange to make an exhaustive study of the total short position. From time immemorial, floor specialists and "professionals" have carried the brunt of public criticism for occasional sharp breaks in the market which were allegedly caused by short selling.


Robert T. Shadoan

It seems to be believed by many that a high or rising short interest in a particular security, or in the general market indicates a bearish forecast by the short sellers which should not be ignored, while the absence of an important short interest contrawise has bullish implications. Of equally common acceptance is the belief that the short position is highest near the top of a bull market and lowest near the bottom of a bear market.

Shorts Often Wrong

However, the record in recent years, and particularly the past decade, indicates that such thinking may be fallacious. A more sound deduction appears to be that the majority of shorts, like the majority of any other group, are wrong about as often as right. Statistics show that some of the smallest short positions have been near the top of the market and the highest near the bottom, or before the beginning of a renewed upmove.

Owing to the limitations of space on a subject that is admittedly highly controversial, this article is intended to be factual and explanatory rather than attempting any forecast. But before turning to a study of the charts below, the following data may prove helpful. Prior to May, 1931, no authentic records of "shorts" are available since the Stock Exchange in former years did not require that the figures be gathered. For some time thereafter Member Houses were required to report daily. This was later changed to a weekly basis and monthly since 1936.

The present system of reporting could conceivably give rise to the argument that since the figures are on a monthly basis they do not reflect the true picture from day to day. It is true that daily figures, like fluctuations of the market, may vary, but there is usually some definite trend which is most important as an index of fear or confidence.

The procedure in selling short has also been altered. In March 1938, the Securities and Exchange

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*Reprinted from "Investment Timing," published by Economics & Investment Department, National Securities & Research Corporation, New York City.

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Holds 80th Congress Fulfilled Pledges On Economy and Labor

Congressman Charles A. Halleck, Republican House Leader, contends cut of over $4 billions was made in Budget, and promised reforms in labor-management relations were made in passage of Taft-Hartley Bill.

In an elaborate statement entitled "Republican Congress Delivers," covering 23 legal size typewritten pages, released on Aug. 10, Congressman Charles A. Halleck (R.-Ind.), Republican floor leader in the House of Representatives, praised the accomplishments of the 30th Congress, and deplored the Truman veto of the tax reduction bill. A considerable portion of the statement was devoted to government expenditures and labor-management relations, in both of which, Mr. Halleck contended, the Republican Party pledges were carried out.

Charles A. Halleck

Government Expenditures

Regarding the efforts to trim the Federal Budget by reducing appropriations, Mr. Halleck, repeating the Republican Party pledge of 1945, stated:

"Economy in government spending must be assured. Extravagant government spending now advocated by the Administration in every field can only lead to ruin. Programs involving expenditure of Federal funds should not be undertaken unless the justification therefor is clearly established.

"Bureaucracy, with its thirst for power and self-perpetuation, must be drastically reduced. The number of government employees must be cut to an efficient minimum."

We have kept that pledge.

President Truman submitted to Congress budget estimates calling for expenditure of $37,500,000,000 during the fiscal year ending June 30, 1948. He recommended in excess of another billion before Congress adjourned. Compare those astronomical figures with the total government expenditures in pre-war years. Expenditures for fiscal year 1933 totaled $5,143,000,000; for 1934 they were $7,100,000,000 and for 1939 fiscal year the Government spent $9,027,000,000. The Republican Congress not only called a halt on the New Deal Democrat trend; we reversed the procession.

The President insisted from start to finish that Congress vote him every dollar that he asked. He used every political weapon at his command. The New Deal propaganda machine worked overtime, manufacturing scare stories and trying to confuse the issue. The President sent a parade of bureaucrats before committees of Congress to argue against every proposed cut. He marshalled every available vote in Congress in favor of his spend and spend program.

Democrats generally in Congress fought stubbornly to restore cuts. Almost to a man, and on every occasion, they voted against reductions. They did their best to defeat our economy program.

We knew the budget must be cut. Notwithstanding new demands upon us, such as that for $400,000,000 for aid to Greece and Turkey, we cut the President's 1948 estimates by $2,766,000,000, and that is only part of the story. We rescinded funds that would otherwise have been spent amounting to $442,500,000. We made recoveries for the Treasury that the President did not recommend amounting over all to $911,700,000.

This makes a total cut below the 1948 fiscal year estimates of the President's budget of $4,120,800,000, and that is about as much as the entire cost of Federal Government in 1933, when the New Deal came to power.

In addition, we made cuts that were effective in making savings in the operations of the last fiscal year amounting to $363,174,000.

Thus, the total savings to the Federal Treasury accomplished by the Republican Congress were $4,484,000,000.

That is a bullet-proof, conservative summary of the economies effected by the Republican Congress during its brief span of life. All the sharp-shooting by New Deal Democrats and their Communistic fellow-travelers in their mourning against slashes in the padded Truman budget cannot tear down this accomplishment of the Republican Party.

The Appropriation Committees of the Congress found the Truman Administration's fiscal affairs in a chaotic condition. Money was being tossed here, there and everywhere in a grand spree on the taxpayers' chest.

There were 1,980,000 persons on the civilian payroll of the government on Jan. 1, 1947. Under our reduced appropriations there will be a reduction of about 300,000 from what it was when the Republican Congress took over last January.

We have been careful in our economy program not to discontinue any necessary function of the government. We received no cooperation from the Truman Administration. The appropriation committees of Congress had to pry information out of unwilling bureaucrats, and draw upon our own fund of knowledge as well as that of experts not connected with the government in order to do the job the people said by their votes could and must be done.

Through scientific handling of appropriation bills we have begun to get the government down to size and to get men and women whose services are not needed by the government back to useful

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Government and Business

By HON. ALBEN W. BARKLEY*
U. S. Senator from Kentucky

Senate Democratic leader stresses close relations between government and business and points out it is not merely a matter of national but of international importance. Traces development of Federal regulation of business and supports principles of free enterprise with cooperation of government and business. Upholds Marshall Plan and further aid to foreign countries as a matter of self-interest and concludes politics and economics are twin factors in determining world situation.

In considering the relationship of business and government, we cannot avoid some consideration of the matter of politics and economics.


Sen. Alben Barkley

Politics is said to be the science of government. This is its true definition, but the word politics has frequently been a term of opprobium applied only to the methods pursued by men or political organizations in attaining office. But true politics is the true science of government, and those who follow it, whether as candidates or as voters, ought to be versed in the science of government.

Economics is the science of production, distribution, and use of the means by which the welfare of mankind may be advanced. It naturally follows that economic conditions may determine the politics of a country, at least temporarily, while, on the other hand, the political policies followed in any government may determine its economic condition.

When our Constitution was framed, those who framed it had in fresh memory the experiences of the colonies following the American Revolution, and prior to the adoption of the Constitution in 1787. Many of the states had fallen out among themselves over rate restrictions and embargoes, one seeking to prevent the commerce of the other from entering its borders. This situation gave rise to bitterness and friction, and came perilously near creating 13 independent republics, instead of the United States of America.

Having this situation in mind, the framers of our Constitution provided that Congress should have power to regulate commerce among the states and with foreign nations. Thus, they set the seal upon the exercise of a central power with reference to commerce as a whole throughout the United States. We have two different sorts of commerce, one wholly within a state which we call intrastate commerce, and another that crosses state borders and goes into foreign countries, which we call interstate commerce, or international commerce. Under the Constitution, no state has the right to prevent the importation of products from another state or from a foreign country, because the Constitution gives this exclusive power to the Congress of the United States.

Importance of Business Regulation

For a hundred years Congress did not exercise this power. The first act to regulate commerce was passed in 1887, just exactly a century after the adoption of the Constitution, giving that power to Congress.

The reason for this was that ours was a new country, largely agricultural, and the need for Federal regulation and supervision of commerce among the states did not arise for a century after the nation was organized.

But, as the population grew and life become more complex, and great combinations of wealth began to grow up in the country, the people demanded that Congress should exercise the power conferred upon it by the Constitution to protect them against unfair practices. Railroads could make or mar a city by favoritism and rate advantages; it could make or mar an individual corporation or an individual citizen, by giving to one preferential treatment which it denied to others. And, therefore, the first act to regulate commerce dealt

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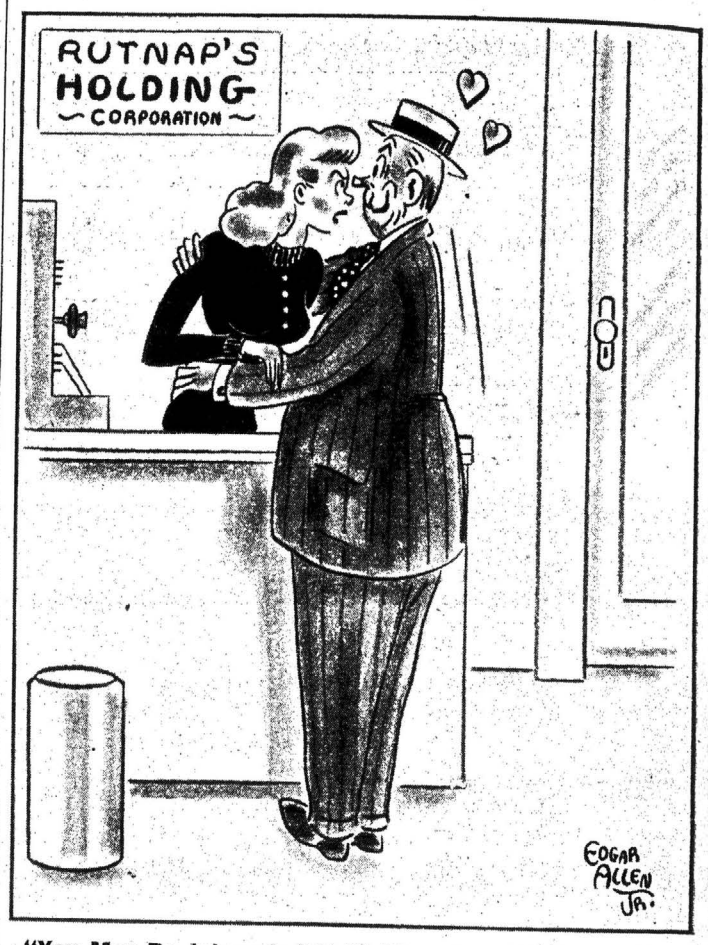
*An address by Sen. Barkley at the Commencement Exercises of Hill College, Woonsocket, R. I., Aug. 8, 1947.

BUSINESS BUZZ



"You May Be Interested In Holding Corporations, Sir, But I'M Not A Corporation!"

Business Looks Ahead

By EARL O. SHREVE*
President, Chamber of Commerce of USA

Asserting American business, as the prime mover of our economy, holds the fate of mankind in its hands, Mr. Shreve holds American prosperity cannot endure except in world of peace and productivity. Urges ending international economic paralysis by program of mutual help. Says we should make self-quarantine of Soviet regions effective and should not allow economic possibilities of former enemies to be plowed under. Stresses need of economic harmony at home and warns against misuse and distortion of new labor laws and continuation of heavy tax burdens.

There was a time when an American business man, in addressing an audience on occasions such as this, could get away with a few familiar generalities. Usually little more was expected of him. While the part formerly played by business in national and international life was big and important, it seemed secondary. And in any case, the interests of business were largely restricted to its own immediate problems. The obligations that it assumed were limited. It relied on rules of conduct pretty generally known and accepted; rules which no one seriously challenged. As for over-all national policies and world affairs and conflicts of social systems, such things were left to specialists in those fields.


Earl O. Shreve

But that time is past. The challenge of other economic theories is too clamorous to be ignored. The frontiers between business and national affairs, between business and world affairs, have tended to disappear; existence is too closely integrated nowadays to be fenced off into specialized preserves.

That is why, as spokesman for the world's largest business organization, the United States Chamber of Commerce, I am keenly conscious of my own responsibility and by opportunity in talking to a gathering like this.

It is no longer enough for us to "tend to our knitting." No one today is wise enough to know where his own knitting ends and public affairs begin. There are few departments of life at home and abroad that do not require our understanding and our cooperation. It has become the duty of business, from its treasure-house of practical experience, to advise government in the formulation of policies in the public interest. It has become the function of business to provide the techniques and the leadership in restoring that economic world order on which a political and moral world order must rest.

Even in its own domain, business can no longer rely blindly on precedent and rule-of-thumb. Our thinking and planning must be sufficiently resilient and broad-gauged to meet the needs of an era of flux and change. Dynamic forces and pressures are at work in the world which affect us and are in turn affected by us. We cannot afford congealed ideas and formulas.

Business today recognizes that it has a direct stake in the great

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*An address by Mr. Shreve at the National Institute of Commercial and Trade Organization Executives, Northwestern University, Evanston, Ind., Aug. 12, 1947.

The State of Trade and Industry

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

Over-all industrial output last week held steady at a high level, with the change from the preceding week negligible. In the employment field the number of workers were maintained at close to peak levels, accentuated by a scarcity in some industries of skilled labor.

Suppliers of raw materials for the most part were able to fill their orders, but shortages in some lines continued to persist.

Fractional increases were noted in steel ingot production for the week and scheduled output for the period beginning Aug. 11, is placed at 93.2% of capacity by the American Iron & Steel Institute. In the past week demand for sheet steel continued well in excess of production and many plants were forced to cut operations because of the short supply of steel.

American industry in this respect is far more fortunate than that of England, however, since the drastic measures proposed by the British Government for the nationalization of the steel industry as a panacea of all its ills can only make for lower output and further demoralization of its economy. According to "The Iron Age" the current week:

"News from the high councils of the British Labor Party that the nationalization of the steel industry in that country is to be postponed for the duration of the present economic crisis will come as a welcome relief to industry leaders in that country. It is hardly expected to produce any more steel to relieve the existing shortage. Operating heads have been straining themselves for the past two years to show that they were capable of producing all that the country needed, just to prevent the socialization of the industry. It appears that for once, if possibly only temporarily, the capitalists have made some new converts. Should the House of Lords object when the issue again comes up there will probably be no nationalization before 1950."

In freight car construction the backlog of orders was very far in excess of output, while production of oil well and pipe line equipment and steam turbines was steady. Production and shipments of printing machinery also made progress, but orders continued to mount.

In the chemical industry output was maintained at a level over four times that of the 1935-1939 average, it was reported with production booked well into 1948. The footwear line was hampered much by the scarcity and the high price of leather which generally contributed to the curtailment of shoe production and the slight decline in orders.

Lumber production for the week ended July 26 amounted to 201,865,000 board feet, an increase of about 9% over the previous week. Lumber shipments were about 14% below production and new orders almost 5% above production. Unfilled lumber orders amounted to about 72% of stocks.

STEEL OUTPUT AT HIGH LEVEL—SCRAP PRICES BREAK

For the first time in almost three months the price of heavy melting steel scrap broke in the nation's three major markets, averaging $1.25 at Pittsburgh, $1 at Philadelphia and $1.50 at Chicago. The declines though not large, apparently ended a rising trend which led steelmakers to breathe a sigh of relief.

Present steel prices are not on a firm foundation, according to "The Iron Age," national metalworking weekly, since they are geared to current high output and current wage levels. They could not long have withstood scrap prices well over $40, but the prospects of cutting scrap prices down somewhat from the fantastic levels they reached in recent weeks gives steel producers hope that present steel price levels can be maintained.

Steelmakers see no signs of a serious drop in the operating rate for the balance of this year. Authoritative sources say that steel labor rates are frozen at their present levels for some time to come and can only go up if they move at all. Hence the indication, the trade weekly points out, that scrap prices may be leveling off is good news to an industry whose third quarter profits would have been seriously threatened if the recent scrap price spiral had not been interrupted.

The steel industry, like other durable goods producers, has been engaged in "overtaking" production, but this condition, it is admitted in most quarters, is not at all certain to last throughout 1948. Many consumers are therefore looking for a steel price cut should demand slacken at that time. There would, however, be no advantage gained by wrecking the price structure in order to fill up steel-mill schedules with cheap business, states "The Iron Age." With wages inelastic and raw material costs on a higher plane, and with steel companies still showing a relatively poor return on their investment, the paper adds, it is not at all certain that history will repeat itself in this respect.

To date—and this has confounded most of the industry's

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Observations . . . .

By A. WILFRED MAY

SPREADING THE TRUMAN LABOR DOCTRINE

This column has devoted considerable space since the issuance of the President's Midyear Economic Report to pointing out the very significant implications at home and abroad of the spreading of such labor government principles. The concurrent trans-Atlantic New Dealism to which we called attention last week has meanwhile been further highlighted by the British leaders' parliamentary restatement of policy.

A. Wilfred May

It becomes constantly more evident that in no sphere are the fallacies greater than in labor matters. In their "decisive" statements to Parliament last week, Prime Minister Attlee and Chancellor of the Exchequer Dalton minced no words in recognizing the desperateness of their country's position and spoke with complete candor of its liquidation of foreign investments, of its using of the American "loan" in 1¼ instead of 4 years, and of the consequent dire need of instituting drastic measures to achieve *production* to avoid national bankruptcy. So the Prime Minister manages to see the resultant necessity for business proprietors to manufacture "not those goods which will produce the highest profit but those which are most needed in the interests of the national economy" — a statement which, if not actually enlisting the Labor Government with the basic Communist doctrine of *production-for-use*, at least places it in the position of calling for temporary abrogation of free enterprise. Yet to the *worker*, his utmost adjuration for contributing to this all-out "austerity" effort, and for meeting the horrible coal-production mess, is to preserve the absurd 5-day week and merely to work an extra half-hour a day *"as an emergency measure for a limited period."*

Feather-Bedding in the Crisis

At this time when Britain's self-acknowledged battle for her very survival, as well world peace itself, depend on production, the Labor Government leaders will not or cannot get their mine laborers to work even as many hours as before the War. The direct tie-up of this malingering with dependence on American largesse — as given already and as contemplated under the Marshall Plan — is highlighted by the following statistics recently made available in London. In the year ended June 30 last, Europe received from the United States twenty-five and one-half million tons of coal and coke, which is equivalent to only 13% of the present low output from the British pits. Thus if the British miner would have worked just one hour longer per day during his five-day week—despite even the British mess in the Ruhr with its production reduced to 38% of pre-War, Europe would have needed none of the coal imports from here which divested her of 560 millions of her "so scarce" dollars. A half-hour per day more of British work would have supplied France's entire coal deficit which used up a full hundred million of her dollars.

The Truman—New Deal Counterpart

Typical of our own President's attitude and of the pro-Labor apologia running throughout Midyear Report is the section devoted to housing and other construction. Mr. Truman emphasizes the country's dire need for a much higher level of housing output, for industrial and commercial construction, and its dependence on lower prices. But in stressing the need for lower costs, the responsibility of workers is barely mentioned. Strangely, perhaps, there is no mention of the fact that actually no less than eighty per cent of housing goes into labor; that union bricklayers, carpenters, painters, plasterers and plumbers, demand and receive twenty dollars per day; that the average consumer must give 3½ days of his own labor for the product of one day's work by the house laborer; that masons who used to work for $8 a day and laid 9,000 bricks in nine days at a cost of $72 for the ordinary house, now slows down to take 18 days to lay 9,000 bricks at a cost of $360 for the house; and that the only way the super-inflated wage demands can be satisfied is through taxation—whether disclosed or disguised; and that the "profiteering" builder gets but $866 out a $9,000 house to pay his costs of insurance, interest, plans and for his profit. Not a word about the exploitation of the housing shortage through the labor and politician monopolies. Instead the President and his political supporters declare that it is up to free enterprise to grasp its last chance to build houses, and that if it does not accept this responsibility, bureaucratic socialization is the only logical alternative.

Nor has our President at any time deemed elimination of the clearly evidenced evils inflicted by the Wagner Act worthy of mention. Typical of the politically-motivated prejudice of which we are complaining is the President's apparent feeling that prevention of the abuses connected with the closed and union shop, union irresponsibility, and jurisdictional strikes and boycotts—whether by Taft-Hartley or other technique—is not a matter important enough for our "agenda."

This indeed is also a *Labor Government!!*

Daniel Reeves to Admit

BEVERLY HILLS, CALIF.—Daniel Reeves & Co., 271 South Beverly Drive, will admit L. Morton Stern to partnership on Aug. 21. Mr. Stern will acquire the New York Stock Exchange membership of Daniel F. Reeves, senior partner in the firm.

Will Start Parley on New British Loan Terms

Secretary Snyder announced discussions will begin on Aug. 18 with British delegation headed by Sir Wilfred Eady.

At his news conference on Aug. 13, Secretary of the Treasury John W. Snyder announced that discussions will start on Monday, Aug. 18, with a delegation from Great Britain, headed by Sir Wilfred Eady, Special Assistant to the Chancellor of the Exchequer on altering the terms of the $3,750,000,000 American loan that was granted to Great Britain more than a year ago. He added that cabinet members constituting the National Advisory Council on International Monetary Problems, established by Congress when the loan to Britain was approved, would represent this country in the discussions.

The Secretary stated it was his understanding that the conference would be strictly limited to the British loan and would not delve into other aspects of the British "dollar crisis" or European economic distress.

"I want to find out what the British Delegation has in mind before making any statement as to prospective changes in the loan agreement," Secretary Snyder stated, adding "We are prepared to listen to anything they bring up, as long as it is within the area of the Anglo-American Loan Agreement."

In the course of the Conference, Secretary Snyder flatly denied that the Treasury has made any plans or had any discussions to change gold content of dollar.

Watson, Alloway & Co. To Be Formed in New York

Watson, Alloway & Co., members of the New York Stock Exchange, will be formed with offices at 15 Broad Street, New York City, as of Sept. 1. Partners will be Charles F. Watson, Jr., member of the Exchange; Charles R. Alloway, who will acquire the Exchange membership of George S. Kemp; and Maude B. Watson. Mr. Watson has been doing business as an individual floor broker.

Bretton Woods in Retrospect and Prospect

By DR. F. A. G. KEESING*
Professor of Monetary Theory, University of Amsterdam
Advisor to Ministry of Finance, Holland

Dutch financial expert analyzes monetary conditions leading up to the Bretton Woods Agreements and describes leading provisions of International Monetary Fund and Bank. Holds adoption of a "floating monetary standard" in place of Gold Standard in interim between two world wars brought about exchange and trade controls, which hampered international commerce. Says International Fund undertakes functions of old Gold Standard, but doubts it will be able to balance international payments.

I.

The Background and Structure of the Bretton Woods Agreements

On the 21st of December 1945 Decree No. F. 318 was published, containing the law which sanctions the Netherlands participation in the agreements of Bretton Woods. The law itself is a model of conciseness; its consideration shows the desirability of the participation and goes on to state that such participation can only take place by law, owing to Art. 60, par. 3 of the Constitution. Art. 1 sanctions participation while Art. 2 fixes the date of the law's commencing to operate as that of the day following upon its publication. The substance of this legal step has been laid down in the detailed articles of agreement, the text whereof has been attached to the law as a supplement.

F. A. G. Keesing

By means of this legislative act the Netherlands, ten days before the expiry of the ratification term, sealed the monetary union which had been mutually approved between the experts of 44 nations during the war, thus entrusting its fate to the success of the two organizations, the International Monetary Fund and the International Bank for Reconstruction and Development which were conceived at Bretton Woods in July, 1944. Without exaggeration it may be said that Bretton Woods is meant to be a turning point in the world's financial history: while on the one side it is the conscious and decisive end to a very agitated period of international monetary anarchy, on the other side it introduces an era in which the community of the nations, led by a sense of economic responsibility and profiting by the lessons of the past, strives with closed ranks to achieve a co-operation which intends to prevent a repetition of the recent chaos.

Only from the above twofold angle the problem Bretton Woods, which I would like to discuss in this hour, may be approached. The object of the agreements of Bretton Woods can in retrospect only be explained by the bitter experiences garnered during the years which preceded the second world war; the practical use of these agreements will have to be judged by the results which the created apparatus will obtain to ensure a more satisfactory course of affairs under the prevailing circumstances. I will begin by briefly sketching to you the most important monetary problems of the immediate past, after which I hope to explain the principles of the Fund and the Bank in general, while finally I shall formulate a few impressions as regards the expectation which may reasonably be cherished of Bretton Woods.

I have called Bretton Woods, when viewed negatively, a reaction to the bitter experience garnered during the years preceding the second world war. The monetary perils to which I refer were revealed in all their violence since 1931, but they had been latently present long before.

Monetary harmony, so eagerly sought by the world now, has not been present since the commencement of the first world war. True, the Gold Standard, first victim of Mars in August, 1914, did enjoy a brief Indian summer during the agitated twenties and thirties, but the system, which at one time functioned to every one's satisfaction, proved in the second instance to be unable to accomplish this again. The re-establishment of the *status quo ante*, extolled as a measure of the greatest wisdom under conditions analogous to those of the present day 25 years ago, led us within a very short time to a complete debacle. To ensure a sound grasp of the present existing situation, it will be necessary to explain more fully the glamour and the misery of the much praised and much abused "Gold Standard."

The Gold Standard

The Gold Standard is the system which made possible the rapid development of international division of labor during a period of about 40 years preceding 1914; a system which led to more intensive world trading based on stable exchange relations; which had supplied the foundation for a profitable international system of credits, and which finally had caused the countries involved to behave as one large family in the economic sense, all the members of which participated in the important economic prosperity. The Gold Standard did even more than this: it did not only guarantee a steady exchange, so eminently important to international traffic but by its action it created at the same time the conditions which are necessary to make such a state of affairs permanent. Whenever and wherever the balance was disturbed, the Gold Standard set a process of adjustment going which attacked the origin of the disturbance. By means of a policy of discounts which regulated international arbitration of capital, through shifting of gold stocks, which via their influence on national price levels, led the international trade, the Gold Standard imposed a control which assisted the natural recovery of the temporarily disturbed balance.

Each country which applied the Gold Standard for practical purposes, did so by means of a one-sided, sovereign decision, according to which the currency unit of the country was defined by containing a certain weight of fine gold. By permitting a free import and export of the yellow metal and furthermore by carrying out its monetary policy in such a fashion that the relation between gold and means of exchange, laid down by law, was effectively maintained, each country concerned practiced the use of the Gold Standard in the required manner. It did not therefore demand arduous international conventions, no all-embracing international organism, not even any deliberation. Monetary harmony was the direct result of the fact that every gold country accepted the consequences of what they had laid down in their own national currency laws. This theory of the Gold Standard had been evolved in detail by English economists, long before the system reached its international growth. Practice and theory were found to correspond wonderfully well.

The Gold Standard was formally put out of action at the beginning of World War I, because unlimited export of gold, the essential characteristic of the system, was prohibited. This was not done because the world had suddenly lost faith in the good offices of the gold, but because everywhere the national gold deposits had to be reserved for war purposes, *casu quo* maintenance of neutrality. In the course of the war years the world got to know the reign of the so-called "Floating Standard," supplemented here and there with certain elements of not very stringent control of foreign exchange. This deviation from the monetary path of virtue however, was exclusively conceived by opportunism, and definitely not by considerations of principle. On these grounds therefore, we may regard it as the most natural thing in the world that the first action after cessation of hostilities was to re-establish the regretted Gold Standard in all its formery glory.

The circumstance accompanying the world's return to consciousness after four years of war, were extremely unfavorable for a rapid rehabilitation. The war had eaten deeply into the economic state of affairs while at the same time the disorganization in many countries, instead of growing less, increased violently during the first post-war years. Notwithstanding this, the re-establishment of the gold standard was unanimously decided, as formulated at the economic conferences in Brussels in September, 1920, and in Genoa in April, 1922, with stress. The very fact that the actual return to the Gold Standard was not possible, gave the standard a special halo. The opinion that the reintroduction of the tried system would simultaneously cause the liquidation of post-war difficulties and inaugurate a period of normal economic activity, began to gain ground gradually.

Passing over the numerous economic disturbances and dislocations, which swept the world at first, we may safely determine that a phase approached about seven years after the artimistice, when the long cherished ideal seemed about to be realized. The fact that many countries had been obliged to undergo a very painful process of adjustment in order to be able to participate in this state of bliss, was disregarded. Orthodoxy made its demands; and the means to the end in view would have to be submitted to, however disagreeable they might be. Only the United States, who at that time occupied a position of "Splendid Isolation," had already found

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*A translation of the first part of an address delivered by Prof. Keesing at an assembly of the University of Amsterdam, Amsterdam, Holland, June 12, 1947. The final part of Professor Keesing's address, dealing with the prospects for successful operation of the Bretton Woods Agreements will appear in next week's issue.

From Washington Ahead of the News

By CARLISLE BARGERON

Thousands of Americans who grumbled over food and cigarette queues in the United States during the war are now paying good money for the privilege of doing it in the Canadian Rockies. You presumably would have a reservation before coming to one of the resort hotels. Then you must wait five or six hours before your space can be made ready for occupancy. In the dining room at night you stand in line and await your turn. You raised Cain against continued food rationing. In Canada, you still have meatless days, two of them a week.

Carlisle Bargeron

There was a time in our country, during prohibition, when we went to Canada for "freedom." Now the restrictions governing alcoholic beverages, except perhaps in Quebec, remind you of our prohibition days. You cannot sit down for dinner and have a cocktail with your meal. Even at such a pretentious resort as this, there is only one place where you can go and drink ale and beer. In the matter of harder stuff, you must go to the government dispensary and get a bottle of Scotch, but only a blended Bourbon or a blended Canadian rye and you take that to your room and drink it.

You look around at a place like this and think of the thousand and one beautiful spots at which to sip a cocktail and enjoy the grandeur. It seems a shame that you can't do it. You may have your own bottle, but it is against the law to drink in public. And, unlike us, Canada enforces its laws.

You hear no grumbling about the rationing in order to send food to Britain. In previous years we Americans had the impression that Canada had no love for Britain. Canadians, it seemed, were always disparaging their mother country.

But in two world wars now, Canada has given everything she had to give for the Mother country and, today, instead of there being any begruding of continued aid, the visitor feels a downright admiration for the Mother country and a determination to see her through.

You are struck by the way the Canadians jump to their feet at the first note of God Save the King. We arise wearily to our feet when the Star Spangled Banner is struck up.

It is this writer's feeling that any wishful thinking we of the United States may have about Canadians preferring us to Britain and preferring to be attached to us, is the bunk. The newspaper editorials generally praise Attlee's speech in support of his demand for wartime powers. They dramatize it as the Second Battle of Britain and seemingly itch to be in on it.

Nowhere is there any suggestion that Britain's present plight may be caused at least, in part, by the managed economy of Socialist bureaucrats. After all, Canada has considerable radicalism itself. In Saskatchewan there is the movement known as the CCF, which having attained the ascendancy in the Province, is now demanding that everybody who doesn't agree with it, be purged from positions in the government. And, in Alberta, there is the Social Credit movement. Socialism is quite rampant in these two provinces.

If there is one thing that should have been cleared at the outset about Britain is that managed economy would bring on additional crises which would take more managed economy to deal with, that there is no end to the road to totalitarianism once you have embarked upon it.

One reads Attlee's remarks about people who render no service to their country and who must be given no consideration. This is a reincarnation of Roosevelt's attack upon Economic Royalists.

It is a tragedy what Britain is going through and one begins to question those assertions about the hardiness of the British people when they continue to take what they are getting. But, in Canada, there seems to be only the deepest sympathy.

The visitor is impressed by the prominence which the Western Canadian newspapers gave to the Ford-CIO controversy. It is something quite distant removed from them. Inquiry reveals that the Canadians, like a lot of other people in the world, including those of the United States, are watching for the "next depression" and such labor-management strife as that between Ford and the CIO is looked upon as leading to the inevitable.

From the headlines also, one gathers that Canada has a housing shortage and in kind with the United States, a controversy about letting in refugees. In Saskatchewan, the head of the College of Physicians and Surgeans, feels it necessary, in view of the heat that is being applied to him, to deny that Canadian doctors are racially prejudiced against refugee doctors. They can come in, this man insists, if they will only measure up to the same qualifications demanded of Canadian doctors. But this isn't enough for the agitators.

One wonders if there is an epidemic of gas seeping into sewerage systems. In Washington before I left, there was quite a scare over in Arlington County, Va., a suburb, over gas having seeped into the sewerage system there. Householders were ordered to move from the affected area because they might be blown up.

In Moose Jaw they are having the same trouble.

A consolation for the harassed vacationist in these parts is that prices are relatively cheaper. But the inconveniences are great. Even in the States the writer found rail travel at its worst. Between Chicago and St. Paul, during a severe hot spell, several passengers were made ill because the air-cooling on the train wouldn't work.

The Answers to Pension and Profit-Sharing Questions

By MEYER M. GOLDSTEIN,
Director, Pension Planning Co. of New York

Expert analyzes the various major problems confronting employers in considering pension and profit-sharing plans. Stresses tax factor as stimulating their establishment and continuation.

Some of the major problems which employers have in connection with pension and profit-sharing plans are set forth in the accompanying panel. There is no effective substitute for the pay envelope. Adequate and competitive wages must be paid and satisfactory hours and working conditions must be provided. Only after this foundation is established should deferred benefits be considered.

Meyer M. Goldstein

Each plan is different in its design and results. Each has advantages and neither can be a substitute for the other. The ideal situation is where an employer can afford both plans. But only a very small percentage of employers can support both.

Under a pension plan 100% of the employer's contributions can be concentrated to provide pensions. A composite fund can be established from which pensions can be paid to employees as they retire. This can be accomplished through a trusteed fund or through an insurance company, or both. By contrast, under a tax-qualified profit-sharing plan providing for the purchase of cash refund group annuities, only about 44% of the employer's contributions may find its way into pension benefits, whereas 39% might be paid for employees who die and 9% to employees who sever employment prior to normal retirement, and 8% for expenses, depending on the eligibility and vesting provisions and employee turnover experience.

A profit-sharing plan cannot be an effective pension system for the first 15 to 25 years after it is established because it is not usually possible to provide past service benefits under a tax-qualified plan.

For example, an employee earning $3,000 per year could not receive as much as one-third of final salary as a pension, including Social Security benefits, unless he had at least 15 years of membership. It would take about 25 years of maximum tax deductible contributions to reach the same objective for a $10,000 employee.

To provide one-half of final salary would take over 25 years for the $3,000 employee and about 35 years for the $10,000 employee.

Financing in Advance?

It is usually advisable to finance pensions on a sound actuarial basis by making contributions during the years before the pension payments become due. Such a procedure assures employees of retirement security and avoids an increasing burden on future operating expenses represented by pension payments that are not financed before they become due—a burden that will be a steady drain in bad years as well as good. There is also a considerable financial advantage under a qualified funded plan, since the employer is allowed a tax deduction for contributions when they are made, and the interest and capital gains earned on the fund is exempt from income tax. The consequent savings, both because of the earlier tax deductions and the lower cost when the interest on the fund is tax-free, combine to effect a materially lower cost per dollar of benefits provided as compared with waiting to finance pensions until they actually become due. The result is that the net cost of typical funded plans amounts to between $.35 and $.45 per dollar of pensions paid as compared with a net cost after taxes of $.62 per dollar of pensions paid under an unfunded plan, assuming continuance of a 38% tax on corporate profits. Or, looked at from the

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1. **Should the employer establish any plan?**
2. **If so, should a pension plan, a profit-sharing plan, or both be established?**
3. **Should pensions be financed in advance of payment?**
4. **Should it be insured or financed by a trusteed fund invested in securities?**
5. **Must the employer have a fixed cost commitment?**
6. **If insured, should the benefits be provided by individual policies, a group contract or a combination of them?**
7. **What benefits should be provided?**
8. **What should be the eligibility requirements?**
9. **What can and cannot be done taxwise?**
10. **What plan will have the lowest cost?**
11. **What are the labor relations aspects of various possible procedures?**
12. **What about amendments?**

Public Utility Securities

General Public Utilities

General Public Utilities is currently selling around 14 compared with this year's range of 16½-12⅝ and last year's range of 23½-14½. The company is successor in reorganization to Associated Gas and Electric Corp., Associated Gas and Electric Co. and the important sub-holding company NY PA NJ. While the old Associated Gas System has not been completely streamlined as yet, the job appears to be about 90% complete. A number of small subisidiaries in outlying sections have been disposed of and a number of sub-holding companies and "paper" concerns created during the Hopson regime have been eliminated.

An important sub-holding company, General Gas & Electric, has been liquidated, its holdings being sold or distributed to the top company. G.P.U. distributed to its own stockholders the shares of South Carolina Electric & Gas, the principal holding of "Gengas." One important sub-holding company still remains, Associated Electric Company. This company controls an important operating company, Pennsylvania Electric (second largest in the entire System), and Manila Electric, which may later be disposed of. Eventually Associated Electric may be merged with the top holding company, but this can hardly be accomplished until the $53,000,000 Debenture 5s and 4½s are reduced and refunded. The two bond issues have already been reduced from $71,000,000 and a substantial further reduction will probably be necessary before the company can be merged with G.P.U. Such reduction may be accomplished when Manila Electric is disposed of, but this may be some time off, since Manila requires further rehabilitation — although it is rapidly regaining substantial earning power.

G.P.U. itself may have to dispose of one or more of its holdings but this program remains indefinite, the SEC not having fully clarifed its requirements with respect to separation of certain gas, electric properties, etc.

G.P.U. recently disposed of its remaining interest in New England Gas & Electric Association by the sale of approximately 311,000 shares of common stock. The proceeds of $3,429,953 are being applied to the reduction of the bank loans which will then amount to an estimated $9,400,000.

G.P.U is also contemplating sale of its interest in Staten Island Edison, but it will first be necessary to recapitalize that company. A plan was recently filed with the Public Service Commission at Albany for creation of a new company which would take over the property of Staten Island Edison in return for $6,750,000 First 2⅞% Bonds, $1,750,000 4% Preferred Stock and 120,000 shares of Common Stock. These securities would be passed on to General Public Utilities (in liquidation of Staten Island Edison) and would be available for sale. The proceeds of the sale should, it is conjectured, be sufficient to clear up the remaining bank debt, unless G.P.U. should prefer to use the money otherwise. However, the sale could not be consummated until the recap plan and other steps are cleared with the Public Service Commission, and the SEC.

Meanwhile the System's earnings are making an excellent showing. Last year $1.54 "consolidated" earnings were reported, plus 20c equity in Associated Electric earnings and 13c equity in Manila Electric earnings. In the first half of 1947 consolidated earnings of 95c a share were recently reported, compared with 72c last year. This seems to indicate that previous forecasts of $1.65 for the calendar year may be equalled or bettered. Combined earnings of around 50c a share have been estimated for Associated Electric and Manila Electric for the calendar year 1947, which would bring system total to $2.15. The company may decide before the year-end to include Associated Electric and Manila in its consolidated statement, thus simplifying the earnings picture.

All these share earnings are based on the number of shares issued and issuable under the reorganization plan of Associated Gas & Electric. But about 10% of the stock is still held in the treasury for exchange under the Associated plan. Associated had a very complicated capital structure and its securities were widely held in small amounts. As a result, exchanges under the plan have not been completed and while the old securities come in from time to time for exchange, it appears unlikely that they will all be sent in before the time limit expires, Aug. 12, 1951. If estimated 1947 earnings were based on the present stock actually issued, the figure would increase about 21c to $2.36.

At its present price, G.P.U. is selling at less than seven times the estimated 1947 earnings — roughly the same ratio as for United Light & Railways. Based on the present 80c dividend rate it yields 5.7% compared with 4.8% for United. While it is difficult to forecast, it appears likely that both companies may wish to make a little more progress with their integration and debt-retirement programs before raising dividend rates.

Market Irregularity Correction of May-July Advance

By EDSON GOULD*

Reasons are lacking for believing that the market irregularity we have been witnessing is anything worse than a consolidation and correction of the May-July advance. The market advanced for eight weeks and has been irregularly declining for four. In the decline to date the industrial average canceled about one-third of its rise as did the rail average. A further four-point decline in the industrial average and two-point decline in the rail average would represent a retracement of half the gain from May to July, or about the limit of expectation of near-term risk.

Edson B. Gould

There is, of course, always the danger that gathering clouds may precipitate a real storm, especially in the highly unstable state of our own and the whole world's economy. The most recent cause for apprehension has been the British situation. There can be no doubt of its gravity, but also little realistic doubt of the definite self-interest of America in supporting Britain, if only for military reasons. One way or another, further aid to the British seems fully likely to be forthcoming.

Every decline of consequence witnessed by the stock market in the last year and one-half has been preceded by weakness to heaviness in the Federal bond market. This is more than a coincidence, for the market declines have stemmed largely from credit rather than economic causes. Thus, investors can derive encouragement from the strength that the Federal bond market has shown over recent weeks with as yet no signs of heaviness or weakness.

The market continues selective. Last week, as might have been expected in the light of the news, stocks in industries in which exports or foreign investments are large tended to be weaker-than-average. These included motion pictures, meat packing, rubber and steel. Groups that resisted well reactionary tendencies included automobile equipment, food and beverages, gold mining, office equipment, oil, paper and railroad equipment.

The most recent decline in the market and the nature of the news has tended to divert attention from inflationary tendencies. Thus, when the market turns about, railroad and utility shares are likely to play a more prominent part on the rise than was the case from May to July. The utility group in particular appears to be well behind the industrial market.

*Mr. Gould is a member of the research staff of Smith, Barney & Co., but the views and opinions expressed by him are not necessarily those of the firm.

Dealer-Broker Investment Recommendations and Literature

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

Basic Analyses — Full information on operations, financial structure, present position, and future prospects on **Amer. Pow. & Lt.; Amer. Rolling Mill; Anaconda Copper; Atlantic Coast Line; Bethlehem Steel; Borg-Warner; Briggs Mfg.; Burroughs Add. Mach.; Canadian Pacific; Chrysler Columbia Gas & El.; Commercial Solv.; Commonwealth Edison; Consol. Edison (N. Y.); Continental Can; Continental Motors; Detroit Edison; duPont de Nemours; Erie RR.; Firestone Tire & Rub.; Fruehauf Trailer; General Electric; General Motors; Goodrich Co. (B. F.); Goodyear Tire & Rub.; Grant Co. (W. T.); Great Northern Ry.; Interlake Iron; International Harvester; International Nickel; International Paper; International Tel. & Tel.; Jones & Laughlin; Kresge Co. (S. S.); Kroger Co.; Libbey-Owens-Ford; Loews, Inc.; Lorillard Co. (P.); Manufacturers Trust; Marine Midland; McCrory Stores; Murray Corp. of America; Nash-Kelvinator; National Biscuit; National City Bank; National Dairy Prod.; National Distillers; N. Y. Central RR.; Northern Pacific Ry.; Norfolk & Western Ry.; Packard Motor Car; Penney Co. (J. C.); Pennsylvania RR.; Phelps Dodge; Pure Oil; Remington Rand; Schenley Distillers; Sears Roebuck; Standard Brands; Standard Oil (Calif.); Studebaker Corp.; Swift & Co.; Texas Gulf Sulphur; Timken Roller Bear.; Union Carbide & Carbon; Union Pacific RR.; United Corp.; U. S. Rubber; U. S. Steel; Warner Bros. Pictures; Wilson & Co.; Woolworth Co. (F. W.); Youngstown Sheet & Tube.**

Write to Department T-9, Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Chemicals — Brochure containing 20-year financial records of 36 companies in the chemical field—F. Eberstadt & Co., Inc., 39 Broadway, New York 6, N. Y.

Fire Insurance Stocks — Circular discussing depressed values in a rapidly expanding industry —Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Impending Financing by Insurance Companies — In the current issue of "Bank and Insurance Stock Digest"—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Motion Picture Industry—Memorandum—Hayden, Stone & Co., 25 Broad Street, New York 4, New York.

Also available is a study of **Continental Oil Company.**

New Jersey Municipal Bonds—Statistical handbook, 15th annual edition—Ira Haupt & Co., 111 Broadway, New York 6. N. Y.

Oil Companies—Financial Analysis of 30 Oil Companies for 1946 —Chase National Bank of the City of New York, Petroleum Department, Pine Street corner Nassau, New York 15, N. Y.

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American Telephone & Telegraph—Memorandum prepared by Maxwell B. Roberts, Otto Fuerst & Co., 57 William Street, New York 5, N. Y.

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

Bird & Son Co.—Memorandum —Buckley Bros., 1420 Walnut Street, Philadelphia 2, Pa.

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

Canadian Pacific Railway Company — Analysis of income and outlook for 1947 — Newborg & Co., 30 Broad Street, New York 4, N. Y.

Commonwealth & Southern Corporation — Memorandum — A. M. Kidder & Co., One Wall 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.**

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.

Prentiss-Wabers Products Co.—Analysis—Adams & Co., 231 South La Salle Street, Chicago 4, Illinois.

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.**

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

Mosley Reelected Pres. At NSTA Convention

BOSTON, MASS.—R. Victor Mosley, Stroud & Co., Inc., Philadelphia, was re-elected President of the National Security Traders Association for 1948 at the organization's annual meeting being held in Boston Aug. 10 to 14. Also reelected were Paul Yarrow, Clement, Curtis & Co., Chicago, as First Vice-President, and Edward H. Welch, Sincere & Co., Chicago, Secretary.

R. V. Mosley

Michael J. Heaney, Joseph McManus & Co., New York City, was elected Second Vice-President, and H. Frank Burkholder, Equitable Securities Corp., Nashville, was chosen Treasurer.

Complete coverage of the NSTA Convention will be given in the "Financial Chronicle" of Aug. 28.

Britain's Serious Economic Position

By CLEMENT ATTLEE*
Prime Minister of Great Britain

Head of Labor Government tells his people of Britain's present economic difficulties which, he says, are the outgrowth of the tremendous struggle and sacrifices of the war period. Foresees further hardships with urgent need to increase home production of food, coal, steel and have more efficiency in transportation. Says more must be produced for export and all must sacrifice and work harder. Predicts victory in the end without outside aid. In address to Commons he recites need for drastic economic powers on part of Government.

I have no easy words for you tonight, nor, as you may have seen in the press, must you expect high phrases or eloquence, but I want to hold your interest and stir your imagination, and this is best done by simple and straightforward words. Listen with me to the end, and think and talk over what I have said afterwards. I have a heavy responsibility upon me, but you have, too.


Clement Attlee

You all know the serious economic position of our country and the drastic steps which the government is taking to overcome our difficulties. The measures which we are taking will affect everybody—wage earners, managers, technicians, producers and consumers alike. The problem that faces us can only be solved if every one shares in the sacrifices necessary and joins in the work required for success.

For this reason I want to tell you simply what the position is, why it has come about, and what we must do to win through.

Ever since the population of this little island grew large, trade has been its livelihood. We imported food and raw materials and paid for them by exports of coal and manufactures, by earnings from shipping and other services, and by interest on foreign investments. The first World War injured our position seriously, the second had far worse effects.

When we stood alone in the second World War, we threw all that we had into the battle. Not only did we stake the sense and courage of our people but also our material resources. We sold our foreign assets. We reduced our production of civilian goods to a minimum. We lost nearly all our export trade and much of our shipping.

When the United States entered the war, we pooled our resources, and the generous provision of lease-lend kept up supplied with essentials and enabled the war to be won.

Effect of Lend-Lease End

When the war ended, lease-lend stopped. We had to start our nation's life anew, knowing that in the future we must rely entirely on our own resources and work to provide our standard of life. To do this a definite plan was required to suit our new conditions and this was put in hand by the new government returned to power on a definite program. We had to secure that the great basic industries on which our industry depended, coal and electricity, steel and transport, were put into a fit condition to serve the country.

The agricultural industry had to be given security so as to produce all the food our land can bear, and we had to produce more goods for export so that we could pay for what we required from abroad.

But we started with a heavy handicap. Houses and factories had been destroyed by blitz. Much of our equipment had been run down. Our stocks of goods, as you all know from personal experience, needed renewal. Our industries had been turned to war purposes. Great numbers of our workers were in the armed forces, and we had heavy commitments overseas which we could not avoid if we were to play our part with our Allies in dealing with the settlement of the world.

Need Time to Recover

We needed time to recover. To gain this time we borrowed from the United States and Canada, dollars which would, we hoped, carry us through at least till 1949. But whether these loans would give us enough time depended on a number of factors outside our own control.

A good beginning was made. The immediate tasks of getting the men and women out of the forces and back into industry, and of turning over our industries from war to peace production were done with very little friction. A great deal of reconstruction and repair was carried out. The immense work of providing permanent and temporary houses for the people was begun. Great measures of social security were passed into law, and the reorganization of our basic industries was taken in hand. Above all, we made a great increase in our export trade.

The volume of exports in 1946 was greater than in 1938; this was no mean achievement.

But our recovery was hampered by a shortage of labor and of many raw materials, and of feeding stuffs for agriculture, and by the world shortage of food.

Throughout this period we had to try to keep a balance providing the things which our own people needed so much, and exporting as great a volume of goods as we could in order to pay for our imports.

This progress was set back at the turn of the year by the insufficiency of coal and electrical power. The long neglect of the coal industry and our inability to produce new electrical plant during the war resulted in these industries being unable to cope with the heavier demand resulting from full employment and the increased domestic demand. This was made worse by the very severe winter which also hit industry and agriculture.

But there were other and more adverse factors.

The world scarcity of food resulting from the ravages of war and bad harvests in many parts of the world increased the growing demand on the resources of the American continent. Prices began to rise. This meant that we had to spend more of our borrowed dollars on everything we needed from there. We also had to pay with dollars for food for our late enemies in Germany in our zone.

The recovery of trade and industry in Europe went forward far more slowly than had been hoped. The destruction had been more widespread, the disruption greater. Delay in making the post-war settlement involved us in expense for troops overseas.

Dollars Running Short

Other countries besides ourselves found themselves short of dollars, and this increased the drain on our resources.

In the last two months our supply of dollars had been running out at a rate which would exhaust the American and Canadian loan before the end of the year. We should then be driven back on our last reserves.

We have, therefore, to face now, before we have recovered from the effects of the war and before our long-term plans have taken effect, the necessity of relying entirely on our own resources.

This is a situation as serious as any that has faced us in our long history. We must, therefore, act vigorously and drastically.

First we must deal with the immediate problem by reducing our overseas expenditure even although that involves heavy sacrifices on every one in the community. You have been told of the reductions that we are making in our imports of food from dollar sources. We shall try to make them up by imports from elsewhere, but some restriction is inevitable.

We are cutting down imports of such things as films and tobacco, which are not essential. We are reducing our armed forces abroad and re-examining the whole scale of our armed forces. This is not a thing which can be done by the stroke of a pen.

But cuts in expenditure are only a partial and temporary remedy. The essential thing which we have to do both for the immediate emergency and for our economic future is to increase production and to concentrate on the things which are absolutely vital.

More Production and More Exports

We must increase our home production in food.

We must increase our production of coal and steel.

We must make our transport fully efficient.

We must produce more goods for export.

To do this we must delay providing ourselves with many things that we should like in order that the materials and labor may be made available for the things we must have.

Just as in the war we had to devote our energies to producing guns, aeroplanes and other weapons and had to stop making other things, so today we must concentrate on what we need to win victory on the economic battlefield.

I know that the carrying out of this plan will mean hardships for all of us. The government has been under constant pressure from all sides to provide more clothes,

(Continued on page 24)

*An address by Mr. Attlee over the British Broadcasting System, Aug. 10, 1947.

On Building Costs

Myron L. Matthews of Dow Service sees support for contention that building costs have increased less in New York than in other metropolitan areas. Sees no recession in building industry in next five or 10 years.

According to Myron L. Matthews, Vice-President of the Dow Service, Inc., scattered and incomplete returns in The Dow Service National Construction Cost Survey for Summer, 1947, support the general contention that building costs have increased more in other metropolitan areas than in New York and New Jersey. Dow Service National Cost Surveys, a regular semi-annual occurrence until the war came along, were suspended in 1942 because of the difficulty in gathering representative data. The current study in 150 cities is upon a much more ambitious scale than the earlier ones which sampled 80 cities. Schedules call for completion of this first postwar survey by Oct. 1 and, when complete, will show: (1) hourly wage scales paid to leading trades and hours worked per day, (2) wage comparisons between today and 1941, (3) prices for barometric items of masons' building materials, lumber and steel, (4) material comparisons with 1941, (5) percentages of increase in over-all building costs since 1941 in each city previously sampled, where current returns are reconcilable, (6) differentials for all reporting cities showing how much higher or lower over-all building costs are in each city than in New York.


Myron L. Matthews

Early returns emphasize that depression or the milder recession which Washington has forecast would hit the building industry hasn't done so and isn't expected to for the next 5 or 10 years. The following are typical comments by sources considered reliable to The Dow Service, and while at this date they represent only a small percentage of the cities from which returns are coming in, they are so widely scattered as to forecast the tone and contents to come from other areas. Contributors to the survey, of which some 700 to 800 will be contacted before it is completed, say these things:

Austin, Texas—No firm prices on building materials. Common brick very scarce. Seller's market prevails though weaknesses are being reported. Building costs are as much as 60% higher than in 1941. Condition as now exists is expected to last for one year.

Birmingham, Ala.—Building activity is high especially in residential, apartment and small commercial categories. Prospects for 18 months to two years are said to be excellent. First signs are becoming evident of a switch from a seller's to a buyer's market.

Boston, Mass.—The construction industry is in a very unsettled condition with high costs and low labor production.

Buffalo, N. Y.—Building activity is moderate to high. Dipped in April and May. Labor costs double '41; materials, up on various items from 10 to 100%. Outlook for building is said to be good for five years. Material market is reported as trending toward a buyer's market. Expect labor shortage but not materials. As to credit: accounts slowed in early part of year, payments now improving.

Charlotte, N. C.—Construction activity is high. Building costs are estimated at 90% above 1941. Local people regard the market outlook as good for the next three years. A seller's market is expected to prevail until about 1950.

Cleveland, Ohio—Amazed that buyers continue to pay the increased costs to build. So many new material yards have opened up nobody is making any money notwithstanding sky-high material prices, especially lumber. Building activity is moderate to high and a seller's market is expected to last indefinitely.

Elmira, N. Y.—Activity is moderate. Building costs are "considerably above 1941"—no estimate given. Outlook is said to be only fair and do not anticipate any important change until cost situation stabilizes. Much construction now being deferred but necessary jobs are going ahead.

Harrisburg, Pa.—Construction activity continues moderate to high notwithstanding building costs 100% above 1941. Expect volume to be sustained for balance of 1947 and probably well into 1948. A strong seller's market prevails and is expected to last five years.

Hartford, Conn.—Construction volume is moderate. Building costs range from 60 to 100% above 1941. Tremendous backlog of construction, estimated as being good for next 10 years, will sustain present strong seller's market. Certain types of construction, such as hospitals and schools, are being held in abeyance awaiting a "levelling off" of costs. Large demand for dwellings and State has a big public works program.

COMING EVENTS

In Investment Field

Sept. 19, 1947 (Chicago, Ill.)
Municipal Bond Club of Chicago Outing at Knollwood Country Club.

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

A Defense of Big Business

By PHILIP D. REED*

Chairman of the Board, General Electric Co.

Pointing out every large business has had small beginnings, leading industrial executive contends bigness in business is a natural and beneficial development and does not preclude or interfere with small business. Outlines responsibilities of big business and asserts bigness for mere "bigness sake" is no economic advantage. Holds modern economic life and technical progress requires bigness and scores political opposition to it as a subversive force.

You have all heard the saying, "Tall oaks from little acorns grow." These words are at once a salute to, and a defense of, both the massive tree which time, nourishment and resistance to the elements have wrought, and to the very small beginning from which it sprang. We sometimes forget when we pass the broad campus and beautiful buildings of a great educational institution, or view the tremendous fertile acreage of a Mid-Western wheat farm and especially perhaps when we contemplate a great industrial organization like the United States Steel Corporation or the General Electric Company that they too came from very small beginnings.

Philip D. Reed

Too often, we think of these great institutions as having always been that way, as having somehow sprung full blown from the hand of a kindly and generous Providence.

This conception of our so-called Big Business enterprises—and it is of them that I want to say a word tonight—is not only a mistaken one, it accounts in part at least for the critical attitude one not infrequently finds toward any business that is big and successful. One senses the feeling on the part of these critics that big businesses, like the sons of ancient nobility, were just born that way and are now enjoying unearned and therefore undeserved advantages of power and position. This, I repeat, is a mistaken notion. Every large enterprise can be traced back to small and struggling beginnings. Many of the big companies today were small ones only a few years ago and many of the big companies of tomorrow are small indeed today. Although General Electric has been classified as "big" for a good many years, it is no exception. Organized in 1892, it very nearly went broke during the depression which followed the panic of 1893 and required many years to restore the losses sustained during that period.

One of its predecessor companies, organized in 1879 by Elihu Thomson and Edwin J. Houston, two Philadelphia high-school teachers, did fail in 1881 and had to be relaunched with new financial backing. An arc lamp, a crude dynamo and a spirit of adventure were all these two men had to start with. The other predecessor of General Electric, the Edison General Electric Company, had its beginning also in 1879 when Thomas Alva Edison invented the incandescent lamp in his modest laboratory at Menlo Park, N. J.

The Electrical Industry

It is hard to remember and harder to believe that the tremendous and farflung electrical industry of today was no more than a dream less than 70 years ago—less, I may observe, than the traditional life span of one person.

Today, General Electric Company has close to 100 plants located in 75 American towns and cities from coast to coast. It has 165,000 employees, 250,000 stockholders (of which about 45% are women), no stockholder owning as much as 2% of the outstanding shares, and its current production is at the rate of more than a billion dollars a year. With all their faith and vision and courage, the men who launched this industry in 1879 could not have foreseen the magnitude of their handiwork. And General Electric, although the largest producer in the industry, is by no means the only one. More than 2,000 other companies—small, medium and large—are produring electrical products of all kinds. And it is worthy of note that for as long as I can remember, and I have been with General Electric more than 20 years, our percentage of the total electrical business of the country has remained almost constant at slightly less than 25%. Thus, although General Electric's growth has been phenomenal, it has taken all our skill, experience and constant plugging simply to hold our position in this fast growing and highly competitive industry.

And now let me say a word about the officers of the company, the 36 men who play such an important part in the management of the company's affairs.

With few exceptions, the officers of General Electric have grown up in the electrical manufacturing industry, and most of them have spent their entire business careers with the company. Their average age is 56 years their average term of service with the company is 32 years and, as an indication that the organization is dynamic, the average length of time the officers have been in their present posts is only three years and ten months. The official family includes scientists, engineers, specialists in administration and planning, in manufacturing, in selling and advertising, in human relations and indeed in all phases of the business. They are fine, competent American citizens with a deep affecion for this great company of ours and a firm determination to carry on ever more effectively toward its goal of providing more goods for more people at less cost.

I wish there were time to tell you more about the General Electric family, about our directors and about the men and women down the line, about our activities in other countries and about our pension, insurance and savings plans. I also wish I could tell you something of the wonderful opportunities that lie before us to make this world a better one in which to live. But I was talking about big business in general rather than General Electric in particular, and I want now to pursue that subject a little further.

Responsibilities of Big Business

Bigness in corporate enterprises is by no means an undiluted asset. Like every other asset on the balance sheet, it has its offsetting liability. In the first place, bigness as such may not be an asset at all. There is no magic in mere size—indeed, quite the contrary. A large organization inevitably loses the flexibility of a small one. Management responsibility, including relations with employees, must be delegated, sometimes through several layers, and policy questions must be discussed and cleared with a far larger number of executives than is necessary in small or medium sized companies.

Again, to be large—and at the some time worthy of largeness—is to assume certain responsibilities of leadership in the industry—research, new products, new policies and high standards all along the line—with consequent increase in the expense of operation. And, finally, as I mentioned at the outset, the mere fact of bigness brings greatly increased exposure to criticism, to political attack and prosecution quite irrespective of the care and conscientiousness with which the business is conducted or the excellence of the legal guidance upon which action is based.

It is clear therefore that bigness for bigness' sake alone is no advantage to any business. The mere joining together of unrelated businesses which do not in one way or another dovetail into each other and produce a sounder, better rounded enterprise is to assume the disadvantage of big business without any of its benefits. That kind of enterprise must either do something about it or fall gradually behind in the endless race to serve mankind with ever finer products and services, ever more efficiently.

Advantages of Bigness

What, then, are the advantages of bigness? A recital of them must surely include the advantage of large corporate resources which make possible great and unusual undertakings. A small company could not, for example, build a 150,000-kilowatt turbine generator because, even if the small concern had the engineering and manufacturing knowledge, it requires a large plant, very large expensive and accurate tools and a substantial amount of capital just to buy the copper and castings and special steels that go into these great machines. The list of advantages must also include mass production which, with proper tooling, provides important cost reduction opportunities. Again, product lines, although different, which complement or supplement each other to produce economic advantage in manufacturing, in distribution, in reducing overhead, or in broadening the opportunity for research, are an important plus on the side of big business. All these are potential assets if they are properly used and coordinated.

Take research, for example, and particularly blue-sky fundamental research which seeks to push back the boundaries of human knowledge but has no specific objective. Clearly, a large company with a diversified business and many product lines can afford, as a business proposition, to spend more money on fundamental research than can a small company with a limited line of products. This is so because the results of the fundamental research are much more likely to be directly useful to the company operating in a broad field than to the company of limited scope. Perhaps this is why General Electric, which created the first industrial research laboratory in the country, in 1899, is still and proposes to remain, a leader in this field.

Other examples could be given, but perhaps I have said enough to demonstrate that bigness in

(Continued on page 25)

*Address by Mr. Reed at dinner of High School Science Teachers, Schoharie, N. Y., Aug. 4, 1947.

Mr. Dalton's Crisis

By PAUL EINZIG

Dr. Einzig reports Mr. Dalton, British Secretary of the Exchequer, has come in for much criticism as being responsible for the rapid exhaustion of the proceeds of the U. S. dollar loan. Says Mr. Dalton gave liberal concessions in settling blocked sterling balances in order to retain the position of British currency in international finance.

LONDON, ENGLAND—Following the big debate on the economic situation, the most memorable parliamentary event since the debate of May, 1940, which brought down the Chamberlain government — interest is focussed on the part played by Mr. Dalton's policy in bringing about the crisis. There can be not the slightest doubt that Britain's premature return to convertibility was by far the most important single cause that has brought matters to a climax. But for it the proceeds of the dollar loan would have lasted well into 1948 and in the meantime the Marshall plan might have been passed and things might have improved in other respects. Of course conditions are bad in many directions and the adverse trade balance, together with military expenditure abroad, would in itself have been sufficient to use up the Dollar Loan at a pace far beyond anticipation. But it was the $700,000,000 or so which the British Treasury is estimated to have lost by the beginning of August through the additional demand resulting from the return to convertibility that provided the last straw.

Dr. Paul Einzig

Mr. Dalton has come in for much criticism, both in public and in private, for being reponsible for the measures leading to this loss. It is true the principle of convertibility was embodied in the Anglo-American Loan Agreement of December, 1945. It is also true that the same agreement forced the British Government to settle old sterling balances at an early date. Nevertheless, Mr. Dalton is held responsible both for accepting the far too expensive interpretation of the convertibility clause and for settling old sterling balances on unduly generous terms. It is argued by his opponents in the Conservative Party and also by a growing number of Socialist M. P.'s that he had no right to give way to pressure from the United States to such an extent and that he ought to have held out for less costly terms even if in doing so the chances of the Marshall plan had been thrown into jeopardy. By giving way to Mr. Snyder and Mr. Clayton, he is said to have given away a bird in the hand for two in the bush.

The strange part of it is that there was no evidence in Mr. Dalton's attitude of any reluctance in making the concessions. On the contrary, he was, or pretended to be, thoroughly pleased with his bargains. Official mouthpieces were pouring out propaganda about the blessings to be expected from convertibility. At first the impression of political circles was that he was only pretending. It transpired, however, towards the end of July that Mr. Dalton was fully as optimistic in the privacy of Cabinet meetings as he was in the House or as his spokesmen were when handing out information to the Press. Whether he was misled by his own propaganda or not, the fact is that he misled his Cabinet into believing that July 15 would make no difference whatsoever. Needless to say, his popularity at 10 Downing Street declined somewhat when, within a few weeks, some $700,000,000 was announced to have been withdrawn.

According to one theory, strongly held among left-wing Socialists, Mr. Dalton has followed the example of his predecessor, the late Lord Snowden, and is the second Socialist Chancellor of the Exchequer to come under the influence of international finance. He granted generous terms to Egypt and other creditor countries in order to avoid the compulsory freezing of their balances, which would have been bad for London's prestige as an international financial centre, and he yielded to the pressure from Washington regarding the terms of convertibility, because by doing so he hoped to restore sterling's position as a favorite currency in international trade. Possibly he was led by his advisors to believe that by doing so he could attract large amounts of foreign balances instead of losing any. In fact, it was only too obvious that the foundations of his convertible sterling were very feeble. As one of his critics remarked, he put the pound not on the gold standard but on the "bluff standard."

Britain to Relax Dealings in Foreign Securities

Will permit, after Oct. 1, British residents to sell securities in any foreign currencies, except Canadian dollars, but they must reinvest proceeds in same currency.

Hugh Dalton, Chancellor of the Exchequer, announced on Aug. 8, in the House of Commons, that, beginning Oct. 1, United Kingdom residents would be permitted to sell their securities in any foreign currency, except Canadian dollars, and reinvest the proceeds in the same currency, provided the switching transaction is completed within two months. Sums not reinvested must be exchanged for sterling.

This will ease London dealings in foreign securities, something that has been almost entirely prohibited since the beginning of the war.

In New York the action was interpreted to mean that a British resident could sell an American security and reinvest the United States dollar proceeds only in some other U. S. dollar securities. He could not invest the proceeds in securities issued in any other country, except Britain.

Arnold, Cassidy Are Pearson Co. Partners

SAN FRANCISCO, CALIF.—Lloyd R. Arnold and John E. Cassidy have been admitteld to partnership in Pearson, Richards & Co., Russ Building. Both were formerly with Conrad, Bruce & Co.

Now Corporation

BLOOMINGTON, ILL. — C. E. Bohlander & Co., American State Bank Building, is now doing business as a corporation. Officers are C. S. Bohlander, President and Treasurer; Pauline Bohlander, Vice-President; and Jean W. Woodard, Secretary.

Announces New Anti-Trust Drive

Justice Department issues statement of Attorney General Tom C. Clark directing Anti-Trust Division to launch a program against conspiracies to maintain or increase prices of necessities. Promises to invoke criminal provisions of the Anti-Trust Act.

On Aug. 12, the Department of Justice released a statement announcing that Attorney General Tom C. Clark had instructed the Anti-Trust Division to launch immediately a program aimed at conspiracies to maintain or increase prices and to demand criminal action with jail sentences against offenders. The text of the statement follows:

Tom C. Clark

Attorney General Tom C. Clark today instructed the Anti-trust Division of the Department of Justice to launch immediately a program aimed at conspiracies to maintain or to increase present prices in the food, clothing and housing fields. Such conspiracies will be prosecuted criminally, and in those cases the Justice Department will oppose acceptance by the courts of pleas of nolo contendere, and upon conviction of the defendants, the Department will recommend jail sentences for the individual defendants and maximum fines against the corporations.

Mr. Clark stated that although the criminal provisions of the anti-trust laws have been invoked in the past, jail sentences for violations have not been imposed except in a few cases. The relative ineffectiveness of past enforcement policies, together with the soaring high prices now continuing in the food, clothing and housing fields, he indicated, require that a new and more vigorous approach be undertaken in these fields.

Mr. Clark said that the adoption of this action follows a three-month analysis of the activities of the Anti-trust Division by Assistant Attorney General John F. Sonnett, who has been in charge of the Division since May.

The Attorney General said, "In his State of the Union message in January, President Truman pointed out to the Congress that, despite half a century of anti-trust law enforcement, one of the gravest threats to our welfare lay in the increasing concentration of power in the hands of a small number of giant organizations and that today we find that to a greater extent than ever before whole industries are dominated by one or a few large organizations which can restrict production in the interest of higher profits and thus reduce employment and purchasing power.

"In his recent Midyear Economic Report, the President warned that prices, to support a prosperous economy, must be kept down to the lowest point compatible with costs and reasonable business incentives and that a free enterprise system cannot tolerate collusion in price, in curtailment of output, or in restriction of capacity expansion, or the hampering of the entry of new firms into the business life of the community.

"The anti-trust program for this year will be aimed at these vital problems.

"In addition to the new program, the Division will continue its present activities aimed at breaking up monopoly power in various industries."

Redemption of Panama Bonds

Holders of 26-year 3½% external secured refunding bonds, series B, due March 15, 1967, of the Republic of Panama are being notified that $119,000 principal amount of these bonds have been drawn by lot for redemption on Sept. 15, 1947, through the sinking fund at 102½%. Redemption will be made at the head office of the fiscal agent of the loan, The National City Bank of New York.

Now Corporation

BOSTON, MASS.—J. H. Goddard & Co., 85 Devonshire Street, is now doing business as a corporation. Officers are James H. Goddard, President; A. R. Wells, Vice-President; and E. H. Donnelly, Treasurer. All had been with the former firm, of which Mr. Goddard was proprietor.

William H. Busk Dead

William Hamilton Busk died at his home at the age of 80. Until his retirement six years ago, he was a partner in Shearson, Hammill & Co. of New York.

Illinois Brevities

Threatened first by record rains and now in the grip of the worst drought in 10 years, the middlewestern corn crop is providing the most spectacular commercial news for the grain buyers and sellers of Chicago. September corn last Saturday reached $2.38¾ a bushel, eight cents above the record set the day before. Another new high was set by No. 1 yellow cash corn, which went from $2.47 to $2.49 a bushel.

This unusual rise brought the price of corn higher than that of wheat, with the best wheat selling at $2.43 to $2.45½.

Hot weather at this time of the year usually helps corn. However, the rains and floods delayed planting and the 1947 crop has not developed enough to withstand very high temperatures. Because of the flood-drought sequence, the ground of the cornlands has started to crack, further endangering the crop. Revised estimates recently put the 1947 crop at about 2,725,000,000 bushels, compared with 3,288,000,000 last year.

* * *

Armour & Co., meat packers, announced a plan designed to pave the way toward resumption of common stock dividends, omitted since 1937. George A. Eastwood, President, said the private sale of $35,000,000 of 25-year 3½% cumulative income debentures to a group of insurance companies, would enable the company to achieve major objectives of its long-delayed refinancing plan.

Funds thus obtained, plus about $3,000,000 of Armour's working capital, will be used to pay all accumulations plus the current dividend on the $6 prior preferred, call for redemption the entire remaining issue of $100 par 7% cumulative preferred, to reduce $6 prior preferred shares from $53,299,600 to $50,000,000, and to call for redemption and retirement $20,993,500 of outstanding 3½% debentures of 1971.

* * *

The Federal Reserve Bank of Chicago said commercial banks have more than made up for wartime losses to other lending institutions in the urban residential mortgage field. Up 70% from mid-1945, the volume of city home mortgages in bank portfolios appears to be "more than the expected consequence of the real estate boom," the bank said.

Between June, 1945, and March, 1947, commercial banks increased their share of nonfarm mortgage recordings in the seventh district from 23 to 28%. In the same period the share of savings and loan associations declined from 43 to 37%. The postwar trend among mortgage lenders, the Reserve Bank said, is "in part a restoration of prewar patterns."

* * *

The Northern Trust Co. predicted that the higher cost of living would increase the use of installment buying. Last year, the bank pointed out, only about 4% or 5% of total retail sales were made on the installment basis, compared with an average of 12% for the three last prewar years.

* * *

Du Pont interests were disclosed as the owners of a substantial portion of Butler Bros. stock and G. Robert Herberger became President of the world's largest general merchandise wholesaler. Thomas B. Freeman, who was President, moved up to board Chairman. Mr. Herberger resigned as President and General Manager of G. R. Herberger's, Inc., which operates seven department stores in the North Central States.

The new President said the Chicago firm would aim for high volume. "I believe there is the possibility of a General Motors type of firm in this business," he said. "I want to make Butler Bros. that firm."

* * *

A merger of the Chicago "Daily Times" and the Chicago "Sun" seemed assured after a sufficient number of the shareholders of the "Times," an afternoon tabloid, accepted an offer by Marshall Field, publisher of the morning "Sun," to pay $60 a share for "Times" stock. Mr. Field made his offer with the stipulation that holders of at least 65,500 of the 88,977 shares accept by Aug. 25.

Both newspapers will be published. The "Sun," however, will become a tabloid. The key operating official of both papers will be Richard J. Finnegan, who will remain as editor and publisher of the "Times" under Mr. Field's ownership and will become Executive Vice-President of the "Sun."

Chicago Transit Bonds Favorably Received

Over $40,000,000 taken by investors up to Aug. 12.

The managers of the syndicate offering $105,000,000 Chicago Transit Authority bonds report that the sale has been progressing favorably with more than $40,000,000 of the bonds sold up to the close of business Aug. 12. The selling syndicate is headed by Harris Hall & Co., Inc., The First Boston Corp., and Blyth & Co., Inc. These orders have been reported to the managers by the 211 firms comprising the underwriting group. Orders have been received from banks, insurance companies and other financial institutions in substantial amounts, it is reported. The outstanding feature, however, it is said, is the wide demand from individuals, in amounts ranging from $5,000 to $500,000.

In our issue of August 7, on page 8, Kuhn, Loeb & Co. of New York was mentioned as a member of the underwriting syndicate. This, we are informed, was reported to us in error, as the banking firm is not associated with the financing.

With Morfeld, Moss Co.

Special to THE FINANCIAL CHRONICLE

ST. LOUIS, MO.—Harold M. Gilbert is with Morfeld, Moss & Hartnett, 818 Olive Street.

Railroad Securities

There were two developments of major interest to railroad analysts last week, relieving the usual mid-summer tedium. One was of immediate import, while the other will be slow in developing, if, indeed, it ever bears fruit. On Tuesday it was announced that Chesapeake & Ohio had decided to dispose of its interest in New York, Chicago & St. Louis. Its holdings (amounting to 57% of the common) in this subsidiary are to be distributed to Chesapeake & Ohio stockholders in the form of a dividend. The date for distribution has not as yet been determined as the move must first be authorized by the Interstate Commerce Commission. However, as no objections appear likely it is generally felt that the dividend may be paid some time next month.

Following the announcement that Nickel Plate is finally to be divorced from Chesapeake & Ohio the former's preferred stock advanced fairly sharply while its common stock declined from recent highs. Weakness in the common stock was, of course, in recognition that at some time in the relatively near future there might be a considerable amount of the stock coming into the market for liquidation. Each 100 shares of Chesapeake & Ohio will receive only 2½ shares of the Nickel Plate common. It is expected that many of the small holders of Chesapeake & Ohio will hardly wish to retain the odd lot of Nickel Plate they are to receive. Also, Chesapeake & Ohio is widely held in trust accounts and in investment trusts where retention of the currently non-dividend paying Nickel Plate common would not be feasible.

The contrasting strength in Nickel Plate preferred is just as easily explained. A merger of Nickel Plate and its subsidiary Wheeling & Lake Erie has been under active consideration for some time. In a merger it will be necessary to evolve a stock recapitalization of Nickel Plate wherein dividend arrears of $84 a share on the preferred will be provided for in securities of the merged company. Students of the situation have long recognized that the major stumbling block to such a merger-recapitalization was the Chesapeake & Ohio's position as the holder of the majority of the Nickel Plate common. The extent to which Chesapeake & Ohio might consent to have its control diluted by distribution of additional common was the crucial point in trying to work out any such plan. Now with control stock no longer a consideration the formulation of an equitable and acceptable plan of merger-recapitalization should prove a relatively easy task.

The second interesting development last week was announcement that directors of Gulf, Mobile & Ohio and St. Louis-San Francisco had under consideration a proposal to merge. This came as considerable of a surprise to most analysts. It had been considered generally that no matter what long-term plans the Gulf, Mobile & Ohio management might have in mind to expand the system they would be held in abeyance for the time being at least. The Gulf, Mobile & Ohio as it is now constituted represents a long series of leases and consolidations, accomplished in the course of reorganization proceedings.

As a first step in this process of growth the old Gulf, Mobile & Northern leased the New Orleans Great Northern as the latter emerged from receivership more than ten years ago. In the early part of the present decade the Gulf, Mobile & Northern and the Mobile & Ohio (a road in the process of reorganization) were merged to form the Gulf, Mobile & Ohio. Less than two months ago the Alton (which was in bankruptcy) was merged into Gulf, Mobile & Ohio to form the present system. The present lines constitute somewhat less than 3,000 miles, with the main segments extending from Mobile and New Orleans north through St. Louis to Chicago.

It is now proposed to merge the 4,900 miles of St. Louis-San Francisco lines, giving an expanded system of close to 8,000 miles. The Frisco has just recently emerged from reorganization. Aside from any other considerations it had been expected that the Gulf management would at least try and digest its most recent acquisition (Alton) before attempting further expansion. Also, it is generally acknowledged that there will be considerable opposition from various western carriers to any merger that will extend the present Frisco lines into Chicago. It is this consideration, together with possible opposition from Gulf stockholders on the grounds that their earning power will be diluted materially by the merger, that lead to the expectation that this newest step in the Gulf's expansion program may not be completed for some time to come, if ever.

With Carter H. Corbrey Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — John H. Harper has become associated with Carter H. Corbrey & Co., 650 South Spring Street. He was previously with Leo G. MacLaughlin Securities Co. and Fewel & Co.

With Fabian & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — Kenneth I. Fulton has been added to the staff of Fabian & Company, 650 South Spring Street.

Kerr & Bell Adds

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — James C. Will has joined the staff of Kerr & Bell, 210 West Seventh Street, members of the Los Angeles Stock Exchange.

With Stephenson, Leydecker

Special to THE FINANCIAL CHRONICLE

OAKLAND, CALIF. — Jack D. Cook has become connected with Stephenson, Leydecker & Co., 1404 Franklin Street.

First California Adds

Special to THE FINANCIAL CHRONICLE

SALINAS, CALIF. — John A. Carrick has become affiliated with First California Company, 300 Montgomery Street, San Francisco. He was previously with Herman, Hampton & Company and Livingstone & Co.

Preparedness for War Essential to Waging Peace

By PAUL V. McNUTT*
Former Governor of Indiana

Asserting world is now beset with graver problems and with more tragic prospects than ever before, former Indiana Governor maintains we must spare no effort in marshalling nation's resources to entrench ourselves. Urges studying ways and means of waging peace, and advocates harmony with other nations, since we must have allies. Says nation cannot isolate itself and advocates aid to nations allied with us. Wants U. S. to assume position as champion of mankind, spokesman for freedom and apostle of human rights.

Never in any age, in any time, has there been a greater need for such an organization as the Legion. Never has our country needed us more than she does today. Never has the world been in such want of organized brotherhood, of faith, hope and enlightenment . . . the basic tenets of the Legion creed. I have had the privilege of observing from close range the many different peoples of the world, their problems, and needs, during the past few years. I have been, until lately, a servant of the United States Government engaged in the effort to help solve those many and complex problems we now face as a result of our role of world leadership. Let me tell you that it is not a simple chore. There is no easy solution for these problems. We cannot disengage ourselves from our new destiny. We cannot retire from the international field, and say to the world: "Solve your own problems if you don't like the solution we offer." We cannot say, "Take it or leave it." We cannot withdraw into a shell of isolation, and ask, "Are we our brother's keeper?" For whether we like it or not, we are today the keepers of all our brothers throughout the earth.

Paul V. McNutt

Our national might and power, our interests and obligations, are such that the withdrawal of our influence and strength from any quarter of the globe today would plunge the earth into such chaos and tumult as would soon shake our own Western world, with all its fancied security, to its very foundations. We are a mighty nation, 140 million strong, with much of the world's wealth, in terms of food, natural resources, and above all, in terms of industrial productive capacity. But there are, besides us, more than two billion human beings, whose collective natural resources, if properly developed, would truly dwarf our own. As our factories produce more and more goods, our needs for raw materials grow by leaps and bounds.

Today this nation, greatest oil producing area of the earth, is no longer self-sufficient in oil. Before the war, the United States consumed annually 55% of the world's oil production. This year we will probably consume 70%. We are producing considerably less than 70%. Our tankers, and tankers under foreign flags, are ranging far and wide today, into the Mediterranean to the Middle East, and elsewhere, bringing back crude petroleum to our refineries.

While we are shipping refined oil products to Europe and Asia, we are importing much more than we export. Should these sources be closed to us, our complex industrial economy would be faced with a crisis of shattering proportions. Have we so soon forgotten the consequences of the even temporary loss of our access to natural rubber supplies, tungsten, fats and vegetable oils, nickel, asbestos, silk, chrome, tin and a host of other essential products needed for our ever-hungry industrial machines?

Nation Cannot Live or Fight Alone

No, even on a selfish and purely materialistic basis, we cannot live in this world alone; we cannot shut ourselves off from our neighbors. As rich as we are, we are not that rich. We are not that self-sufficient. There are those who propose that we draw an imaginary line around the Western Hemisphere, and abandon the rest of the world to its own fate. What an illusion that is! Economically, it is impossible, Politically, it is impossible. South America is a continent whose economy is based on the export of raw materials . . . coffee, grains, vegetable oils, beef, mutton, and wool, and minerals. The United States cannot possibly absorb the exports of Latin America. Latin America needs the markets of Europe and Asia. We cannot expect to dominate the nations of Latin America, either politically or economically. There are among our good neighbors some groups. . . . I will not name the nation or nations . . . whose basic philosophy of government is not very close to our own, and who lean more toward totalitarianism and dictatorship than toward democracy and freedom. And, conversely, there are nations and peoples far from our borders whose ideals and principles are identical with our own.

We cannot choose up sides for an ideological struggle on a geographic basis. The world is too complex for that. We are involved in world affairs right up to the hilt. We cannot withdraw. We must press forward. To retreat is to invite defeat, chaos, and world anarchy. Yet that does not mean that we must strut our strength, or lead with our chins. We cannot win a world war without allies. We dare not cast aside our friends in our haste to come to grips with those we think to be enemies.

For all of our possession of the atom bomb, and for all of our pride in our mighty air force, our superfortresses, and our magnificent navy, unequalled on the seven seas, we cannot hope to win another war all by ourselves, any more than we won the last one exclusively by ourselves. We can wreak havoc on our enemies. We can destroy cities, and kill people by the thousands, but it takes men on foot, with guns and tanks, to occupy territory, and it takes ships to carry the men and the guns, and the millions of tons of supplies which an American Army requires.

There are not enough men in all of America, in all of the Americas, to occupy all the strategic points of the world compass, to drive out enemies from all the strongholds of Europe and Asia. We cannot contemplate war, world war, without contemplating allies, by the thousands and millions: not only allies in uniform, allies with ships and guns, but allies on farms and fields, allies in homes and cities, allies in factories and mines.

I have spoken coldly and almost dispassionately of war. I have used that word which is most commonly used in exasperation, anger or ignorance. I have used that word in speaking to you Legionnaires because I know that most of you can surround the word, "war," with all the respectful hesitation that it deserves. War is not waged on paper, nor in public speeches, nor in the State Department. War is waged by men and women, and by children, with their flesh and blood, with suffering and tears, with anguish and pain, with hardship and illness . . . not with fine, noble words, but with curses, gasps, and shrieks of terror. War is the wasting of a nation's finest substances, the pouring out of a nation's riches, for purposes of blind and savage destruction, which know neither gallantry, chivalry, consideration, nor mercy.

Must Not Seek War

War is the most wasteful and cruel activity of mankind. It wounds, tears, and destroys, but never heals or builds. We may be forced to war, but we must never seek it. It is the court of last resort, which is to be appealed to only in tragic desperation.

How blind are those who say, "Let us go to war now, and get it over with. It would be quicker and cheaper. We will probably go to war anyway. Let's get on with it." Is there any one among you, who has seen the rending impact of war, the shattered cities, the broken bodies, the tragic faces of hungry children, who will say, "That is cheaper, that is better than the ways of peace and diplomacy, however slow, however difficult, however discouraging."

There are some things more precious than peace, but they are few. Justice and liberty are more precious than peace, and freedom to worship God as we see fit, but I can think of no other values which cannot be sacrificed, if need be, to avert war. Certainly our comfort and well-being, our luxuries and relaxations . . . they are less worthwhile than peace.

Examine Ways and Means of Waging Peace

So we must examine ways and means of waging peace just as we so recently were required to study the ways and means of waging war. I think that in the last analysis there should not be much difference in the essential fervor with which we should surround both pursuits. I think that our effort to achieve a just and lasting peace must be a broad effort, involving all our energies and all our talents, all our tolerance and all our strength, all our sacrifice and all our determination. The successful waging of peace involves complete preparedness to wage war, if necessary, in order to support the purposes on which a just peace is founded. But we must be convinced that our purposes are noble and unselfish and that we have faithfully and painstakingly explored every possible avenue of peaceful approach before resorting to the dread alternative of war.

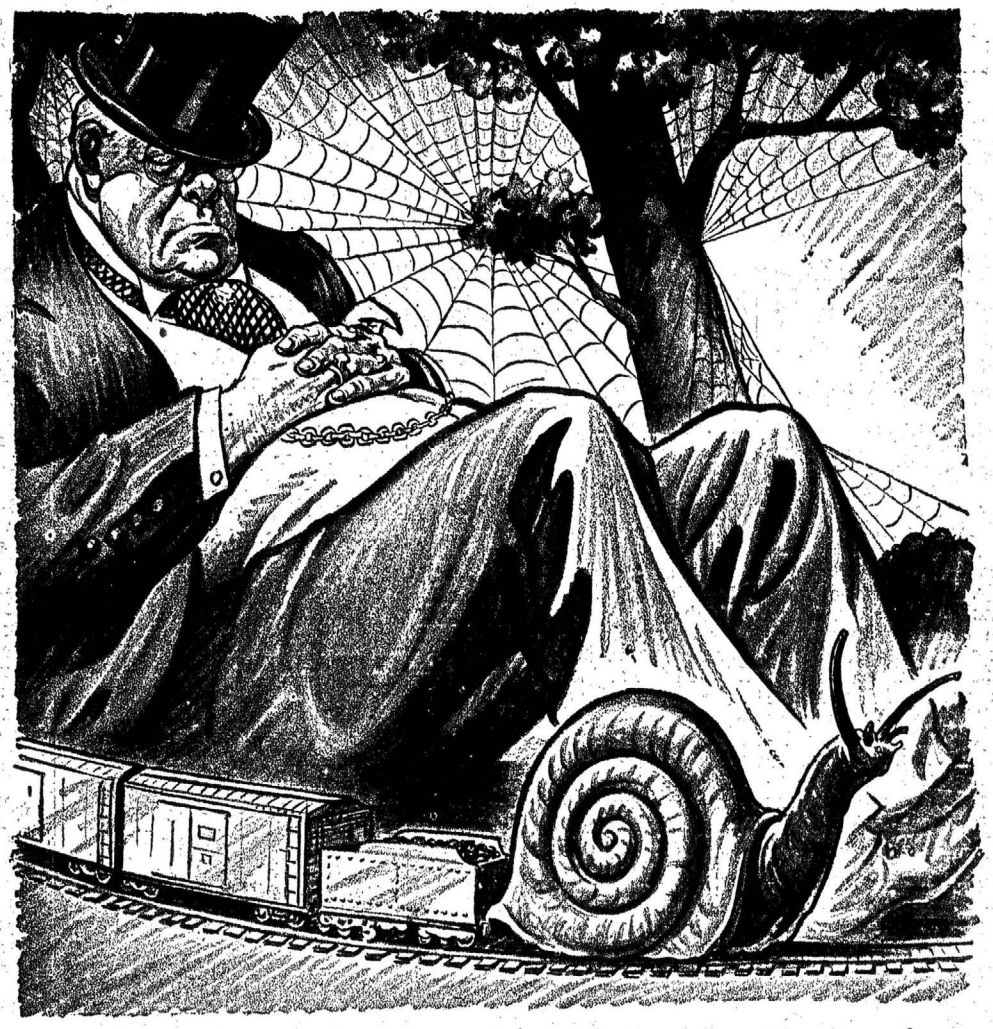
There was a time when we considered that we were well protected by two wide oceans and by the knowledge that we had friends to the north of us and friends to the south of us. We still

(Continued on page 30)

*Address by Mr. McNutt before the State Convention of the American Legion, Indianapolis, Ind., Aug. 4, 1947.

Let's Wake Up Rip Van Winkle!

Millions of bushels of food may rot in our fields this harvest time, instead of being available to the markets of the world — because of our shortage of freight cars. Here is a way that thousands of cars can be freed for service — in a hurry.



Are old-line managements asleep while freight trains creep at a snail's pace — by agreement?

ARE you interested in the price of food? Does it give you a twinge to see those pictures of mountains of wheat piled on the ground and potatoes going to rot—when there's a desperate world food crisis?

The bottle-neck is our freight-car shortage. But thousands of cars could be freed by a single decision—if old-line railroad managements would act.

Don't Blame the War!

This is hard to believe, but it's true: we have today only three-fourths as many freight cars in our country as we had twenty years ago. This shrunken fleet is now called on to handle the greatest peacetime traffic in history. And the war itself is not to blame for the shortage —for in no single year from 1925 to the start of hostilities did the railroad industry buy as many cars as it junked. Twenty years is a long time for even Rip Van Winkle to sleep!

What Can Be Done?

There is at least one remedy that can be applied at once—despite the steel shortage and other difficulties in car-building. This remedy requires no new equipment, no period of time to work out—nothing but an act of management:

Lift what appear to be agreements between railroads that deliberately slow down many freight trains!

Here is an example. There are eight important schedule routes by which you can ship "fast" freight from California to Chicago. These routes vary in length as much as 450 miles. But, curiously, the time schedule for each of the eight is exactly 118 hours—and 30 minutes!

Similarly, scheduled freight trains moving west over the important routes from Chicago to the Coast areas, despite great differences in terrain and mileage, take exactly 130 hours — on the nose!

Is This Free Competition?

Could it be that these schedules are fixed by agreement? That the trains which could be fastest are held back for the slowest—so that no road can have even the slightest competitive advantage?

Railroad men know that, in many instances, a whole day could be cut off these schedules between California and Chicago—if managements would simply order it. If that were done, on these roads and on others, it would ease the national car shortage at once!

There is good reason to believe that by lifting deliberate freight slowdowns, on the roads that still practice them, *we could provide more cars this summer and fall than our shops can possibly build.* And, at this critical time, every car that can be freed for service is desperately needed!

A Call For Action!

The next few weeks will be the most important ones in our food problem. Our wheat crop is estimated to exceed any previous record by 300 million bushels. *It is even now being piled in the fields—for want of cars.*

If you feel as strongly about this as the C&O does, write to your newspaper and your congressman. Do it today while it is on your mind.

Ask them to stir up Rip Van Winkle—and tell him that time is short. Demand that our trains be scheduled not merely to suit the private deals of the railroads, but so that we can make the best use, for the whole public, of our shamefully depleted stock of freight cars!

The Chesapeake and Ohio Railway

Terminal Tower, Cleveland 1, Ohio

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Fire losses in the United States during the first six months of 1947, as reported by the National Board of Fire Underwriters, aggregated $360,276,000. Compared with the $297,306,000 of the first half of 1946, the increase is 21.2%. In comparison, 1946 first half losses were 27.5% greater than during the like period in 1945.

The following table shows monthly fire losses from January to June for both 1946 and 1947. The month of March was the peak month of the period in both years; also the highest rate of increase, viz: 36.0%, was experienced in March, 1947. It is significant that since March the monthly rate of increase has declined. Does this indicate that a reversal in trend is not far off?

	1943 ($000)	1947 ($000)	Increase %
January	$ 49,808	$ 57,180	14.8
February	51,759	64,247	24.1
March	53,252	72,435	36.0
April	52,153	68,029	30.4
May	45,094	56,545	25.4
June	44,240	50,840	14.9
Total, Six Months	$297,306	$360,276	21.2%

In this connection it is of interest to refer to some factors in the situation which are likely to cut future fire losses, as cited by officials of the National Board of Fire Underwriters and reported in the Chicago "Journal of Commerce" about six months ago.

The favorable factors noted, were: (1) Fire laws are being tightened and higher safety standards in hotels are required in several states; (2) there has been a recent trend toward more stringent enforcement of regulations; (3) about 500 cities are working with the National Board to revise obsolete and inadequate building codes; (4) the shortness of fire department personnel and equipment is easing; (5) the arson rate is not expected to increase, because of the scarcity of buildings and the high cost of construction.

Carelessness, the Board points out, is the primary factor in all fires. Smoking and matches continue to account for the majority of fires, viz. 29.4%. The next largest classification comprises careless use of stoves, furnaces, flues, chimneys, etc., which account for 23.6%. Then follow: carelessness with inflammable liquids, 11.4%; defective wiring and electrical appliances and misuse of electricity, 10.2%. All other causes, including lighting, explosions, fireworks and spontaneous combustion account for 25.1%.

To prevent fires in industry the National Board of Fire Underwriters recommends: "Adequate inspection, replacement of worn equipment, employe cooperation, employe fire-prevention crews, absolutely no smoking, wiring checks, insistance upon good plant housekeeping, clearly marked exits, aisles kept open, isolated extra-hazardous operations, and a constantly watched heating plant."

Before we leave the subject of fire losses, it is pertinent to remark that quoting them in terms of dollars gives an utterly inadequate idea of their importance to our economy. Mr. Alvin E. Dodd, President of the American Management Association, was well aware of this when he recently spoke to the convention of the National Fire Protection Association. He told his audience that enough timber and lumber was burned in 1946 to build 200,000 five-room houses; almost one quarter as many man-days of work were lost on account of fires as were lost because of strikes, or enough to manufacture nearly one million automobiles; enough money was lost through fires last year to pay $45 each week to every man, woman and child in the state of Wyoming.

Generally speaking, straight fire insurance business has been unprofitable the past three years, due to the combination of high losses and low rates, the latter being at about the historical low for the industry. Some favorable offsetting factors, however, are apparent this year. We quote the following from Standard & Poor's recent bulletin on Insurance: "Of considerable importance on the favorable side was the increase in premium rates—by 10% in Massachusetts last February, by an average of 8.7% in New York in May, and by 10% to 25% in Maine and Rhode Island on May 29. Other rate increases may be granted this year and in 1948. Such a development, accompanied by a leveling off of losses, further gains in premium volume and a continued low expense ratio, would mark a definite 'turning of the corner' toward resumption of profitable fire underwriting in 1948 and 1949."

Four other important lines written by fire insurance companies are: (1) motor vehicle, which produced losses in 1946, but is now improving with the help of higher rates; (2) inland marine, which has expanded rapidly and is generally profitable; (3) ocean marine, comprising chiefly hull and cargo, which is moderately profitable; (4) extended coverage, which is the most rapidly growing line and one of the most profitable.

Premium volume is running well ahead of last year, and is producing an expanding volume of investment funds for the fire insurance companies, thus assuring favorable investment income results despite higher investment expense.

Very few mid-year statements have as yet been made public. Of interest are the following: Continental Insurance, Fidelity Phenix Insurance, Insurance Co. of North America and St. Paul Fire & Marine Ins. In all four cases, underwriting results for the six months were adversely affected by the Texas City catastrophe in April, but net investment income was greater than for the first half of 1946, and premium volume is running considerably higher. Compared with the first half of 1946, volume the first half of 1947 was greater by the following percentages: Continental, 59.9%; Fidelity-Phenix, 54.7%; Insurance Co. of North America, 72.3%; St. Paul Fire & Marine, 43.2%. Each one of these four companies had a high ratio of capital funds to premium volume on Dec. 31, 1946, as was noted in the tabulation in this column in the May 22 issue of the "Chronicle."

Lloyd E. Canady Forms Own Investment Co.

RALEIGH, N. C.—Lloyd E. Canady has formed Lloyd E. Canady & Co. with offices in the Commercial Building, to conduct a securities business. Mr. Canady was formerly Vice-President of Oscar Burnett & Co., in charge of the Raleigh office.

Scott Corp. Formed

ALBUQUERQUE, N. MEX.—Thomas B. Scott, Jr., has formed The Scott Corporation wth offices in the Korber Building. Officers are Mr. Scott, President, E. B. Scott, Vice-President, and R. J. Nordhaus, Secretary. Mr. Scott has been acting as an individual dealer in Albuquerque.

Apprehensions Over Taft-Hartley Act

By JOHN W. GIBSON*
Assistant Secretary, U. S. Department of Labor

Labor Department official expresses concern over the working of the new labor law and scores Government interference with free collective bargaining. Hints new venture in labor-management relations may obstruct, delay and even destroy solid foundation of American industrial economy, and denies strikes have been as widespread as reported. Praises Department of Labor Conciliation Service.

I would need all the refreshing winds from the North Country if I were to attempt to give you an analysis of the Labor-Management Relations Act of 1947. . . . The fact is no comprehensive analysis exists and the host of embryo analyses which have come from parties at interest are inclined to leave one in a state of bewilderment. I can tell you, however, that we, in the Department of Labor, like many employers and leaders of the American labor movement, are apprehensive over some of the results which may come out of its administration.


John W. Gibson

It is the function of the Department of Labor to administer some of the statutes affecting wages, hours, working conditions and some of the relationships of employers and workers in the American industrial economy. At the same time it is our responsibility to make known to Congress in advance of the passage of legislation, our views and our concept as to how proposed legislation relating to labor-management relations will affect those relations. That we have done.

I would like to tell you some of our convictions and some of the reasons on which we based our conclusions.

Our paramount concern has been the fear that by hasty or ill-considered legislation the steady and progressive growth of genuine collective bargaining in industry, which has materially helped to make America great, may be halted, or even supplanted by the old antagonisms which perpetually threatened class warfare and maintained the industrial economy at best on a precarious basis. I do not mean by that statement to imply that the Taft-Hartley Act precipitates such a condition. I do say that there is a very real danger that it contains elements which might be the forerunner of dire consequences.

No matter what may be happening in other parts of the world, in America, at the moment, the free enterprise system is working pretty well. Despite some modifications that were necessary during the war, America has demonstrated its ability and determination to reestablish completely the free enterprise system and to make it work. And free collective bargaining, I do not have to tell you, is an essential element of our modern free enterprise system.

What Act Implies

To make it work implies a responsibility upon both employers and workers. It is an obligation to make the economic system work efficiently without Government dictation. Government intervention in labor disputes should and must be reduced to an absolute minimum if the free enterprise system is to be maintained. The principal role of Government in such disputes should be, by providing competent and impartial conciliators, to bring opposing points of view into harmony. To require compulsory arbitration, as was proposed and debated during the recent session of Congress, and which is still a question of lively debate in many sections of the country, would be to destroy the fundamental concept of free collective bargaining.

Advocates of compulsory arbitration, in their testimony before committees of the Congress, alleged that in important instances collective bargaining had broken down, resulting in paralysis of economic functions which vitally affect and endanger the well-being of large segments of the public, of whole communities, even of the Nation as a whole. They asserted that labor unions have so grown in size and strength, have so expanded their activities on a Nation-wide basis, and have so increased their power to influence and control the economic life of the entire country, that their regulation to prevent stoppages of production was essential.

Experience has shown, however, that compulsory arbitration as a means for accomplishing industrial peace has failed to achieve that goal. Other Governments — Australia, Canada and New Zealand most prominently—have had systems of compulsory arbitration of labor disputes for a period sufficiently long to provide a test of their effectiveness. The record demonstrates that in those countries no appreciable reduction in the number of work stoppages arising out of labor disputes has occurred. On the contrary there are qualified authorities in the field of labor relations who believe that the inevitable decline in labor disputes arising from the growth in maturity and responsibility on the part of both labor and management, may have received a setback in those countries due to the system of compulsory arbitration. The experience of the States of Kansas and Colorado, in which similar systems were experimented with, inspire no confidence that the results in those States would have been different.

Federal experience bears out these conclusions. For war emergency purposes, a kind of compulsory arbitration was instituted by the executive orders and statutes administered by the National War Labor Board. It resulted after a time in paralysis of the collective bargaining process. Any dispute, including many over trivial issues, was brought before the Board for settlement, and so large a backlog of work quickly developed that there was no reasonable possibility of expeditious action in the great proportion of pending cases. At the same time, strike notices filed under the provisions of the War Labor Disputes Act showed that an increasing proportion of "labor disputes" involved no issue between the employer and his employees, but a grievance on the part of one or

(Continued on page 32)

*An address by Asst. Secretary of Labor Gibson before the United Wallpaper Company Summer Industrial Conference, York, Pa., Aug. 6, 1947.

This announcement is under no circumstances to be construed as an offer of these securities for sale or as a solicitation of an offer to buy any of such securities. The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned as are registered dealers in such State.

NEW ISSUE August 8, 1947

Interest exempt, in the opinion of Bond Counsel, from Federal income taxes under existing statutes, regulations and court decisions

$105,000,000

Chicago Transit Authority

Revenue Bonds Series of 1947

Dated July 1, 1947 Due July 1, as shown below

The Bonds will be callable, upon 30 days' notice, in whole at any time on or after July 1, 1950, and in part on any interest date on or after July 1, 1958, in inverse order of maturity, by lot, at the principal amount and accrued interest plus the following premiums:

5% prior to July 1, 1958; 4% July 1, 1958 and thereafter but prior to July 1, 1963; 3% July 1, 1963 and thereafter but prior to July 1, 1968; 2% July 1, 1968 and thereafter but prior to July 1, 1973; 1% July 1, 1973 and thereafter.

Principal and semi-annual interest, January 1 and July 1, payable at The First National Bank of Chicago and at the paying agent of the Authority in the City of New York. Coupon bonds in the denomination of $1,000, registerable as to principal only or as to both principal and interest.

The Bonds are to be issued under and secured by a Trust Agreement between Chicago Transit Authority and The First National Bank of Chicago, as Trustee. In the opinion of Bond Counsel, the Bonds and the interest thereon are an obligation of Chicago Transit Authority, a public municipal corporation, and will be payable solely from revenue or income derived from the transportation system and under no circumstances shall be or become an obligation of the State of Illinois or of any other political subdivision or municipality within the State.

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

Amount	*Maturity*	*Interest Rate*	*Price*	*Approx. Yield to Maturity*	*Amount*	*Maturity*	*Interest Rate*	*Price*	*Approx. Yield to Maturity*
$1,000,000	1953	3¼%	104%	2.50%	$2,000,000	1963	3½%	103%	3.25%
1,800,000	1954	3¼	104	2.60	2,000,000	1964	3½	102½	3.30
2,400,000	1955	3¼	103¾	2.70	2,000,000	1965	3½	102	3.35
2,800,000	1956	3¼	103½	2.80	2,000,000	1966	3⅝	103	3.40
3,000,000	1957	3¼	103	2.90	2,000,000	1967	3⅝	103	3.40
2,000,000	1958	3⅜	103½	3.00	2,000,000	1968	3⅝	102½	3.45
2,000,000	1959	3⅜	103¼	3.05	2,000,000	1969	3⅝	102½	3.45
2,000,000	1960	3⅜	102¾	3.10	2,000,000	1970	3⅝	102	3.50
2,000,000	1961	3⅜	102½	3.15	2,000,000	1971	3⅝	102	3.50
2,000,000	1962	3½	103½	3.20	1,000,000	1972	3⅝	102	3.50

$65,000,000 due 1978 3¾% @ 103%
Approximate yield to maturity 3.59%
(accrued interest to be added to above prices)

By the terms of the Purchase Contract between the Chicago Transit Board and Harris, Hall & Company (Incorporated), The First Boston Corporation and Blyth & Co., Inc., Managers of an underwriting syndicate, the obligation of the Board to deliver said Bonds to the Managers and their obligation to take delivery of them are subject to the condition that the Managers and the other underwriters associated with them shall have received satisfactory subscriptions to the extent of 80% of the entire issue prior to the close of business September 12, 1947 or such later date as may be agreed upon between the Managers and said Board. These Bonds are, accordingly, offered for delivery when as and if issued and delivered to us and subject to approval of all legal proceedings by Messrs. Chapman & Cutler, Bond Counsel for the Authority, and Messrs. Wood, King & Dawson, Bond Counsel for the underwriters.

Harris, Hall & Company (Incorporated) The First Boston Corporation Blyth & Co., Inc.

A. C. Allyn and Company Incorporated Eastman, Dillon & Co. Stranahan, Harris & Co., Inc. Union Securities Corporation

Harriman Ripley & Co. Incorporated Smith, Barney & Co. Kidder, Peabody & Co. Stone & Webster Securities Corporation

Central Republic Company (Incorporated) Equitable Securities Corporation John Nuveen & Co. Paine, Webber, Jackson & Curtis White, Weld & Co.

Hallgarten & Co. Merrill Lynch, Pierce, Fenner & Beane B. J. Van Ingen & Co. Inc. Blair & Co., Inc. Julien Collins & Company

The Illinois Company Lee Higginson Corporation Phelps, Fenn & Co. E. H. Rollins & Sons Incorporated Shields & Company

Stifel, Nicolaus & Co., Inc. Bacon, Whipple & Co. William Blair & Company Paul H. Davis & Co. The Milwaukee Company

F. S. Moseley & Co. R. W. Pressprich & Co. Salomon Bros. & Hutzler Schoellkopf, Hutton & Pomeroy, Inc.

The Wisconsin Company Barcus, Kindred & Co. Cruttenden & Co. Dick & Merle-Smith Estabrook & Co. Graham, Parsons & Co.

Hemphill, Noyes & Co. Hornblower & Weeks Kebbon, McCormick & Co. Martin, Burns & Corbett, Inc. Sills, Minton & Company Incorporated

William R. Staats Co. Whiting, Weeks & Stubbs

Canadian Securities

By WILLIAM J. McKAY

Canada's historic role as the economic buffer between the American continent and the British Commonwealth, which hitherto has placed the Dominion in the position of a blind puppet, now urgently requires some form of recasting.

The stage has now been reached when Canada as an adult sovereign power in her own right no longer is obliged to remain on the sidelines while decisions are made by her two great partners which vitally concern her economic destiny. Although Canada takes part in preliminary discussions, the Canadian viewpoint is rarely emphasized. Thus Canada has been obliged to improvise economic policies which are contrived to suit the often seemingly irreconcilable plans of Britain and this country.

As Canada is one of the few countries that can play a constructive part in any scheme of world economic rehabilitation, the Dominion is now in a position to assume a more prominent role in world affairs. At the present time Canada is sorely handicapped in taking any initiative in view of her dependent position vis-a-vis both the Dollar and Sterling trading areas. Complete adherence either to one or other of the two systems provides one solution, but this would be a retrogressive step which would serve still further to divide the world into two separate economic camps.

On the other hand, if Canada would take the initiative in proposing a comprehensive currency and commercial agreement with this country it would be welcomed both here and in Britain. Canada, today, unlike the United Kingdom, is favorably situated to negotiate successfully such an arrangement. Canada and this country are in a similar position inasmuch as they alone among the nations of the world have already made generous contributions towards the rehabilitation of the British and European economies. At the moment, there is the danger that this joint effort will fail in its purpose and, as a result, both countries would be detrimentally affected.

In order to avert such a calamity, Canada is thus the only country that can fittingly propose a U. S.-Canadian plan along the lines of the Hyde Park Agreement whereby joint steps would be taken to remedy the situation caused by the world-shortage of U. S. dollars and the difficulties surrounding the convertibility of sterling. Canada's credit is sufficiently strong also to permit the temporary extension of U. S. dollar credits which would serve not only to maintain confidence in the Canadian dollar, but would also enable Canada to resume the joint effort to promote currency stability and to stimulate world trade.

During the week the external section of the securities market registered a further decline in the absence of investor interest. Dominion internals were inactive and prices were little changed following the steadiness of free funds which continue to reflect the heavy tourist demand. Stocks in general continued to decline in sympathy with the tendency in New York, but the golds were inclined to resist the trend.

Oil stocks also continued to attract speculative demand following further favorable reports from the new Leduc field. As a result of this important oil discovery in this area of Alberta high hopes are entertained that the dwindling output of the Turner Valley district will be more than offset.

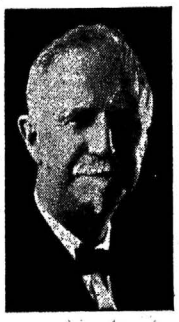
The Neglected Consumer

By ROGER W. BABSON

Mr. Babson, holding it is time for all groups to think in terms of national well-being, points out neglect of the customers' rights. Cites common complaints of poor work and poor products and urges better quality goods and services.

For months we have been hearing of nothing but management's rights and labor's rights. The rights of another group have often been forgotten in quarrels between management and labor—those of the general public.

Unity



Roger W. Babson

It is about time that all groups begin to think in terms of national well-being. Today, we are faced with a great debt from prewar, war and postwar spending. We are carrying a heavy tax - burden. We are trying to help most of the war-torn countries of the world back onto their feet. This cannot be done without the kind of shoulder-to-shoulder effort and capacity for work for which Americans used to be famous and of which America used to be proud.

Since the late '20s we have seen our economic structure gradually weakened. Business opportunities have been restricted; incentive to "make a million" (an American slogan of my youth) or even a tiny portion thereof has been destroyed. We are warned by many responsible thinkers that it would not be too hard for us to slide into Britain's kind of poor financial position. This is not pessimism. We must face the economic as well as the political truth of our day if we are to remain a free people in every sense of the word. Is the European or even Briton free—whose standard of living is dropping so low that a pair of stockings or a can of corn is unexpected luxury?

An advocate of industrial harmony in this country, Charles Luckman, points out that lowered standards of living in today's Europe are clearly related to lowered production on the part of individual workers. The volume and quality of production is an excellent barometer of a nation's strength. The standard of living is not rising in this country if we are to judge by the kind of product and service the public is getting today. Do we want our nation to fall on the merits of our present restricted or declining industrial performance?

During the war housewives became patient and fatalistic about oven parts that buckled under heat and vitreous china sinks which cracked so easily. They believed it would be different when good materials were not all going to war, when things got back to normal. The American housewife, who, incidentally, does over 75% of the commodity buying in the U. S., is now asking, "Will things ever get back to normal?"

Common Complaints

We still have to ask, "Will you please clean the windshield?" The delivery boy still loves to leave the packages at the front door instead of the back. Often he will leave them three flights downstairs in the apartment house. The third call to a reputable laundry at last brings some action on shirts misplaced by the laundry three months before. An electrician starts a small job; then says he is so busy he must leave it for a week. It takes him six weeks to get back. No other electrician, of course, will take on a competitor's job in the meantime.

Buttons come off dresses and shirts the first time they are worn. Seams split in two or three places almost immediately. Many belts won't wash or dry-clean. How many new cars run as well as 10-year-old ones? The war has been over several years, but hotel bathrooms are not shining yet. Management and labor are both to blame when between them they cannot manage to put out more products or services that are of high quality. Let us go back to giving the customer his rights.

Conclusion

Mediocre effort put forth enough times each day by enough people can turn us into a mediocre nation. It is self-delusion for any man to think that he will earn a better living by supporting any politician or labor leader. Only good quality products and services can protect jobs and the future. The hope of every reader of this column lies not in getting higher wages for his week's work, but rather in getting more food, clothing and shelter therefor. The answer lies within each of us. Each one of us is a worker, no matter how designated, who should work by high personal standards. We all must make better goods and more of them each week. Only then are there more to divide amongst us all so that we all will get more in food, clothing and shelter for our week's work.

Soviet Cooperation With U. S. Unlikely: Hoover

Former President says making peace outside Russian sphere is possible, and, awaiting this, an armed U. S. can live in comfort and should stave off world starvation.

Herbert Hoover, only living ex-President of the United States, on Aug. 9, the occasion of his 73rd birthday, gave out the following statement in which he summed up the present international situation:

Herbert Hoover

"Another year after the war's end finds the earth without peace, little recovery in production, increasing danger of starvation abroad and alarms of another world war. One nation alone by refusal of cooperation and destructive acts is responsible.

"If we are to reverse this tide of disaster then free nations have but one of two possibilities.

"First, cooperation from Russia—which is improbable.

"Second, making peace among the peoples outside Russia and her satellites, together with subjugation of her international poison squads—which is possible.

"If neither is done then an armed United States can live in reasonable comfort, use our food surplus to stave off starvation and wait even if it means much isolation—which is most undesirable."

Halsey, Stuart Offers Lackawanna Ctf. Issue

Halsey, Stuart & Co. Inc. and associates were awarded Aug. 7 $2,800,000 The Delaware, Lackawanna and Western RR. 2⅛% equipment trust certificates, Series F, maturing $140,000 semi-annually Feb. 15, 1948 to Aug. 15, 1957, inclusive. The certificates, issued under the Philadelphia plan, were immediately re-offered by the group, subject to Interstate Commerce Commission authorization, at prices to yield from 1.25% to 2.40%, according to maturity.

The certificates will be unconditionally guaranteed as to payment of principal amount and dividends by endorsement by The Delaware, Lackwanna and Western Railroad Company.

Proceeds of the issue will be used to provide for not more than 80% of the cost, estimated at $3,500,000, of new standard-gauge railroad equipment, consisting of three 4,500 H. P. combination freight and passenger locomotives; six 3,000 H. P. freight locomotives; and one 4,500 H. P. freight locomotive.

NSTA Notes

CLEVELAND SECURITY TRADERS ASSOCIATION

J. L. Quigley, President of the Cleveland Security Traders Association, has announced from Boston the appointment of eight new committees. Quigley is heading a delegation of Cleveland Traders at the Annual Convention of the National Security Traders Association.

The new committees are as follows:

Membership Committee: Clemens E. Gunn, Gunn, Carey & Co., Chairman; Arthur W. DeGarmo, Merill Lynch, Pierce, Fenner & Beane; Benjamin J. McPolin, McDonald & Co.; Wallace W. Wood, Wood, Gillis & Co.; Frank W. Morrow, Morrow & Co.

Municipal Committee: Paul S. Bowden, Ball, Burge & Kraus, Chairman; Dana F. Baxter, Hayden, Miller & Co.; Robert T. Temple, Hornblower & Weeks.

Corporate Committee: Clarence F. Davis, First Cleveland Corporation, Chairman; David J. Barhyte, Hawley, Shepard & Co., Inc.; Don W. Plasterer, Hornblower & Weeks.

Public Relations Committee: Richard A. Gottron, Gottron, Russell & Co., Chairman; Harry Gawne, Merrill, Turben & Co.; Edmund J. Rung, C. J. Devine & Co.

Educational Committee: Morton A. Cayne, Cayne, Robbins & Co., Chairman; William J. Ferry, Cleveland Stock Exchange; Guy W. Prosser, Merrill Lynch, Pierce, Fenner & Beane.

Government Bond Committee: Tom A. Melody, Jr., First Boston Corporation, Chairman; Robert H. Coffin, C. F. Childs & Co.; William L. Strong, Blair & Co., Inc.

Auditing Committee: Arthur Metzenbaum, Will S. Halle & Co., Chairman; Arthur V. Grace, Arthur V. Grace & Co.; Walter J. Carey, Gunn, Carey & Co.

Quotations Committee: Corwin L. Liston, Prescott & Co., Chairman; Orin E. Koeser, Blyth & Co., Inc.; James N. Russell, Gottron, Russell & Co.; John A. Kruse, Otis & Co.; Howard J. Eble, Wm. J. Mericka & Co., Inc.

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICH.

Charles C. Bechtel of Watling, Lerchen & Co.; George J. Elder of Mercier, McDonald and Delphyn, and Charles Exley of Charles A. Parcells Co., have been elected to the Board of Directors of the Securities Traders Association of Detroit and Michigan. The three newly elected members, with Harold R. Chapel, McDonald, Moore & Co.; Clarence A. Horn, First of Michigan Corp.; Reginald McArthur, Miller, Kenower & Co., and H. Terry Snowday, E. R. Rollins & Sons., Inc., will constitute the Board for the fiscal year beginning Oct. 1.

Snyder Sees Recovery Progress at Home, But Poor World Status

Treasury Secretary tells Bryant College graduates they have ample reason to view the years ahead with optimism.

Addressing the graduating class of Bryant College, Providence, R. I., on Aug. 8, Secretary of the Treasury John W. Snyder, predicted a continuation of industrial progress and business expansion at home, despite the fact that "war-torn nations of the world have not made the progress toward rehabilitation of production that was expected."

John W. Snyder

"The rapid conversion of our enterprise from war to peace was an amazing accomplishment." Mr. Snyder added: "We have attained a peacetime prosperity unknown before to any nation."

Continuing, Mr. Snyder also stated:

"We still have problems to be met. We can solve these problems of national import if we will exercise the moderation and good sense and the same statesmanship we employed to solve the problems of production for war.

"When we examine the present unsatisfied demand for production in almost every field of our national output, when we consider the vast opportunity uncovered in our wartime research, when we realize the savings and cash resources of our industries and our people, when we recognize the worldwide demand for our goods, there is ample reason to view the years ahead with optimism.

"You 1947 graduates are forunate in that you enter upon your careers during such a period. You are in a far different position than those graduates of the late '20's and early '30's who completed for scarce jobs during the dark days of depression. We all know of their struggle to accomplish successful careers. Many of them are the leaders of today. But it is a truism that keen competition and hardship inspire the greatest of human effort. So it will be up to you to prove whether you really are more fortunate than they.

"I find it difficult to decide whether the greater test of character is made under favorable or under adverse conditions. Sometimes it appears more difficult to survive good fortune and praise than hardship or criticism. In the final analysis, it is character which will determine the extent of individual attainment. I know that at Bryant College you have been indoctrinated with those ideals of character which will well adapt you to a constantly changing world.

"Our exceedingly complex economic and business relationships demand the highest ethical standards on the part of those who direct and those who serve. The survival of our free enterprise system, under which we have thrived, depends upon the maintenance of our high social standards.

"As you progress through the years to positions of greater and greater responsibility, you will be called upon to display wise tolerance and fair play in all manner of human relationships. It is through such a spirit that the problems that arise will be alleviated.

"I have firm confidence in the inherent honesty and fairness of the vast majority of our citizens as individuals and as the directors of our enterprise. The derelictions of a few emphasize the importance of those moral qualities that have made us great as a people. It is to your generation that the responsibility for promulgating those ideals will rest to an ever-increasing degree.

"As Secretary of the Treasury I cannot overemphasize the importance of the financial obligations which our country has assumed. There can be no compromise in our determination to pay that which we justly owe. No matter how difficult the road, you of this generation must make it a part of your creed that we as a people stand unalterably for financial integrity in our government.

"Nor can there be any compromise either in our determination to exercise such international leadership to which our capabilities for world betterment impel us.

"The path to worldwide stability may be a long and trying one. But we will not bring about any durable peace unless we exert our vigorous influence toward that end. I commend to you the President's management of our international affairs. This policy finds its source, and is deeply rooted, in the ideals of the American people. It has their whole-hearted support, regardless of political affiliation.

"The paramount position of our nation today is largely due to the character of the American people. We have, of course, been singularly endowed in the wealth of our country's vast physical resources—her extensive store of minerals, her abundant timberland, her fertility of soil, her vital river systems and her many other native advantages.

"But all these gifts have been utilized and made productive by the American character. Our power and our strength can be attributed to the American philosophy of individualism.

"We have earned, and well earned, our prosperous state. The rapid development of our great industries — mining, agriculture and manufacturing—was not a happenstance. It was an accomplishment in suffering, struggle and unabated hard work."

New York Stock Exchange Weekly Firm Changes

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

Interest of the late Charles R. Blakely, limited partner, in Bache & Co., ceased on July 31.

Basil M. Jones, partner in Branch, Cabell & Co., died on Aug. 2, his interest in the firm ceasing as of Aug. 6.

Clarence I. Jones, limited partner in Merrill Lynch, Pierce, Fenner & Beane, died on Aug. 4.

George W. Carpenter, member of the Exchange, died on Aug. 1.

Charles A. Heidel, member of the Exchange, died on Aug. 5.

Willard Member of San Francisco Exchange

SAN FRANCISCO, CALIF. — The San Francisco Stock Exchange announced on July 29 the election of Robert H. Willard to regular membership in the Exchange. Mr. Willard, a general partner in the firm of McNear & Hoelscher acquired the membership by transfer from Edward H. McNear. Mr. Willard was formerly a member of the Exchange from 1922 to 1942.

Revercomb Acclaims Price Investigation

In radio talk, he says it will turn spotlight on cases of exorbitant charges. Praises move by Congress to study housing costs.

In a talk over West Virginia radio stations on July 30, Sen. Chapman Revercomb (R-W. Va.), Chairman of the Senate Committee on Public Works, expressed the view that the committees set up by Congress to study prices, housing costs and living conditions will serve a useful purpose and should help to bring about a downward revision of prices. Said Sen. Revercomb:

Sen. C. Revercomb

"This study was authorized at the request of Senator Baldwin of Connecticut. It will be conducted by the Joint Committee on the Economic Report. It is the present plan that several subcommittees conduct hearings in various places over the country so that a general cross-section of the nation will be included in the survey. It is a question that concerns all our people and one that challenges solution.

"Abundant production is one of the requirements for a lowering of prices. There is great production in this country, but it is quickly absorbed by domestic demands and the foreign shipments. This problem must be settled or the advocates of government control will gain headway and government control of prices or wages or any activity is the defeat and the destruction of freedom. Self-imposed restraints on prices as well as self-imposed restraints by the purchaser will level prices down. We want no more government control which creates scarcity and makes it impossible to get needed articles.

"This inquiry will serve to turn the spotlight on cases where exorbitant charges are being made.

"It should help in a practical way to bring about a downward revision in prices.

"Another investigation which I believe will be of interest to the people of our State will be a study of housing and the cost of housing materials, which will be conducted by a Joint Committee of the Senate and the House of Representatives. This investigation resulted from the resolution introduced by Senator McCarthy of Wisconsin, Senator Sparkman of Alabama, and myself, and was passed by both Houses of Congress.

"This Joint Committee is authorized to study the entire field on the subject, including the extent of need for more houses; the extent to which houses have been built; the cause of shortages in building materials and the reasons for existing high prices and if those prices are padded or are justified.

"Other factors to be included in this study will be whether or not building code restrictions are interfering with speedy construction. Likewise, the administrative regulations on permits and the shipment of materials out of this country will come into the inquiry.

"I am hopeful indeed that out of this inquiry will come real information upon which we may base measures to bring about the reduction in housing costs and a way to speed up housing construction."

Clifford Michel Heads Div. for Travelers Aid Appeal

Clifford W. Michel, a partner in the firm of Carl M. Loeb, Rhoades & Co., is Chairman of the Commerce and Industry Division in the 42nd Annual Maintenance Appeal of the Travelers Aid Society of New York. The drive which began Aug. 4 has a goal of $400,000.

Clifford W. Michel

Mutual Funds

By HENRY HUNT

Are You a Good Gambler?

Very few people are good gamblers. Most investors would consider the appellation, "gambler," an affront if applied to them. Yet many investors gamble—at the wrong time—generally when the market is approaching its top and the vision of easy money has "screwed their courage to the sticking point" and whetted their appetites for a generous slice of stock market profits. On the other hand, what does the average investor do after a sharp decline in the market or during the early stages of a bull market? The answer is that he either does nothing with his surplus cash or invests it in a conservative type of security. In the opinion of the writer, this is the basic reason for the popularity of the more conservative "balanced" mutual funds since the first of the year.

During the uncertain markets of recent months, the mental processes of the average mutual fund investor seem to have been as follows:

(1) The purchase of an individual stock is too risky.

(2) The purchase of an industry group such as motors or steel is risky. (Maybe my judgment is wrong.)

(3) The purchase of a cross section of common stocks is also risky. (Maybe the stock market will go lower.)

(4) The purchase of good grade bonds assures my income, but they could decline in price. (Furthermore, the stock market may go up and I'll miss the boat.)

(5) The purchase of a "balanced" fund gives me some protection against a declining stock market—but if the market does go up, I won't miss the boat entirely.

So far so good. The mutual fund investor has now bought himself some stock in a "balanced" fund which through thick and thin should serve him well. But, if the stock market starts going through the roof again, will he be satisfied with his slower moving "balanced" fund shares? The answer, many cases, is "NO." At the very time when he should be either hanging onto his surplus cash or buying more "balanced" fund shares, he will begin to nibble at the stock market again.

Maybe the writer is too cynical, maybe he has been in the "Street" too long, but he is willing to bet a dinner at "21" that when, as, and if we see the averages surpass their 1946 highs, sales of common stock mutual funds will supplant "balanced" funds in popularity once more. If you're a good gambler, you won't take that bet!

Just in case you're one of those people who reads only the last paragraph of an article, the gist of the above is—Hold on to your "balanced" fund shares but start buying common stock or industry group funds while their prices are right.

Hugh W. Long Comments

The following excerpt is from **Hugh W. Long's** current **"New York Letter"**:

"Generally, when the stock market breaks out of a downside range reflecting a revival of investors' confidence in the outlook and in anticipation of better business and earnings, the first worthwhile upside move occurs rather rapidly. Then the market may have to go through a period of consolidation and adjustment until slower moving economic factors catch up and justify the renewal of confidence. The situation seems basically very different this time, however. The higher level of business, earnings and dividends already exists. We believe that stock prices could advance substantially above recent levels merely to get in line with current business and earnings."

Advice to Angry Husbands

Don't shoot your wife before she does the dishes; otherwise, you might have to do them yourself!

Gasoline From Coal

"These Things Seemed Important" issued by **Selected Investments Company of Chicago**, quotes President Holman of Standard Oil of New Jersey as follows: "Processes have been developed whereby almost any source of carbon and hydrogen can be converted into synthetic liquid products. . . . In several plants, commercial operations will commence soon to convert natural gas into gasoline, Diesel fuel, alcohols and chemicals. And intensive research . . . is in progress on liquefaction of coal . . . which assures this country of an almost unlimited future supply of liquid fuels . . . may soon compete with natural petroleum."

One Aftermath of War

According to the Bureau of Labor, the buying power of a man with no dependents who makes $48 a week before taxes is no greater than that of one who made only $27 a week in 1939.

National Institutional Series

A recent mailing by **National Securities & Research Corporation** compares **National Institutional Series** with "Common Trust Funds" which are maintained by a few banks and trust companies for investors with discretionary personal trust accounts. This bulletin, which has attracted considerable attention among dealers, points out that all too few of these trust funds, only 40 to be exact, are available throughout the country. We understand that one of National's first sales of Institutional Series was for $100,000 and another was for $125,000.

Financial Placement Center Opened in N. Y.

Establishment of the Financial Placement and Clearance Center at 90 Trinity Place, New York City, for the purpose of assisting qualified young persons in finding positions and careers in the securities business, was announced Aug. 12.

The Placement Center, which is already in operation, is sponsored and maintained by the Joint Committee on Education, representing the following securities organizations:

The Investment Bankers Ass'n
The New York Stock Exchange
The New York Curb Exchange
The Association of Stock Exchange Firms
The National Association of Securities Dealers

As a result of a questionnaire sent out some time ago to securities houses all over the country, the Joint Committee learned that jobs are already available in various cities for some 700 young persons having the required qualifications. In New York City some 300 jobs are available. Further questionnaires will be sent out, from time to time, in order that the record of available jobs may be kept up to date.

It is hoped that placement centers similar to that that has been opened in New York City will be established in other principal cities where sufficient interest is indicated.

Dr. G. Rowland Collins, Dean of the Graduate School of Business Administration of New York University, is a member of the Joint Committee and is actively interested in the program. Charles Stewart Sheppard, a member of the faculty of New York University, is directly in charge of the Center at 90 Trinity Place.

Under the procedure which has been developed, an applicant will report to the Placement Center where he will be interviewed and counseled, and tested as to his aptitude and qualifications. He will then be notified, in writing, as to the outcome of the interview and will be referred to various firms having positions suited to his particular abilities. The interested firms will be advised as to the name of the applicant, his abilities and the general personal impression made by the applicant. The firm will be requested to inform the Placement Center as to whether the applicant was employed. No service charge of any kind will be made.

Where additional education appears necessary, in order that an applicant may equip himself for a position, he will receive advice and suggestion. The Joint Committee is advising all Eastern colleges and universities of its placement program and is seeking their cooperation in providing necessary educational courses where they are not already available.

The organizations represented by the Joint Committee have provided the funds for the maintenance of the Placement Center at 90 Trinity Place. The Committee is made up as follows: Robert W. Fisher, Chairman (Investment Bankers Association of America), Eugene Lokey and Robert Cluett, III (New York Stock Exchange), Charles B. Harding, Amyas Ames and Walter W. Stokes, Jr. (Association of Stock Exchange Firms), William K. Barclay, Jr. (National Association of Securities Dealers), Francis A. Truslow (New York Curb Exchange), and Dr. G. Rowland Collins (Dean, Graduate School of Business Administration, New York University).

L. R. Shepherd Opens

WASHINGTON, D. C.—Lawrence R. Shepherd is engaging in a securities business from offices at 1226 U Street, N. W.

$195,000,000 World Bank Loan to Netherlands

Directors grant part of application for more than half billion dollars made by Dutch Government. Proceeds to be used exclusively for reconstruction purposes. Interest rate to be 3¼%, with 1% additional as commission charge. Bank sees loan as important step toward healthy European economy.

The International Bank for Reconstruction and Development announced on Aug. 7 the granting of a loan of $195,000,000 to the Kingdom of the Netherlands. This is the second loan to be granted by the Bank, the first being the $250,000,000 commitment to France which was signed last May (May 9). The Executive Directors of the Bank at a special meeting on Aug. 7 voted approval of the new loan, which originated on April 8, 1947, when the Netherlands Government filed a formal application with the Bank for a $535,000,000 commitment. The Loan Agreement was signed on behalf of the Netherlands by Ch. J. H. Daubanton, Envoy Extraordinary and Minister Plenipotentiary at the Netherlands Embassy in Washington, D. C., and L. R. W. Soutendijk, Financial Counselor of the Netherlands Embassy in Washington, D. C., and for the Bank by John J. McCloy, President.

According to a statement issued by the Bank, the loan proceeds are to be devoted exclusively to the reconstruction of productive facilities in the Netherlands homeland, the restoration of which will contribute materially to the recovery of Europe as a whole. None of the proceeds of the loan will be applied to the Netherlands East Indies nor for military purposes.

Need for the loan is stated to arise from three basic reasons. First, the necessity for abnormally heavy imports to repair war damage and restore production. Second, the loss of Germany as an important customer and as the number one prewar supplier of essential imports. Third, the beclouded economic relationship with the Dutch East Indies—a valuable prewar source of raw materials and income.

To date, the heavy import balance has been met by liquidation of foreign assets and short-term borrowing with a substantial portion of the funds being spent in the United States. It is estimated that 35% of essential imports will have to be purchased in the United States during 1947. As a result, a gap of approximately $200,000,000 in the balance of payments will develop this year.

The $195,000,000 loan now being made by the Bank will finance essential imports under the 1947 reconstruction program and will substantially, if not wholly, close the gap in the balance of payments.

Last April, when the formal request for a $535,000,000 commitment was made, the Netherlands Government submitted a reconstruction program covering the years 1947-1949 inclusive. Further studies are being made of the reconstruction program to be executed in 1948 and 1949. The Bank will be prepared to consider requests which may be lodged for additional credits in those years in the light of the progress made by the Netherlands as a result of this loan and of the further needs for financial assistance as determined by the additional studies being undertaken by the Bank. At this time no commitments have been accepted for future credits to the Netherlands.

Terms of Loan

The loan is for a period of 25 years and will carry interest at the rate of 3¼%. In accordance with its Articles of Agreement, the Bank will also charge a commission of 1% per annum on the outstanding portion of the loan to build up a special reserve. The Netherlands program of reconstruction calls for heavy imports during the next three years; furthermore, the Netherlands has to meet the repayment of short-term obligations falling due over the period of the next five years. Therefore no repayment of principal is scheduled for this period. Thereafter capital repayments begin at a modest rate and increase gradually so as to amortize the loan completely by its due date.

Under the Loan Agreement the Bank will be furnished with full information concerning the goods to be purchased with the proceeds of the loan and their utilization. In accordance with Bank policy, it will satisfy itself as to the end use to which all purchases are put. A large amount of equipment and raw materials, as well as a number of ships, including some surplus ships of the U. S. Maritime Commission, will be purchased in the United States, although, in accordance with the Bank's Articles of Agreement, the Netherlands may purchase in whatever markets are deemed most advantageous.

The Netherlands was one of the last European countries to be liberated. In spite of the fact that war damage exceeded that of neighboring countries, impressive gains in production, the Bank reports, have already been made. Emphasis has been placed on rebuilding the railroads, restoring dykes destroyed by the retreating Germans, and repairing houses in industrial areas. The industrial plant is also being reconstructed as rapidly as possible. These achievements are reflected in the general index of production which in August 1945 amounted to a mere 31% of 1938 levels but by May 1947 registered 90% of 1938 levels.

With regard to the future of the Netherlands, the Bank announces it is acutely aware that, as a nation for which foreign trade has such a great importance, it is particularly sensitive to the development of political and economic factors affecting world trade. The course of these factors cannot be predetermined but there clearly exists a stern necessity for the Netherlands to use every opportunity to create sound and productive trading relationships.

In assessing the capacity of the Netherlands to repay any loan extended to assist in financing the 1947 reconstruction program, certain important factors were taken into account by the Bank.

The Dutch people, the Bank states, are skilled and hard working; they have demonstrated ability to fight against hardship and have exhibited extraordinary resiliency in recovering from effects of the war. The Government of the country rests on solid principles and has given proof of stability and wise administration.

The Netherlands has never defaulted on either internal or external debt and has, in fact, redeemed some external debts before maturity in the period after World War I. The excellence of the debt record, together with a long tradition as an important creditor nation, make the Netherlands a good credit risk.

The Bank therefore concludes that economic recovery of the Netherlands will be an important step forward in world recovery and toward a healthy European economy. In granting this loan the Bank is fulfilling its function of making loans for production purposes and is taking into account the urgency of the need. It is likewise pursuing its policy of using its available funds in such a way as to have the most favorable effects, not only on the borrowing member country, but also on the regional economy and, indirectly, on all of its member nations.

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

Announcement has been made of the formation of Cantor, Fitzgerald & Co. as successors to B. G.

B. Gerald Cantor John J. Fitzgerald

Cantor & Co., Inc. The organization will conduct an investment banking and general brokerage business. The partners are B. Gerald Cantor, a Director of Clarostat Mfg. Co., Inc., Espey Mfg. Co., Inc. and various other corporations; John J. Fitzgerald, for the past 10 years President of the Mutual Casualty Insurance Co.; Jack J. Bernstein, a Director of the 11 Park Place Corp. and formerly with the City Administration; Louis G. Behr, recently Manager of the Bond Department of Coburn & Middlebrook and at one time an officer of the Chatham & Phenix National Bank and Trust Co., and Ernest Butt, formerly Trust Administrator at the Irving Trust Co. and Office Manager under the War Finance Committee.

Pittsburgh Bond Club Picnic Most Enjoyable

PITTSBURGH, PA.—The annual mid-summer picnic of the Bond Club of Pittsburgh was held at Mill Grove, North Park, on Tuesday, Aug. 5. The principal event was a spirited soft-ball game between the "Bulls," captained by "Wot-a-Guy" John Ballard (Hemphill, Noyes & Co.), and the "Bears," under the able leadership of "Cowboy" Franklin Maroney (Blair & Co. Inc.). The game ended in a walkaway victory for the "Bears" with a score of 37-to-13. Appropriate prizes were awarded for best batting, fielding, etc.

It was a heated contest on a hot day with numerous substitutions, but the "Bears," still remembering their defeat a year ago, relentlessly piled up their runs.

The dangerous job of umpiring was undertaken by Congressman Paul H. Cunningham of Iowa, who is here on a visit with his brother Samuel K. Cunningham (S. K. Cunningham & Co.), and Attorney John C. White.

At La Bocci, Samuel K. Cunningham and Attorney White defeated Elmer W. Powell (E. E. Powell & Co.) and Frank Kirk (Hemphill, Noyes & Co.).

Following the ball game a delicious luncheon was served, consisting of fried chicken, baked ham, etc. Later the members engaged in various activities of an athletic or sedentary nature.

The Committee on Arrangements named by President Stephen W. Steinecke (S. K. Cunningham & Co.) consisted of Norman C. Ray (Kay, Richards & Co.), Chairman; Charles D. Kalbach (Reed, Lear & Co.), Robert W. Storer, Alan J. Stark (Singer, Deane & Scribner) and Lawrence E. White (Blair F. Claybaug & Co.).

With Swan, Stickley

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — John J. Ward is now affiliated with Swan, Stickley & Co., 75 Federal Street.

President Doubts Budget Savings by Congress

Says a large part of rescissions made were in funds that would not have been spent, and budget changes were mere shifts in the appropriations structure. Promises exhaustive study of current receipts and expenditures.

At his press conference on Aug. 7, President Harry S. Truman released a statement in which he hinted that the "so-called savings" of the 80th Congress in Federal appropriations were fictitious and that all that resulted were shifts and changes in the appropriation structure, and he announced that "for these reasons" he had ordered a detailed and exhaustive study of all the facts.

President Truman

The text of the President's statement follows:—

In fairness to all concerned, I do not intend to make any hasty predictions on the amount of so-called "savings" effected by the Congress in the 1948 budget until all the facts are in.

A great many complex factors have to be taken into consideration before a complete, accurate and understandable report can be made. In some cases, Congress has substituted contract authority for direct appropriations; in others, appropriations originally requested for the fiscal year 1947 were not enacted until 1948 and so must be considered as part of this fiscal year.

In addition, Congress has provided funds for certain agencies, such as the Post Office and the National Labor Relations Board, on a "part year" basis and instructed agencies to request deficiences, if necessary, to complete the fiscal year.

Among the other facts to be determined is the actual effect of rescissions upon expenditures during this fiscal year, since a large part of the rescissions made by Congress were in funds which would not have been spent anyway.

What is most important, however, is the fact that none of the predictions I have seen have properly related congressional changes in appropriations to estimated expenditures for 1948. In the last analysis, the American people are more interested in how much their Government will actually spend during this fiscal year than they are in shifts and changes in the appropriation structure.

For these reasons, I have ordered a detailed and exhaustive study of all the facts. When this is completed, I shall issue a review and analysis, supported by detailed tables and summaries, which will bring up to date revised estimates of receipts and expenditures for this fiscal year.

President Signs Bill Ending Credit Curbs

President Truman, on Aug. 8, signed the bill passed by Congress which terminates Federal controls on instalment credit on Nov. 1. In signing the measure, the President, however, expressed regret "that the Congress did not see fit to follow the recommendation of the Federal Reserve Bank and the Council of Economic Advisors" to continue these controls as a check against inflation. He again urged manufacturers and merchants to exercise caution in granting instalment credits. The text of the President's statement follows:

"I have today approved the joint resolution of Congress (S. J. Res. 148) authorizing continuation of regulation of consumer instalment credit until Nov. 1, 1947.

"I regret that the Congress did not see fit to follow the recommendation of the Federal Reserve Board and of the Council of Economic Advisers, in which I fully concurred, by enacting legislation to provide for continuing as long as necessary regulation of consumer credit as a means of helping to promote economic stability.

"It is unfortunate that the Congress did not provide for restraints to overexpansion of instalment credit in order to diminish inflationary pressures arising from this source.

"Continuation for the next three months of present controls, as now provided under Regulation W of the Federal Reserve Board, has, however, been permitted and implied by the Congress and this is preferable to immediate abandonment of these restraints. For that reason I have signed the joint resolution.

"Not only during the next three months while the controls remain in full force and effect but for an indefinite period thereafter, it will be in the public interest for every merchant and financial agency extending instalment credit to avoid undue relaxation of terms.

"It will be far better to reduce prices rather than to relax terms in seeking new customers. Self-restraint on the part of those who use credit as well as upon the part of those who extend it will reduce the danger of an overexpansion of instalment credit which would inevitably be followed by severe contraction, thereby contributing to unemployment and to reduced production."

NYSE to Ask for Higher Commission Rates

Board of Governors directs Emil Schram to seek approval from SEC. Association of Stock Exchange Firms lists two alternate schedules of charges.

In line with proposals of the Association of Stock Exchange Firms made last March, the Board of Governors of the New York Stock Exchange, at a meeting on Aug. 7, directed the President of the Exchange, Emil Schram, to take up the matter of broker commission rates with the Securities and Exchange Commission, with a view to obtaining the Commission's approval to a new and higher schedule of charges. The last change in brokerage rates was made in 1945. Under the Securities Exchange Act of 1934, the SEC must approve any changes in rates.

Last March, the Association of Stock Exchange Firms, in a special report, submitted to the New York Stock Exchange new schedules of commission rates. These schedules would result in increases in rates from 20 to 25% above present charges, with the highest percentage increase on odd-lot transactions. The new rates are to be adjusted more closely to the dollar prices of shares. Whatever schedule of rates is finally adopted, must have the approval of a majority of the Stock Exchange members.

Securities Salesman's Corner

By JOHN DUTTON

Dan Bause says the basis of a business success is in the heart and in the mind.

The June 7th 1947 issue of the "Saturday Evening Post" carried a feature article about a fellow who built up a big city drug business in a small town in eastern Pennsylvania. Last Sunday I visited in Dan Bauses' home town of Boyertown, Pa., population about 4,000, where his now famous retail drug store grosses about $125,000 per year and people come to shop from the four corners of the land. I had the pleasure of conversing with this engaging merchandiser of drugs, sundries etc., who takes his business seriously and who is living proof that there is no better place in the world where a man can achieve a successful life than right here in this blessed home of the brave and land of the free.

But you must have the WILL to do it. It doesn't come the easy way. Dan Bause didn't always have his big beautiful, air-conditioned store where there are thousands of items attractively displayed which bring shoppers from far off Philadelphia, Allentown, Reading and other cities many times larger than Boyertown. Back in 1935 when he first started his business it was a mighty small affair and much hard work and patient effort have gone into the building of this business which is now known from coast to coast. And what do you suppose I saw when I went into Dan's store last Sunday morning and sat down in one of those attractive booths that are now the focal point for the high school crowd of Boyertown and I ordered a cup of coffee? I recognized the proprietor from the picture I had seen in

the "Post" article. The owner himself was busily engaged in pushing a long handled broom across the floor. He wasn't too big a man for all of his success to remember that no man is ever to big to sweep a floor.

It doesn't matter much what you are selling, whether it is drugs or securities, some of the things I learned from Dan Bause in the hour I spent with him can be applied with benefit to any man's business. As I turned to answer his cherry, "Good morning," he smiled at me and kept right on sweeping. I said, "I've read about your store and now I have seen it." He looked at the coffee and toast on the table and said, "And now you are eating part of it too." Who could help feeling at home with a fellow like that? I lowered my voice and replied, "I see you are not above sweeping the floors if you have to do so." That broke the ice. He came over to me and he said, "No, I will never forget that I am still an overgrown soda jerker." There is a fine bit of sales psychology for you. People who see a man with a big head and might resent it will never think that way about a man who still sweeps his own floor.

Dan Bause told be how hard he worked to establish his business, how his children and his good wife have all assisted him in his store. How a fire wiped him out in 1943 but in less than a week he had reopened in a temporary location with all new merchandise. How he struggled as a boy to work his way through pharmaceutical college. The debt he owed to his first employer and to his mother who prepared many an 11 p.m. dinner for a hungry boy who had worked late after school to earn his much needed expenses. It was all told with a modesty and sincerity that bespoke of an inner honesty of purpose that of itself is one of the secrets of this man's unusual success. Here was a man who loved his business. With him the cash register has been of secondary interest but it follows as the night the day that if a man does a good job, goes out of his way to serve people to the very best of his ability, that the sales and profits do have a way of taking care of themselves.

Here are a few of the lessons I learned about how to build a successful business from this man who has demonstrated that these things do pay off in success, self esteem, pride, the respect of one's neighbors and in friendship as well as dollars and cents. He's a human being, he still isn't too big to push the broom, the drug business is a seven day a week affair but he was there on a Sunday morning, he has a smile and a cherry word for his customers and even a stranger who stopped by for a cup of coffee is important enough to be noticed, he knows his business and people rely upon him when they give him a prescription to fill, and he has a purpose in life. That purpose is to serve his fellow man by running the best retail drug store not only in Boyertown but in the whole U. S. A. You can't beat that as a winning combination in any line of business. These things can be applied to selling stocks and bonds as well.

Vilas Is Director of Montclair Sav. Bank

Homer A. Vilas, well known Montclair citizen and prominent member of the Wall Street Financial District, was elected this week as a member of the Board of Managers of The Montclair Savings Bank.

"Mr. Vilas brings to the Board

Homer A. Vilas

of the savings bank a rich experience in the field of financial management" said T. Philip Reitinger, President.

Mr. Vilas has been a partner in the firm of Cyrus J. Lawrence & Sons, New York City since 1931, previously having been a partner in the late firm of F. L. Carlisle & Company. After graduation from college he came to Wall Street and in 1918 formed the firm of Vilas & Hickey. Mr. Vilas is a Governor of the Association of Stock Exchange Firms having served continually since its reorganization in 1941. He is a member of the Board of Directors of the Union Bag and Paper Corporation as well as of the Root Petroleum Company.

A graduate of St. Lawrence University of the class of 1913, Mr. Vilas has continued active in the affairs of the college, and has served as a member of the Board of Trustees since 1925. He is also a member of the Investment Committee and the Executive Committee.

Long active in the civic and social life of Montclair, Mr. Vilas is presently the Treasurer and a member of the Board of Trustees of Mountainside Hospital. He is a member of the Montclair Golf Club. He is affiliated with the Union Congretional Church having served as Trustee and Secretary.

His New York Clubs are the Down Town Association and the Union League Club.

Mr. and Mrs. Vilas reside at 206 Fernwood Avenue, Upper Montclair. They have two sons, Richard a graduate of St. Lawrence University, now with the insurance firm of Griswold & Company, New York City, and Homer A. Jr. presently a senior at St. Lawrence University.

With E. F. Hutton & Co.

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF. — Rene de Reynier and William D. Kilduff have become associated with E. F. Hutton & Company, 160 Montgomery Street.

With Hope & Co.

Special to THE FINANCIAL CHRONICLE

SAN DIEGO, CALIF.—Hope & Co., San Diego Trust & Savings Building, have added William E. Foyer to their staff.

With A. G. Becker & Co.

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF.—Charles B. Blank has become connected with A. G. Becker & Co., Incorporated, 564 Market Street.

Federal Stock Transfer Tax Modified

Measure passed in 1932 to check short-selling eased in cases of issues resulting from corporate recapitalization and stock loans.

President Truman on Aug. 8 signed the Kean bill revising the methods of taxing transfers of capital stock and securities which have been in effect since 1932. The original transfer tax measure was passed in 1932 in the Hoover Administration, which levied a 6c tax on all transfers of stock, whether in the form of loans or otherwise was intended to discourage short-selling of securities.

Robt. W. Kean

The revised act, sponsored by Rep. Robert W. Kean (Rep.-N. J.), a partner of Kean, Taylor & Co., members of the New York Stock Exchange, permits a corporation undergoing recapitalization to pay the tax only on stock representing new capital instead of on all its capital stock, both old and new. It also limits the tax, in the case of stocks held by a partnership, when one of the partners dies or withdraws, to the portion of the securities held by the retiring or deceased partner, instead of taxing the entire holdings of the partnership, and it also exempts from the tax loans of stock, such loans previously having been considered as actual transfers and therefore subject to the tax. Thus, the new law removes inequities in the Federal Stock Transfer Tax.

Redemption of 6% Bonds of Haiti—Offer to Exchange Issue for 5% Bonds

Notices have been published of the redemption of all the outstanding 6% External Dollar Bonds of Haiti of Series A, Series C, and the Certificates of Interest in Series C Bonds. The redemption date is October 1, 1947. Holders presenting their bonds on that date to The National City Bank, 55 Wall Street, New York, N. Y., will receive a cash payment for the full principal amount, plus interest due to and including the coupon dated Oct. 1, 1947.

At the same time the Foreign Bondholders' Protective Council, Inc. announced on Aug. 7 that notices have also been published by Haiti that Internal Loan 5% Ten Year Bonds and Certificates are offered until Sept. 15, 1947 in the amount of 103% for the [above] 6% External Bonds with Oct. 1, 1947 and subsequent coupons attached, through The National City Bank, 20 Exchange Place, New York, N. Y. Banque Nationale de la Republique d'Haiti at Port-au-Prince is fiscal agent for the new bonds, which are stated to be payable in U. S. Dollars as to principal and interest, but which are internal obligations of the Republic of Haiti. Although, said the Council, the new bonds are secured upon customs and internal revenues, subject to prior outstanding foreign debt obligations, the various special security provisions set up by agreements between the United States and the Republic of Haiti for the old bonds are not applicable to the new issue.

It is added that the Council, makes no recommendation in this matter involving the exchange of External Bonds for Internal Obligations.

An announcement in the matter on Aug. 8 by Gaston Margron, Secretary of State for Finance of the Republic, stated that 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. It was likewise announced that the new 5% Series A Bonds, dated as of July 15, 1947 and due July 15, 1957, will be payable in United States Dollars as to principal and interest. Old Series A and C. Bonds and C Certificates not surrendered in exchange have been called for redemption by the Republic on Oct. 1, 1947 at 100% of the principal amount and accrued interest.

An item regarding the calling for redemption of the Haitian bonds for redemption appeared in our issue of Aug. 7, page 530.

Some N. Y. Banks Raise Rates on Dealer's Loans

Following National City Bank, Bankers Trust and Chemical advance charges on loans to dealers and brokers.

The National City Bank of New York on Aug. 6 announced that, effective Monday, Aug. 11, it would make the following rate changes on loans to dealers and brokers:

	Present Rates	New Rates Effective Aug. 11
Dealer Rates—		
vs. Short Term Governments (within 1 year maturity)	⅞%	1%
vs. Other Governments (Portfolio)	1%	1¼%
vs. Clearances, Short Term Carries (Governments or others)	1%	No change
vs. Portfolio (Other than Governments)	1¼%-1½%	1½%
Broker Rates—		
vs. Governments (Portfolio)	1%	1¼%
vs. Clearances, Short Term Carries (All securities)	1%	No change
vs. Portfolio (Other than Governments)	1¼%-1½%	1½%
vs. Customers Collateral of any kind	1½%	No change

As yet, just a few of the large Wall Street lending institutions have followed the action of the National City Bank. The Bankers Trust Company and the Chemical Bank & Trust Co. stated they would advance their rates respectively on Aug. 15 and Aug. 11 from the prevailing ⅞% on dealers' loans collateralled by short-term U. S. Government issues, but would for the time being make no changes in other categories. It is reported by other banks that they are considering making changes in their rates along similar lines, but are not ready to take action until further study.

Sees War Dep't Unlawfully Using Funds For Universal Training Aims

House Subcommittee issues intermediate report indicating evidence government funds were used "in an improper manner" for supporting compulsory military training.

In an interim report, a subcommittee, headed by Forest A. Harness of Indiana, of the Committee on Expenditures in the Executive Department of the House of Representatives, on July 24, accused the War Department of illegally and "in an improper manner," expending government funds for propaganda activities supporting compulsory military training." The report summarizes the hearings on its inquiry held June 20 and July 16, 1947 and concluded that War Department activities "were calculated to build up Federally stimulated public demand upon Congress for the enactment of legislation for universal military training." As the use of Federal funds for the purpose of influencing legislation is unlawful under section 201, title 18 of the United States Code, the Subcommittee reports it has brought these matters to the attention of the Department of Justice, with the request that the Attorney General initiate proceedings to stop this illegal and unauthorized expenditure of public moneys.

Urges Pushing Sales in New Markets

Robert H. Johnston lists Latin America and South Africa as fertile fields for expanding U. S. exports.

Robert H. Johnston, President and Publisher of the "American Exporter," in an address before the Export Advertising Association at the Hotel Woodstock in New York City on July 31, recounted his impressions gathered from a five-month tour of Europe and Africa, and told his hearers that despite the heavy demand for American goods abroad, new opportunities existed for extending exports into new fields, such as South Africa nad Latin America. He urged exporters to study conditions in each country carefully and keep close contact with their agents in foreign markets. American exporters, Mr. Johnston stated, can aid their agents aboard by furnishing them with descriptive literature and supplying them with samples for some of the trade fairs that are to be held soon throughout Europe and other places. Since American advertising techniques are far superior to those abroad, Mr. Johnston urged exporters and manufacturers to handle the consumer advertising directly instead of leaving it up to foreign importers.

Robert H. Johnston

Object to Proposed Gold Export Curb

Refiners' representatives point out prohibition by Treasury of re-export of gold sent in for refining will lead foreign producers to set up their own refineries. Defend sales abroad at premium.

The Treasury Department on Aug. 11 held a hearing in Washington, presided over by Norman Tietjens, Assistant General Counsel, in the matter of the proposed new regulations restricting the export of gold bullion sent for refining purposes to this country, through severe limitation of licenses for movement of gold into and out of the country. (See the "Chronicle," Aug. 7, p. 18.)

Several representatives of leading metal refining companies were at the hearing to protest against putting the proposed regulations into effect. Among these were R.M. Stewart, President, South American Development Co., New York; John Laylin, General Counsel, American Smelting & Refining Co., New York; Arthur H. Dean, General Counsel, and H. Vogelstein, American Metal Co., New York; Frederick Coesher, Secretary, Irvington Smelting & Refining Co., Irvington, N. J.; and Robert F. Mitchell, Treasurer, Cerro De Pasco Copper Corp., New York.

In testifying against the proposals, Robert M. Stewart, President of the South American Development Co., pointed out it was foolish to hold gold to a price of $35 an ounce when all other prices have risen. "All other prices have busted wide open and gold will bust open too," he testified at the hearing. "It is not fair for the United States to bring pressure on other countries to hold that price just because it suits this country's necessities and policies."

Mr. Stewart expressed the belief that gold producing countries, seeking higher prices for their metal, would send their product for refining to other countries and that there are enough countries who are not members of the International Monetary Fund that could "knock the proposed regulation into a cocked hat." Robert F. Mitchell of the Cerro De Pasco Copper Corp. stated at the hearing that Peru already has taken steps to have its gold sold in the highest market instead of shipping it to the U. S.

Several of the refiners' representatives suggested in place of the official curbs proposed, arrangement for mutual agreements between the Treasury and the refining companies.

Regarding impending changes in the price of gold, rumors were reported from London during the week that the United States would increase the official price of gold from $35 to $50 per ounce. Whether this will be done would depend on what action Congress takes, since the power to raise or lower the gold content of the dollar at will, no longer resides with the Treasury Department or the President. Moreover, under the terms of the International Monetary Fund Charter, of which the United States is a signatory, no member nation can alter the value of its currency more than 10% without the formal approval of the Fund.

McLellan Joins Staff of Boettcher & Co., Denver

Special to THE FINANCIAL CHRONICLE

DENVER, COLO. — James H. McLellan has become associated with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange. Mr. McLellan was previously with the bond department of J. P. Morgan & Co. in New York.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Thomas J. Shanahan, President of **Federation Bank and Trust Company of New York** announces that at a meeting of the Board of Directors held this week, Pindar L. Roraback, Executive Vice-President of the bank, was elected a Director. Mr. Roraback has been an officer of the bank since coming to the institution in December, 1938.

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The **Hartford National Bank & Trust Co., of Hartford, Conn.,** opened on Aug. 8 its West Hartford Center Branch, the occasion marking 155 years since the "old Hartford Bank" was opened on Aug. 8, 1792. The new branch will be under the supervision of Thomas D. Sargent, Assistant Vice-President, and Edward G. Tinson, Assistant Cashier. R. B. Newell is President of the institution.

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Albert R. Jube, a director of the **National State Bank, of Newark, N. J.,** was elected a Vice-President at the regular meeting of the board on Aug. 7. James V. Igoe was named a director. The men will share the bank posts held by the late Walter C. Heath, it is learned from the Newark "Evening News," which in part also said:

"Mr. Jube, a member of the law firm of Chamberlin, Kafer, Wilds & Jube, of New York, is a grandson of the late John P. Jube, a President and director of National State years ago.

"Mr. Igoe is also with the firm of Igoe Bros. Co., and is the son of Peter Igoe, President of the company. He also is a member of the New York Stock Exchange."

* * *

The **Workingmans Savings Bank & Trust Company, of East Ohio Street, Pittsburgh, Pa.,** which reported deposits of $17,745,000 on June 30, will become a branch office of the **Mellon National Bank & Trust Co. of Pittsburgh,** subject to approval of stockholders of the Workingmans Bank, according to the Pittsburgh "Post Gazette" of Aug. 6, from which we also quote in part as follows:

"Richard K. Mellon, Chairman of the Mellon National, and Jay D. Swigart, President of the Workingmans Bank, in making a joint announcement of the deal, said the change is expected to take place the latter part of August.

"Formal change of the **Bellevue Savings and Trust Company** into the Bellevue office of the Mellon National—announced in mid-July—became effective on Monday [Aug. 4].

"Mr. Swigart will be in charge of the East Ohio Street branch office as Assistant Vice-President of the Mellon National Bank, and Mr. Mellon said an advisory committee composed of present members of the board of directors of the Workingmans Bank will be formed."

An item reporting that the Bellevue Savings & Trust Co., of Bellevue, Pa., would become a branch of the Mellon National appeared in our issue of Aug. 7, page 541.

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Joseph M. Taylor, formerly special agent in New Orleans for the **Fidelity and Deposit Company of Maryland** and its affiliate, the American Bonding Company, has been transferred to Richmond in the same capacity. William J. Martin, formerly special agent in Boston, has been transferred to New Orleans. Now undergoing preliminary training in the offices indicated for positions as special agents are: Paul R. Twohig, Cincinnati; Richard E. Hawkins, Los Angeles; Huffman Walker, Oklahoma City; Charles A. Schewe, Pittsburgh; Max D. Scott, Dallas; Raymond G. Sinclair and Edward J. Hardiman, Philadelphia. Robert C. Carlson and Justin McCarthy have joined the F&D's Los Angeles office in the respective capacities of assistant manager, judicial department, and underwriter.

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John R. Cupit, it is announced, has become Vice-President of the **Western National Bank of Baltimore,** having recently resigned from the **Baltimore branch** of the **Federal Reserve Bank of Richmond** to take his new post. According to the Baltimore "Sun" of Aug. 6, Mr. Cupit was associated with the Reserve Bank's Baltimore branch for 28 years and for more than 17 years served as Cashier of the branch.

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Dr. Paul De Leon Sanders, editor of the "Southern Planter," has been elected to membership on the board of directors of **The Bank of Virginia, at Richmond, Va.,** according to an announcement made on Aug. 12 by Thomas C. Boushall, President of the bank. In addition to his duties as Editor of the "Southern Planter" and First Vice-President of The Southern Planter Publishing Co., Dr. Sanders is Master of the Virginia State Grange, member of the Agricultural Committee of the National Planning Association, Committee of the South, Vice-President American Agricultural Editors' Association, Chairman of the State Rural Housing Committee, President of the Farmers' Health Association, and was recently appointed by Governor Tuck to serve on the "Advisory Council on the Virginia Economy."

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The **Bank of Elkton, Inc., of Elkton, Va.,** capital $25,000, has been consolidated, effective July 30 with The **Peoples National Bank of Charlottesville, of Charlottesville, Va.,** capital $1,000,000, under the charter and corporate title of the latter institution. As a result of the consolidation the Peoples National establishes a branch at Elkton and the capital of the Peoples National has been increased to $1,025,000, divided into shares of 51,250 of the par value of $20 each.

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Through the sale of new stock to the amount of $50,000, the **First National Bank of Galion, Ohio,** has increased its capital from $250,000 to $300,000. The enlarged capital was made effective as of July 29, the Office of the Comptroller of the Currency reports.

* * *

The Board of Directors of The **Northern Trust Company of Chicago,** announced the election of Loren B. Allen, recently Assistant Vice-President of the Federal Reserve Bank of New York, to be Second Vice-President and Manager of the credit department effective Aug. 15.

Mr. Allen was connected with the Federal Reserve since 1929, and has held various positions including manager of the credit department with over 100 employees, which department achieved record of handling largest volume of V loans of any Federal Reserve Bank. For the past two years, he was associated with the Open Market Committee of the entire Federal Reserve system. Mr. Allen is a graduate of Amherst College and Rutgers School of Banking.

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The **Terre Haute First National Bank of Terre Haute, Ind.** announces the death on July 25 of William K. Hamilton, Chairman of the Board and Vice-President.

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The **National Bank of Commerce of Houston, Tex.,** increased its capital, effective July 31, from $2,000,000 to $4,000,000 by the sale of $2,000,000 of new stock, it is learned from the weekly bulletin, Aug. 4 of the Office of the Comptroller of the Currency.

* * *

Frank C. Groos, who founded the **Groos National Bank, of San Antonio, Tex.,** in 1912, died on Aug. 4. At the time of his death Mr. Groos was Chairman of its board, it was stated in advices to the Dallas "News" from San Antonio. It added that Mr. Groos, who was 70 years of age, was a past director of the San Antonio branch of the Dallas Federal Reserve Bank.

* * *

Work has started on the enlargement and modernization of the building which the **Anglo California National Bank of San Francisco, Cal.,** purchased several years ago at Broadway and 15th Street, for the future home of its Oakland headquarters, it was announced on Aug. 6 by Allard A. Calkins, President. The bank will have an entrance on Broadway and will occupy the two upper floors, thus becoming, it is said, the first upstairs bank in the West. The bank decided to occupy the upper floors and make the ground floor space available for retail purposes, with a view to preserving the continuity of retail business in Oakland's shopping district. Mr. Calkins also said that construction of the bank's new East Oakland office at East 14th Street and 35th Avenue is progressing. The Anglo Bank also recently awarded a contract for the remodeling of the exterior of its Berkeley office, at Shattuck Avenue and Bancroft Way.

* * *

Barclays Bank (Dominion, Colonial and Overseas) of London announced on July 24 that W. O. Stevenson has relinquished his position as Deputy Chairman of the bank, but retains his seat on the board. A. C. Barnes, D.S.O., O.B.E., heretofore Vice-Chairman, succeeds Mr. Stevenson as Deputy Chairman.

Chicago Municipal Bond Club Outing

CHICAGO, ILL.—The annual fall outing of the Municipal Bond Club of Chicago will be held on Friday, Sept. 19, at the Knollwood Country Club. Invitations to attend have been extended to Municipal Bond Dealers in all parts of the country by the officers of the club. Hardin H. Hawes, President (Harris Trust & Savings Bank), President of the Club, has appointed J. P. Jamieson (Glore, Forgan & Co.) to be General Chairman of the outing.

An all-day party is planned, featuring golf and tennis and a softball game to be played between a team of club members and a team of out-of-town guests. The field day will be preceeded by the gathering of members and guests Thursday evening, Sept. 18.

The Chairmen of the Committees for the outing are: William H. Hammond (John Nuveen & Co.), arrangements; Hardin H. Hawes, reception; Charles R. Wilson (Glore, Forgan & Co.), golf; DeWitt Davis (Welsh, Davis & Co.), tennis; Fred Rahn (Illinois Co.), softball; L. L. J. Howe (John Nuveen & Co.), prizes; Gene A. Frantz, (Weeden & Co.), indoor sports, and P. K. Van Winkle (Paine, Webber, Jackson & Curtis), refreshments; James W. Day (C. J. Devine & Co.), entertainment.

Bretton Woods in Retrospect and Prospect

(Continued from page 6)

their way back to the Gold Standard in 1919. All the other countries were only able to take the same important step after five or more years. In the course of the years 1924 and 1925 the reintroduction of the Gold Standard became a practically universal thing. The Netherlands and Great Britain proclaimed the renewed freedom of gold export together on April 28, 1925. France, which did not stabilize its currency until the summer of 1928, was one of the last in the line. In 1929 only two pre-war gold countries, Spain and Russia, were missing from the scene.

During the few years of rising conjuncture, which ceased so abruptly in the autumn of 1929, the illusion was cherished that the return to the normal conditions of pre-war days had been achieved. The Gold Standard apparently functioned as a good Gold Standard should; rates of exchange were steady, international capital traffic revived and seemed to flourish. The favorable conjuncture, however, masked the latent tension which piled up within the economic mechanism; the crisis of 1929 unleashed by the New York exchange, rapidly exploded tension after tension. The Gold Standard was liquidated in far less time than it has taken to reestablish the system. The generation of 1920 had built on sand and the temporary monetary order made way for monetary chaos.

How can we explain that a system which functioned to everyone's satisfaction until the year 1914 failed completely in 1925? How can we accept the fact that the practice, after coinciding with the theory in every respect at first, contradicted it in every way afterwards. The reply to this double question is that the classical Gold Standard could only function in the manner set out with the help of a number of conditions which had been observed before 1914, but not after 1925, conditions which the theory had neglected to acknowledge and define in time. By using the same instrument of pre-war days in a situation where the conditions for its proper functioning were no longer present, a load was placed on the Gold Standard, under which it could not but collapse.

As I have remarked above, the Gold Standard is in priciple able to keep the international financial traffic balanced, apart from small fluctuations. The process of adjustment, however, which is set in motion almost automatically by the system, is completed via a number of connecting links, and in each phase of the adjustment a short circuit may occur, should the required economic reaction not be passed on promptly and completely. When all goes well, every cause for disturbance calls out the forces which will remove it, but if the carefully tuned mechanism stumbles, the disturbance gains ground and intensity. If an unbalanced development of the payment balance, which in itself may be due to one of several causes, leads to an increase or decrease of the gold stocks, the classical theory of the Gold Standard assumes in the first place that this displacement of gold will influence the amount of circulating currency; it moreover assumes that the change in the amount of the currency circlation will lead to a similar reaction on the part of the price levels, while the last named change, in its turn, must stimulate such a change in imports and exports that the original disturbance will be compensated by it. Each of these three assumptions were realized much better before 1914 than after 1925.

In the first place, the changing size of the monetary gold stocks is only then of decisive importance to the total currency circulation, when there are no other forces or considerations assailing the monetary policy of the country concerned. Proper functioning of the Gold Standard therefore requires that the monetary authorities in every country are able to and prepared to subordinate their policy fully to the state of the gold stocks of the country. Inflationist or deflationist tendencies, which often are bred in the sphere of government finances, must be avoided whatever happens. But also every policy, evolved either by the state or by the banks which does not subject the monetary state of affairs completely to the evolutions of the gold, is bound to clash irrevocably with the Gold Standard. The international stability which is acquired by means of the Gold Standard, can, if this is the case, be achieved only by permitting the current disturbances to wield their influence on the internal economy. As, however, in the years after 1925, attempts were made for the first time to govern internal conjuncture by means of the monetary policy, a form of dualism was created which did not tend to improve the playing of the game according to the rules.

In the second place, the classical theory of the Gold Standard assumes a ready adjustment of prices and costs to a change in the available currency. With regard to this demand, too, relations after 1925 were definitely less favorable than those of before 1914. An economic system, in which diverse structural changes cause important signs of rigidity, a ready adjustment, as mentioned above, cannot be expected. And in the same proportion in which this price- and costs-adjustment fails to appear, the balancing mechanism must unavoidably fall short.

After all, the Gold Standard demands, if not complete free trade, at least the absence of pronounced protection. Even when the available currency reacts correctly and even if prices are adjusted, recovery of the payment balance will not result when the international stream of goods cannot shift its bed in accordance with the alteration in price relationships. Prohibitive duties, contingent limitations and other trade-political measures, which were developed after the first World war, will, in the end, prevent the Gold Standard from doing its work properly.

The above may have shown that the subtle adjusting mechanism of the Gold Standard had been blunted in no uncertain manner after the reintroduction of the system. This, however, was not the only change for the worse. The disturbances which the mechanism had to absorb had increased in frequency as well as in intensity.

Post World War I Effects

Before 1914 price and costs structure in the several countries was in accordance with the rates of exchange. After 1918 each country had experienced its own prices development and prices and exchange had to be reintroduced to each other and adjusted proportionally. In some cases the price standards were brought to correspond with pre-war rates of exchange, from which, either for reasons of tradition or else of prestige, it was decided not to deviate; in others the developed price level was retained while the gold value of the monetary unit was revised. The exact relations between prices and rates of exchange, however, were in many cases never achieved. After 1925 there appeared for the first time the problem of over-valued currencies, which were continually under pressure, while the undervalued currencies constantly sucked a stream of gold towards themselves.

The world war had, moreover, effected far-reaching alterations in international capital holdings: debtor countries had been transformed into creditors and vice versa, while the structure of neither imports nor exports had been adjusted to meet these changes. The international capital traffic changed its character under such circumstances. International credit grants, which before the war had served to finance the economic expansion of the housekeeping of the whole world, degenerated until they were merely the closing item of the payment balance sheet, useful for masking the lack of balance in the international payment traffic temporarily. The self-same world household has broken up into a number of smaller areas, each experiencing its own ups and downs, and instead of a smoothly functioning entity there existed a stumbling combination of inferior parts without the slightest coordination.

While the influence of the rising conjuncture and the pioneering political optimism made continuation of international credit grants possible, the weakened Gold Standard was temporarily able to assert itself. But as soon as the still advancing depression and the revival of German political radicalism terminated this supply of capital, disturbances of so violent a nature were revealed that the gold automatism failed completely. From the moment that the stock of gold, first of Germany and then of Europe itself was threatened with exhaustion, only methods to prevent this were in demand and these implied the rejection of the Gold Standard.

The countries which, burdened by the disturbed state of their payment balances, were no longer able or, with a view to the internal consequences, no longer willing to maintain the Gold Standard, were technically able to choose one of two possibilities. They could relinquish the existing parity of exchange and attempt to recover the disturbed balance between supply and demand of currency by means of the laws of free price regulation on an altered rate of exchange level. They could also annihilate the excessive demand for currency, which was the source of their troubles simply by the adoption of a system of rationed currency allocations. The first mentioned possibility was obviously the simplest, but it can only be considered when demand and supply on the money market may be expected to react sufficiently to a change in the rates of exchange. This reaction will be out of the question if their disturbing trouble is connected with the necessity of repaying contracted capital obligations, for these are extremely inelastic. The same would happen if such an alteration would give rise to capital flight both on home and foreign accounts. In accordance with the above it was seen that debtor countries in general changed the Gold Standard for a system of foreign exchange control, while creditor countries as a rule at first decided on international lowering of the value of their own currency unit. During the summer months of 1931 Germany chose the former method, Great Britain the latter and both their examples were rapidly followed.

The adaptation of the so-called Floating Standard, which is uninfluenced by gold, as well as the adaptation of foreign exchange control, although basically in practice and result quite different, represent a principal rupture in economic policy. The Gold Standard makes the maintenance of international stability of primary importance, and every shock must be absorbed by means of internal adjustments. When, however, the Gold Standard has been retired, the situation becomes exactly the opposite; stability of the internal economy comes first and foremost, and all shocks caused by the economic development cause a repercussion on the economic relations between the nations. Under the regime of the Floating Standard it is no longer the adjustment of the internal but the foreign value of the currency which is faced with the task of recovering the balance of the disturbed payment account. The prohibition of free dealing in foreign exchange is even more far-reaching in its effects: this means that the domestic economy of the nation concerned is completely introverted, for participation in international traffic is only possible when and where and how the authorities permit. As I have mentioned before, the international homogenity during the period of the re-established Gold Standard was negligible. After 1931, however, it went from bad to worse—the world household collapsed and split up into a number of parts which, instead of supporting each other, gaily attempted to load their own cares onto other shoulders.

Working of the "Floating Standard"

The countries which had adopted the Floating Standard generally saw a chance of improving their position as regards international competition, insofar as their depreciation was not compensated or exceeded by some other country. Undervaluation was thus made into a system and a race for depreciation was the unavoidable result. There was, moreover, little hope that a new international currency balance could be reached on a different level; on the other hand the possibility that the rates of exchange, when once they had begun their fluctuations, would continue to oscillate permanently, had to be taken into account.

The regulated foreign exchange traffic was developed by Germany within a short time to an extremely intricate and refined system, a very actual part of the totalitarian "Wirtschaftsordnung"; a mighty political means of exercising pressure. Germany succeeded in exploiting its position of debtor country fully and the international traffic in which it was concerned was soon trapped in a completely unmanageable complex of clearing and compensation regulations, contingents, blocked and semi-blocked accounts, multiple rates of exchange, whole and semi-moratoria; in brief a system that left no possibility for chicanery untouched.

The results of the above were disastrous for the international trade. The already existing tendency to protection as a means to combat crises took on appalling proportions when it alternated with the monetary measures already sketched above. No solid basis of calculation remained, for the instability of the rates of exchange hampered every possibility of an international exchange of goods, for so far such an exchange was still possible under the new regime.

The position with respect to the international capital traffic was even more unfavorable. Normal credit grants stagnated completely. In their place came the nervous and unreliable migration of large liquid assets; these found their refuge in such currencies as seemed to offer the greatest amount of temporary stability, thus adding to the intensive international insecurity and uncertainty.

Only once, in the years between 1929 and 1939 the world economy was given a chance of delivering itself from this impasse. The London Conference of 1933 had as its first task to find a solution for the currency problem, for without such a solution the problem of reestablishing international trade could not be introduced. The conference failed in its first stage, because the United States refused to give any guarantees whatever of the future rates of exchange of the recently devaluated dollar. After this failure the world economy policy was bound to continue along the lines it had laid out for itself. By means of internal measures and especially in the last years before 1939 under the influence of general rearmament the conjuncture rose above the level of 1933, but internationally the economic battle of all against all was waged unceasingly. The outbreak of the war finally ended the little economic freedom which the preceding period had permitted to exist. The Floating Standard disappeared and foreign exchange control became a general measure.

The Bretton Woods Agreements

These are the bitter experiences of which I spoke at the commencement of this speech. These are the maladies for which the United Nations sought a cure when they took counsel together about a better post-war relationship between the international currencies.

The discussions which finally gave birth to the Final Act of Bretton Woods were carried on over a period of 15 months. In April, 1943, the debate was opened with the simultaneous publication in Great Britain and the United States of two projects, devised by Messrs. Keynes and White respectively. With these plans as a basis an entensive informal exchange of thought was developed, and this resulted in the publication of a Joint Statement by experts in 1944, the "Joint Statement by Experts on the Establishment of an International Monetary Fund."

This new project, which had been assisted into being by the experts from a great many Allied countries, but which was considered definitely not binding for their governments, in its turn was the basis for a full-dress conference at Bretton Woods, in the State of New Hampshire on July 1, 1944. This conference reached an agreement in less than three weeks with regard to the inception of an International Monetary Fund and an International Bank for Reconstruction and Development. The text of the agreement in which the organization and the system to be followed for both these institutions was laid down, was offered to the governments represented "a prendre ou a laisser." These are the agreements which the Netherlands have joined to observe as per the law of Dec. 20, 1945.

Each of the two agreements opens with the end in view which binds the respective governors of Fund and Bank, and then goes on to formulate the means by which and the manner in which it is suggested that this end may be achieved.

The results which the Fund attempts to achieve are partly negative, partly positive. The first-named are not the least important ones, for they take up a position against the monetary evolutions of the years after 1931 in no uncertain manner, evolutions which I drew for you in the first part of my speech. The Fund stresses its intention of preventing another depreciation race; it moreover wishes to abolish the existing restrictions on foreign exchange. Formulated positively, this means that the new currency organization strives to create free currency traffic bases on steady rates of exchange. The Fund attempts to achieve this primary goal by international discussion and international cooperation, furthermore by means of establishing ordered currency regulations on a multilateral basis, by supplying its members with the means to abolish balance of payments disturbances without compelling them to seek refuge in measures which

destroy national and international prosperity. One thing and another will, moreover, have to serve to shorten the duration of the disturbed balance of payments equilibrium and to reduce the extent of that disturbed equilibrium. In the background there is always the desire to achieve an extension and even growth of world trade and thus promote and maintain a high standard of activity.

The most important aim of the Fund, the establishing of free currency intercourse on the basis of stable exchange conditions, is no other than that which the Gold Standard was once believed to embody. The international consultation, which culminated in the agreement of Bretton Woods, has therefore in any case led to a renewed acceptance of the insight that international stability is of prime importance and that in every country the national economic policy must, if necessary, be subordinated to the interests of the greater whole. It does, however, in no way follow that returning to the aims of economic internationalism and the ideals of the Gold Standard means a return to something resembling a second rehabilitation of the system that in the past has failed in an all too obvious manner. There is no doubt that, in order to achieve a similar result to that previously aimed at by the Gold Standard, entirely different means will have to be applied in the circumstances at present prevailing.

It is not possible, here and at this moment, to give a complete picture of the methods through which the Fund intends to achieve its purpose. Moreover, various stipulations are so vaguely formulated that the manner in which a number of measures will operate in practice will depend to a large extent on the interpretation and application of the regulations.

The following resume is therefore necessarily confined to the general outlines.

The currency parity of each participating country will be expressed in gold or in U. S. dollars. On joining, the members are obliged to disclose their existing parity value to the Fund; the Fund has the authority to object to a parity thus disclosed if it is of opinion that the proposed exchange would have to be regarded as harmful to the proper functioning of the agreement. The members undertake to carry on currency transactions exclusively on the basis of the parity; they furthermore undertake to cooperate with the Fund in order to promote the stability of these parities. A revision of the once existing parity can only be made at the request of the country concerned and in consultation with the Fund, and this exclusively to correct a fundamental disequilibrium. The Fund will, in the latter case, have no objection if the parity revision desired does not exceed the original parity value by more than 10%. The possibility of a larger exchange revision is, however, hereby not excluded.

On entering, each country pays a quota, which is laid down in the agreement, and which will have to be furnished partly in gold and partly in national currency. The Fund thus acquires a "masse de manoeuvre" made up of the moneys of its members. The Fund is prepared, under conditions to be more precisely stipulated and taking into account certain maxima per period, to sell the currency of the other participants to the participating countries in order to bridge the difficulties which any country might experience on short term with regard to the current items of its balance of payments. It should be clearly understood, however, that it is not the intention to handle the entire international currency transactions via the Fund. An appeal should only be made to the Fund if a necessary payment cannot be made in any other manner.

The Fund, by virtue of its set purpose, is not able to meet lasting balance of payments disturbances. A country struggling with a radical balance of payments deficit would continuously have to appeal to the Fund and would therefore constantly be offering its own currency to the Fund in exchange for that of countries towards which it has obligations to fulfill. The reverse development would have to be expected in respect of a country laboring under a permanent balance of payments surplus; the respective currency would be in general demand and would, therefore, unless its total quantity in the Fund were limited, be exhausted within a short period. Unless no special measures were taken, the Fund would therefore see the currencies of the creditor countries dwindling away and would be filled exclusively with those of the debtor countries.

It follows from the foregoing that the Fund cannot suffice by supplying the means to bridge disequilibria of balance of payments but that it would also have to concern itself, if such cases arose, with the combatting of the cases of such disturbances. As the presence of a balance of payments deficit in one country implies a surplus in another country, the evil must be combatted both on the part of the debtor country and on that of the creditor country.

The purchasing capacity of the debtor countries is in the first place restricted by the stipulation that no demand can be made on the resources of the Fund exceeding 25% per annum of the amount of the quota. Within the limits of these purchasing possibilities only such currencies can be freely bought which have not previously been declared "scarce currencies" by the Fund. This stipulation, which will always refer to the currency of a creditor country, implies that the Fund is authorized to ration the sale of the currency concerned. Should any country, furthermore, make an increasing demand on the Fund, it is obliged to make compensation, payable in gold, on a progressive scale. This undoubtedly aims at preventing a debtor country from making excessive use of the services of the Fund and thereby compelling it to strive as much as possible after bringing about a rectification of its balance of payments deficit. Should these measures prove insufficient, it is furtherome laid down that at a certain stage the Fund and the member concerned will discuss mutually ways and means of putting an end to the unsatisfactory situation whilst, finally, the Fund is authorized to submit a report to the member concerned, in which the Fund's point of view is set forth. If no satisfactory answer or no answer at all is received in reply to this report, the Fund is authorized to exclude the country in question from further use of its resources.

In respect of a creditor country certain regulations come into force as soon as the currencies concerned are declared "scarce currencies." In that case the Fund is authorized to sell gold to that country whilst it can, furthermore, try to contract loans in the currency concerned. Since the sale of a scarce currency is subject to rationing regulations, members are allowed to announce temporary foreign currency restrictions in respect of the scarce currency. As in the case of a debtor country, the Fund can state its point of view regarding the causes of the disequilibrium in a report, the creditor country, however, not being obliged to reply to such a report. As in the present circumstances it is not possible to realize some of the aims of the Fund immediately, the countries which so desire can retain the right to maintain existing foreign currency restrictions. The Fund recognizes that the post-war period must inevitably be regarded as a transitional period and will take into account the special character of this phase in its relation with the participating countries.

Though the Fund is by virtue of its nature an institution which occupies itself first and foremost with temporary balance of payment disturbances, the Bank is a body which serves to combat balance of payments problems over a lengthy period. Whereas the Fund expressly dissociates itself from all questions connected with recovery and international debt, resulting from the war, it is the primary task of the Bank to give assistance in the reconstruction and development of the territories of the participants by facilitating the investment of capital for productive ends, including the recovery of national economies dislocated or destroyed by the war, the switching over of production potentials to peaceful ends and the development of auxiliary sources in less developed countries. For this purpose the Bank can make available direct loans itself and can also assist by promoting the provision of private foreign capital. The more far-reaching goal in this case comprises the promotion on long term of a well-balanced growth of international trade and the maintenance of the balance of payments equilibrium, as well as the bringing about of a smooth transition from war to peace economy.

The Bank provides loans either from the funds at its disposal from deposits which the participants are obliged to make when joining, or from the proceeds of bonds which the Bank itself issues. The most important function of the Bank, however, is to guarantee private loans which come about through the normal channels. The task of the Bank is of a complementary character: the Bank does not take an active part until it is of the opinion that the borrower is not able, under the existing circumstances, to obtain the necessary moneys on acceptable terms without the Banks' mediation. Loans which the Bank either provides or guarantees generally serve to finance specific projects; the project in question has to be recommended by a commission of experts after a careful examination of its merits. The Bank is obliged to form an opinion as to the probability that the borrower will be able to live up to his loan obligations.

The above is a general outline of the structure of the two institutions concerning which agreement was reached at Bretton Woods, bodies which began their activities a short time ago. It does not require further meniton that at the moment there can be no question of an opinion based on experience regarding the merits of the Fund and the Bank. When I nevertheless proceed to make several remarks on the subject, I am well aware that they can only be of a speculative nature. They are based on knowledge of the past and insight into the existing difficulties, combined with an opinion of the means created to solve these difficulties. As I already remarked at the beginning of my observations, they constitute several impressions regarding the expectations which may fairly be harbored in respect of Bretton Woods. Which are these expectations? What are the chances of success of a global financial organization which, one and a half years after the end of the most destructive war on record, aims at achieving free currency intercourse, stable rates of exchange, establishing and maintaining a general balance of payments equilibrium?

Editor's Note: The concluding portion of Dr. Keesing's address, dealing with prospects for successful operation of the Bretton Woods program, will be published in the "Chronicle" of Aug. 21.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government securities markets continue strong, under the leadership of the longest eligibles, despite higher loan rates for dealers and brokers. . . . The upping of rates last week by New York City banks caught the market by surprise, because it took the edge off the upward trend, especially the bank obligations. . . . It seems as though the banks in moving rates on loans ahead are doing it in anticipation of higher short-term money, because up to the present there has been no increase in the cost of funds to the deposit institutions. . . . It may be that there is hope that higher rates for loans will have some influence upon the rates offered in the coming refundings. . . .

MARKET LEADERS

Although there has been a minor decline in activity, the movement into the longer maturities still goes on in the eligible section. . . . Switching of portfolios continues, with the taxable 2¼s and 2½s—along with the longest partially-exempts—the leaders. . . . There have also been trades from the 2¾% due 1960/65 into the 2½s due 9/15/67/72 to take down premium and increase income. . . .

The ineligibles remain close to their lows for the year, although there has been more buoyancy in these securities recently, because the authorities have not been as heavy sellers as in the past. . . . Savings banks and trust funds, according to reports, have been heavy buyers of these securities. . . .

SEPTEMBER TERMS AWAITED

The Government market is anxiously awaiting the terms of the September financing which should be announced in the very near future. . . . The favorite prediction continues to be a 1⅛% Note, although a 1¼% obligation is not being overlooked as a replacement for the maturing 1¼s and 1½s. . . . As for the September Certificates, the opinion seems to be quite strong that a 10-months ⅞% will be used to replace the maturing obligations. The 4¼s, it is believed, will be paid off. . . . There does not appear to be very much support now for an issue of long-term restricted bonds, as part of the September operation. . . .

While some in the financial district would not be surprised if a one-year 1% Certificate were offered, others hold the belief that a ⅞% Certificate to refund the September 1st issue is still a possibility because of the confused international situation. . . . They argue that the monetary authorities are not likely to make important changes in short-term rates until more information is available as to what commitments in the foreign picture will amount to. . . . On the other hand, there are those who point out that the Treasury is fully prepared for what might take place in the international situation, and has been for some time, otherwise there would have been no unpegging of short-term rates. . . .

SELF-REFUNDING BY SMALL BANKS

It is estimated that the large banks own more than 55% of the September Notes, and all of these obligations will most likely be exchanged for the new offering, irrespective of the coupon rate. . . . The smaller deposit institutions, on the other hand, are also sizeable holders of the September 15th issues and, according to reports, do not like the idea of taking a lower rate for the securities which they own. . . . They have been and will probably continue to do their own refunding unless something more attractive than is anticipated comes along. . . .

The switching, which has been taking place among these banks, ranges from purchase of "specific" securities to combinations of maturities, known as "packages". . . . The 2½s due 9/15/67/72 have been moved into in rather sizeable amounts, along with the 2¼s due 1956/59, the 2s due 1952/54 and the 2¾s due 1960/65. . . . These obligations appear to be the favorite "specific" securities. . . .

"Packages" consisting of the 2½s due 9/15/67/72, and intermediate maturities of Certificates as well as combinations of these same Certificates, the 2s, the 2¼s and the longest partially-exempts, are reported to have been bought in place of some of the maturing Notes. . . .

NON-BANK PURCHASES

Non-bank investors, according to informed sources, in the past week have been fairly sizeable sellers of the eligible issues. . . . The securities disposed of were the taxable 2s due 1951/53, th 2¼s due 1956/59 and the 2½s due 1956/58 and September 1967/72. . . . The partially-exempt 2¾s due 1960/65 were also sold. . . .

This selling however is not expected to reach large proportions because non-bank holders of the eligibles do not want to cut down their positions too far, because of the greater marketability which these securities enjoy. . . . It is indicated that a good part of the funds obtained from the elimination of the bank obligations went into the 2¼s due 1959/62 and the 2½s due 1963/68 and 1967/72. . . .

CERTIFICATE TRADING

The intermediate maturities of Certificates have been getting more attention from investors, because of the opinion that "rights" or exchange options of these issues are likely to be quite valuable. . . . It is being pointed out that higher rates for Certificates in the future should increase the interest in these securities. . . . When this demand is being felt the intermediate maturities of Certificates will be coming due. . . .

DEBT MANAGERS' PHILOSOPHY

Although the movement of prices and trends of purchase in Government securities are important to the monetary authorizes, these are not considered the prime reasons for future action in the money markets. . . . It has been demonstrated that prices of the restricted issues can be kept within desired limits, without a new issue of securities, although a new offering would relieve the strain of selling which cannot go on indefinitely. . . . Higher short-term rates along with periodic selling by non-bank investors, and agency accounts, should keep the eligibles from running away on the upside. . . .

Britain's Serious Economic Position

(Continued from page 9)

more furniture, more consumer goods of every kind and to put in hand all kinds of desirable improvements. We have not been able to do all we could have wished with the resources at our disposal. Now we shall have to postpone the supply of these things still longer.

The broad plan has been laid down by the government, but to carry it out will demand a united effort by the whole nation. You cannot expect all the details at once. They will have to be worked out industry by industry as the plan develops.

What does this mean to all of you as individuals?

Clearly it means the willing acceptance of sacrifice for the common good.

Wants Equality of Sacrifice

We are resolved that there should be as far as possible equality of sacrifice. It is not fair to expect one section of the nation to suffer while others do not, for some to work harder while others take no share, or for some to make losses while others make large gains.

I believe that nearly all will willingly put their shoulders to the wheel, but there may be some who will not. It is for this reason that the government has introduced a bill which, while it gives no greater powers than were given to the present government in 1945, enables them to be applied to the present crisis. The government is determined that nothing shall stand in the way of our recovery.

I want every individual to accept willingly what the emergency calls upon him or her to do, and also to think out what additional contribution can be made. We shall need longer hours of work from some change of jobs for many, harder work for all. We shall need a readiness to learn new techniques to make adaptations. Others will be asked to look again at established trade practices which may in these new circumstances hold up production.

Others may be asked to postpone claims for higher wages or changes of conditions, however desirable they may be in themselves.

Need Efficiency in Management

Equally, we shall need still greater efficiency in management and willingness to cooperate with the workers and joint production councils, so that all may work together as a team. Those who direct industry must be prepared to switch from more profitable work to that which is essential. They, too, will, I believe, realize that the national interest must come first.

To do this will require a national effort comparable to that which we developed during the war.

I know how great a burden has been and is being borne by the women in our homes. It would not be human if they did not grumble a bit, but I am sure that they will continue to show the patience and cheerful acceptance of difficulties as they have done in the past.

The nation will need just as it did in the war the work of women on the land and in industry if we are to raise our production.

There is the need for all of us as citizens to make as little demand on the national resources as possible, to avoid waste and to add whatever we can to the nation's wealth.

Must Alone Solve Difficulties

I have tried to set before you the facts of the situation, because I know that if you are told the facts and what must be done you will respond. The way out of our difficulties is hard, but there is no alternative. We cannot rest upon the help which our fellow members of the commonwealth have been and are giving us so generously. And even though plans may be put forward by our friends in America to help to bring prosperity back to Europe, we must stand on our own feet. We must regain our economic freedom and get into a position in which we pay for all we need by our own exertions.

Certain of Victory

The people of this country have always risen to their greatest height when the peril was greatest. The harder the trial the stronger has been their courage and determination. I cannot tell you how soon we shall emerge into easier times. That will depend partly on the world situation, but mainly on our own exertions. But I am certain of victory. Our natural resources in this country and the skill and industry of our people when fully utilized are great enough to insure this.

Our reward for our sufferings and exertions will be the re-establishment of our country on a sure basis and the preservation of the British way of life. That way of life has spiritual values which far transcend in importance its material basis.

To gain this reward we need hard work, but we also need faith and vision—faith in our democratic life and in the moral values by which we live, faith in freedom and social justice, faith in the contribution which we have to make to the progress of the world, and faith in ourselves. We need to have vision also, vision to see beyond our present trials, a Britain, free and prosperous, a member of a great commonwealth of free nations, taking its part in a world society of peaceful and happy peoples.

Speaks to Commons

On Aug. 6, four days before he delivered the above radio address, Mr. Attlee made a speech in the House of Commons in which he gave details of Britain's unfavorable economic situation and outlined the specific remedies proposed to be taken. In this speech, the Prime Minister stated:

"We got through the second World War with the help of lease lend. It was rightly described by Churchill as the most unsordid act in history but it left us in a most vulnerable position. We had the vast task of reconstruction involving redeployment of our whole economy and what we required essentially was time in order to effect that changeover. The U. S. and Canadian loans were essential measures to buy time: time for ourselves, time which was also needed for the rest of the old world to recover. We know the amount of these loans £937,500,000 from the United States and £300,000,000 from Canada. We were deeply grateful to the United States and Canada for this assistance. The loans were acts of statesmanship beneficial not only to ourselves but to the whole world but they were essentially designed and accepted in order to enable us to stand on our own feet. I entirely agree with Stanley that it would be utterly wrong for this country to become permanently dependent on another however friendly our relations. But these were steps taken on the road towards recreating a world of multilateral trade and convertible currencies. We and our friends across the Atlantic were both working for this end and believed it to be the most advantageous system for the world and especially for a country in our position. We would have liked as we all know a larger loan. We doubted then whether this loan would buy sufficient time. We all hoped the loan would last us not I think five years as Stanley said but well in 1949 possibly 1950 by which time there would be a reasonable chance that we should have redeployed our economy and be in sight of equilibrium. As things have turned out it is now certain that that loan will be exhausted before the end of this year. This essential difficulty or our position has never been absent indeed it cannot be absent from the minds of this or any other government.

"I recall in my speech on the Address in reply Aug. 16, 1945 I said 'sooner or later we hope to face the fact that we can only buy abroad if we can pay for imports in goods and services. Therefore we must apply ourselves resolutely to the task of increasing our exports.' This is what we did, not without success. By the end of 1946 our exports had reached the level of over 111% of the 1938 volume. It is well to bear in mind the very great efforts which have been made by the people of this country. I am sure no one, whatever his political color, whatever he desires to attack in the government, will wish to under rate or run down in the very least what this country has done. There is danger of denigration, and that of a people who sustained the brunt of war longer than any other. An immense amount of internal reconstruction was done. There has been unparalleled redeployment of Labor with the slightest friction.

"There has been great effort to try to build up our exports and production but there have been difficulties and disappointments. First of all the output of coal has been less than required to meet our own needs and much less than would have enabled us help Europe. The running down of equipment of mines had been far greater than we supposed and recovery of the industry has been far too slow. I think most people in the country have responded very well. There have been some sections that have not perhaps.

"In turn it has been difficult to get rid of all the practices we ought to get rid of, you do not get away from bitter memories of past unemployment. It might have been better if we had got greater concentration of effort. Maybe we tried to do too much in too short a time: It may well be we relaxed controls too soon.

"There has undoubtedly been some failure on the part of some workers to realize that shorter hours and higher wages must be matched with higher effort. I say despite these things that the record of the people of this country in these two years is one any country can be proud of. There came unprecedented severity of winter, the fuel crisis of February and March caused great damage to agriculture and industry. I am putting that in its historical setting. In these two years we have always had to give adequate weight to two conflicting considerations on these matters of our balance of payments. There was the need for maintaining our external financial position and need for maintaining the strength and moral of our people at home. Our people were tired by the end of the war. Immediate imposition of the heaviest sacrifices by foregoing loans might well have resulted in failure to reconstruct. In the same way time was needed to meet rigors of winter before we could impose some of the things we had to impose. I say frankly we had pressure put on us to give our people more food, more of everything and I do not think it unwise to hold a balance in this matter. Despite the cost we had to get food and raw materials necessary. To have foregone that would have been shortsighted folly. There were severe adverse factors which were developing entirely outside our control. We were trying to buy time not for the recovery of this country but for the recovery of the world and particularly of Europe. That recovery has been much slower than anticipated. The economic disruption has been far greater. The economic position in Europe and Asia has taken very long to settle down if it has settled down.

"For reasons which the Foreign Secretary (Bevin) has often explained our overseas commitments have proved far heavier and their continuance more prolonged than we had hoped. There were bad harvests in many parts of the world which increased the overgreat dependence of the rest of the world on the Western Hemisphere for food and raw materials. Already showing even prewar, was disequilibrium between the continents. This has resulted in steep rise in prices. Facts are that the prices of our imports have risen over 40% since the loan was negotiated and by over 20% since we began drawing on it. We are compelled to buy largely from the Western Hemisphere in dollars at high prices. We are not the only people in that position. The rest of the world is suffering the same difficulties. Failure of production owing to war damage means that it too was compelled to buy a alrge part of its essentials from the Western Hemisphere. It has to pay dollars so there is a world shortage of dollars. I think it fair to say that the shortage would have arisen earlier it if had not been for UNRRA and for loans provided by the U. S. to other countries. These enabled production and the flow of dollars outside America to have effect on exchanges. UNRRA is a great undertaking but its effect to some extent has been disappointing. It prevented starvation but it did not have the effect of enabling the balance of production between the western world and the old world to be restored. Consequence is that exports we sell to other countries are paid for in currency we cannot use to cover our deficit with the Western Hemisphere and countries are receiving sterling for what they export and converting it immediately into dollars to cover their deficit in dollars.

"Particularly in the past few months the effect of these adverse tactics have shown themselves with ever increasing severity. The overall adverse balance of £400,000,000 in 1946 has risen to the annual rate of over £700,000,000 for the first half of this year. The salient feature of recent developments is the increase in dollar deficit. For 1946 our total dollar deficit was under £350,000,000 even if we include Canadian dollar outgoings. That was partly due to the shortage of supplies.

"In the first six months of 1947 the U. S. dollar deficit was £405,000,000. On that figure, £176,000,000 represented our own trading deficit with the U. S. In addition we spent £29,000,000 on purchases from the U. S. for Germany. We had to provide £118,000,000 in U. S. dollars as part of payment for our own purchases from the rest of Western Hemisphere. We had also to provide in U.S. dollars £48,000,000 for purchases in U. S. by sterling area countries and £10,000,000 for purchases by sterling area countries in the rest of the Western Hemisphere and £14,000,000 of similar purchases by European countries.

"The most serious aspect of the whole situation has been acceleration in this dollar drain in the most recent months. It is reflected in dollar drawings. On the total credit of £937,500,000 we drew £687,500,000. By the end of 1946 we had drawn only £150,000,000. From the beginning of January to the end of March we drew £125,000,000. In April and May we drew £162,500,000 and in June we drew £75,000,000. In July there were exceptionally heavy drawings which should not be taken as an indication of the trends. They were up to £175,000,000. The Chancellor of the Exchequer will give further details. I am to give the fullest facts I can and am stressing the gravity of the situation. I do not want to paint too alarmist a picture. There is a difference between gravity and panic. This is a matter of gravity. We have still £250,000,000 outstanding in the U. S. There is £125,000,000 of the Canadian credit and we have ultimate reserves of £600,000,000. It must be remembered, however, that there is a point below which these ultimate reserves cannot be allowed to fall.

"It is clear therefore that the drain cannot be allowed to go on at this rate. It is sometimes assumed that all our difficulties have arisen because of the loan agreement with the U. S. and in particular because of its provisions concerning convertibility and nondiscrimination. Convertibility is not merely or perhaps primarily a matter of our loan agreement with the U. S. It is a necessity of many of our commercial deals with other countries. These countries, owing to world shortage of dollars, are as sellers demanding either convertible sterling or dollars. In a sellers market buyers cannot be choosers. so we have been driven to pay dollars or convertible sterling for supplies from some of our main suppliers. The problem of convertibility is really a problem of world shortage of dollars rather than arising particularly from the loan agreement. Before the war, sterling could be transferred into any other currency in London and this is the function of international currency. A return to this position has always been an objective of the government.

"The American loan was designed to help us return to that position at an early date. On that policy we have no intention of turning our backs. It is clear that in a world shortage of dollars formal obligation under the loan agreement puts increasing strain upon us.

"As to nondiscrimination, provisions of the loan agreement have hardly been operative at all because we have bought practically all available supplies from outside hard currency countries as well as having to buy them from these countries. Shortages in these countries drove us to buy so largely in the Western Hemisphere. The position is now changing and with the cuts in imports now proposed, the question of discriminating purchases becomes of much more importance.

"We approached the problem of the postwar world with the view to establishing speedly multilateral trade and convertible currencies. They are not yet in sight and it is clear that unless a multilateral system can be made to work supported by adequate finances it will be incumbent upon us to seek another way out of our difficulties.

"As to the steps taken, we have been in constant consultation with the U. S. Government on these matters. There was a way open to give notice under clause twelve of the loan agreement but this would not cover the whole field. We are proceeding to seek consultation on other difficulties.

"We suggested to the U. S. Government as a first step that there should be official discussions on these matters. Mr. Marshall immediately agreed to these discussions which would not cut across proceedings of the tariff conference. The world dollar shortage is fundamentally a problem of productivity outside the western hemisphere. The only remedy is restoration of a current balance of production between the old world and the new.

"We therefore intend to play a full part in the efforts started at

the Paris conference to see how European countries can best help themselves and each other and to turn to the best advantage of the world and themselves suggestions made in Mr. Marshall's speech. Meanwhile it is incumbent upon us to spare no efforts to remedy our own position and make sure we are in a position to make the fullest contribution we can to our own recovery and that of the world.

"Measures to this end must be positive and negative. We shall first apply ourselves to further development of resources at home. We must concentrate as much of those resources as we can on the reconstruction and development of our basic industries and services whereon our whole economy depends and on the production of goods for export and production of those things which save us imports. This will mean cutting out essentials and making sure that our objectives are in proper relation to our resources. We must increase the total output so as to stand on our own legs as soon as possible. We shall press on with plans to expand production in the colonial empire. These are our positive objectives but however great the effort it will take time to develop them. It may be that the chain of events started by Mr. Marshall's speech will lead to further help for the recovery of the old world but we cannot base our plans on that assumption.

"It is in this light that we have reviewed all our commitments and requirements which involve us in the expenditure of foreign exchange particularly in hard currencies."

* * *

"We must have not only better balanced production but more production and we must have it quickly, particularly in the most essential industries, even before redeployment of labor and resources show full effect.

Remedies Proposed

"The Government has therefore decided that as an emergency measure it must ask for longer hours of work wherever they can contribute to increased production.

"First of all is needed the lengthening of hours of work in industries adequately supplied with raw materials, providing exports or saving imports or industries essential to the expansion of other industries. The proposal for an extra half hour in coal mining has been already put forward. Increased production would also require some increase of hours in transport to enable additional production to be moved. Labor Minister (Isaacs) was discussing the issues involved with the National Joint Advisory Council, but there was no intention of interfering with the negotiation machinery and these proposals were regardable as emergency to be operated only until we could see our way clear on the economic front.

"Management too must play its part. In general, management is out to cooperate with the Government, but cases of avoidable inefficiency or lack of will to serve the nation's best interests must be dealt with and the Government will not hesitate to take firm action as was done in the war.

"Joint production committees can be of great value and steps are being taken to stimulate their establishment.

"I have stressed the need for increasing home production but we have also to look overseas. The House has heard far reaching plans for African Colonies, but these schemes will take time to mature.

"As to reduced expenditure there are first the very large sums expended in Germany for feeding late enemies. Bevin stated that when the present scheme runs out we cannot spend any more dollars on Germany and discussions are involved to devise other plans.

"As to defense forces we can help by reducing the numbers and also the total size of forces at home and overseas. We should save expenditures overseas and increase the labor force at home. We have a half million men and women in the forces overseas and a substantial proportion thereof have been needed to meet international obligations and to clear up the position left by the war.

"February Defense White Paper was based on the assumption that it would be possible to make substantial reductions in the overseas forces between this year and next, and emphasized that the review of commitments was continuous and would result, it was hoped, in successive decreases of the men required.

"We expect to withdraw one hundred and thirty-three thousand men from overseas by the end of this year, and to raise the total withdrawals from overseas to over two hundred thousand men by the end of next March. We also plan to return home before the end of 1947 some thirty-four thousand troops other than United Kingdom troops. I must emphasize that there is no change in our foreign policy or defense policy. It is now considered that the men and women in the forces on March 31st, 1948, can be reduced to 1,007,000. Up to March, forces will be reduced by 420,000, but the actual releases will be 830,000. The three Services will lose nearly 60% of those in the forces at the beginning of 1947. The Defense Minister (Bellenger) and I are fully conscious of the imperative need to relate the defense policy to the hard facts of finance and economics. Exhaustive inquiry has been instituted into the whole future of our defense policy.

"As to the import program, the Chancellor of the Exchequer (Dalton) has informed the House of the provisional import program, amounting to £1,700,000,000. The Government has now decided that further cuts must be made in the import program. The Government proposes to limit remittances on foreign films to not more than 25% of the earnings of these films. We intend to save at least 500,000 tons of petrol, saving approximately £4,000,000. This will necessitate a reduction of the basic allowance for private motorists by one third and a 10% reduction in supplementary allowances. Some reduction in petrol for commercial vehicles will be necessary. This will be cut by 10%. All these cuts operate on October 1st. The maximum economies will be made in petrol by the fighting services. The Chancellor proposes as from October 1st to reduce the foreign travel allowance from £75 for twelve months to £35 for fourteen months, with a corresponding reduction in the allowance for children to £20. Allowances for businessmen travelling abroad will be more strictly limited.

"The value of imports of miscellaneous consumer goods of luxury type will be reduced to £5,000,000. The field for saving in imports of raw materials is very small if damage is not to be done to our productive efforts and our whole economy.

"We propose to cut timber imports by £10,000,000.

"We hope to make a saving by postponing part of our cotton purchases. There can be no cut in the imports of feeding-stuffs, which must rather be expanded as increased supplies become available. We must make an immediate substantial reduction in the purchases of food from hard currency countries. The rate of these purchases will be reduced by £12,000,000 monthly. This means confining buying to essential foods. Our bulk long term contracts for staple foodstuffs from these areas will not be interfered with but we must largely confine ourselves to such purchases as far as hard currency sources are concerned.

"We shall explore the situation with the United States to see what steps can be taken to obtain supplies from soft currency areas. It will be necessary at once to increase the points value of some non-basic foods. If rations have to be reduced the Government will introduce a differential rationing scheme to give preference to heavy manual workers.

"Restrictions on consumption in restaurants and hotels will be imposed forthwith. Some of the measures I have outlined will restrict the amount of goods and services available for home consumption without any corresponding reduction in purchasing power, thus increasing inflationary pressure. We shall have to take such action as is necessary.

"There must be tighter control over both public and private capital investment. We must concentrate on projects giving quick returns in additional exports or in strengthening our industrial structure. Work on the Severn Bridge is merely the taking of borings and soundings.

"There will have to be a redeployment, including some postponement of our general building program, but this must be done so as to give first place to building houses for miners, agricultural workers, and other key workers.

'I appeal to workers in all industries not to press at this time for increases of wages or changes in conditions which have similar effect, especially where these increases are put forward on the basis of maintaining differentials between categories of workers.

"I appeal to employers not to tempt workers from essential work by offering higher inducements in less essential industries. I appeal to all those in control of industry and commerce to refrain from declaring high dividends. If we wish maintain our position in the export markets we must keep prices at a reasonable level. I appeal to everybody to support the savings movement to the utmost.

"There is a section of the public which renders no useful service. Its members make money in all kinds of dubious ways. We shall take all action open to us against these. I think they call them spivs — and other drones but public opinion can here be a very powerful weapon, we must also try to regain the habit of avoiding unnecessary waste and of collecting salvage.

"I have not tried to conceal anything or gloss over dangerous features in the situation. Nobody unless blinded by partisanship would deny that the major causes of our present position are outside the control of the people of this country or of any Government. The Government whether Conservative or Labor would have been faced with this position. No doubt this Government like other Governments has made mistakes. A Conservative Government would have made others but if we had made none we should not have escaped from these difficulties. I shall welcome any constructive suggestions from whatever quarter of the House but I am not disposed for a moment to accept the proposition that had we not fulfilled our election program—had we followed the Conservative instead of the Labor policy — we should now be free from these anxieties nor do I admit that to unite the nation we must follow the Conservative policy whatever that may be.

"I agree no question of coalition arises. It has not been sponsored either from the Labor or Conservative side but by some busy matchmakers of the press.

"I say to one and all this is your fight. We are a proud nation with a great history. We have made a unique contribution to the world and that contribution is not yet ended. We must fight to regain economic freedom as we fought to preserve political freedom. In the uphill struggle we do not stand alone. Quite apart from sympathetic interest which the U. S. administration has evinced, we have kept our great partners in the British Commonwealth fully informed of our position and of the lines of action whereon we shall be operating.

"As in war, free peoples of Commonwealth countries have shown signal evidence of their wish to help us.

"We shall seek equality of sacrifice and shall seek as in war to protect the weak and the children.

"I cannot tell how long it will be before complete victory is achieved but I am sure of victory. I am a profound believer in the British way of life, in our combination of order and liberty, our respect for justice and moral values. We dedicated, in Westminister Abbey by a most moving service, the young men who fell in the Battle of Britain. Today we are engaged in another battle of Britain. This battle cannot be won by the few. It demands a united effort by the whole nation. I am confident this united effort will be forthcoming and that we shall again conquer."

A Defense of Big Business

(Continued from page 10)

business has both advantages and disadvantages. The truth is that bigness is not an absolute. It is a relationship to the size of the job to be done. Back in the 1920's a great many politicians and theoreticians were expansive on the subject of America's business expansion, pointing out that never in the lifetime of then living men would such capacity again be needed. I leave it to you whether that capacity was needed or not. I don't want to imply that business men were planning for war, or even foresaw it, but the point is that many of the people who were most criticial were misjudging the problems of America as well as the problems of business. Look what was happening then. Look at what is happening now.

It is doubtful if any company can for long serve the great needs of this great country, and serve them efficiently and well, without growing. The electrical industry, for example, has never yet been big enough to serve this country the way it ought to be served.

Bigness has certain other advantages to the country in terms of job security and public service security. To cite just one example of this: In the great New England hurricane of 1938, thousands of miles of telephone lines were leveled. But, through the facilities of the nationwide American Telephone & Telegraph Company, repair crews were summoned, some from as far away as Oklahoma, Arkansas, Minnesota, and in a few days—in many instances in a few hours—a vital service was restored.

On the other hand, about three years ago in a small upstate New York community, a local telephone company had its lines badly damaged and its services cripped by a sleet storm. The company and its crews worked valiantly and within several days much of the damage was repaired. But a few weeks later a second storm struck. The result—the company was broke, men were thrown out of jobs and the community lost a vital service.

"Each Has Its Place"

And so, I repeat big business has advantages and disadvantages just as small and medium sized businesses have. Each has its place in our national economy and each —let me emphasize this point—is dependent on the other.

Most people do not appreciate the interrelationship and the interdependence of large and small businesses. A very large part of General Electric's output is sold to the ultimate user by small business. For example, our lamp department has perhaps 150,000 retail outlets for its incandescent and fluorescent lamps and a very great majority of these outlets are small independent businesses. Our other departments likewise sell and service home appliances, radios, oil and gas furnaces, construction materials and electrical supplies through many tens of thousands of additional small business concerns. Further, we purchase materials, supplies and components from thousands of small and medium sized companies all over the country. In short, we are dependent on small business and small business is dependent on us.

Subversive Political Opposition

There is far too much talk—much of it purely for political purposes and some for downright subversive purposes—about the destruction of little business by big business. The fact is, that there are more than 3,700,000 business enterprises in America today, of which 98% are small businesses. We have a million and a half more small business firms today than we had in 1900. The number declined somewhat during the war, but has already been more than made up by the very large number of new enterprises created since VJ Day.

This is not to say that small business has no problems. Durable and vital as it is, small business has its special problems just as big business has, and these problems must receive the sympathetic and intelligent attention of us all, including government.

Small business is indispensable to our free enterprise system. It must, and I am sure it will, continue on its vigorous, healthy independent way. By the same token, big business performs a particular and essential function in any great industrial country. Big business, in addition, creates, stimulates and encourages small business just as the latter sharpens and stimulates the former and in the process of so doing adds a number of its own enterprises to the ranks of big business. The vital question is not the size of any particular business, but the growth, and the room for growth of business big and small. For it is only through such growth and a continuously high rate of reinvestment in progress that American business can grow up to match its increasingly growing responsibilities to the nation and that America itself can ultimately meet its responsibilities to its peoples and to the world.

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CLEVELAND, OHIO — Lloyd Booth is now with Merrill, Turben & Co., Union Commerce Building, members of the Cleveland Stock Exchange.

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PORTLAND, ORE. — Jack F. Berkowitz and Ripley W. Gage are now with Camp & Co., Inc. U. S. National Bank Building.

Agitation for Further Devaluation of Our Dollar

(Continued from first page)
government to compel the people in general to subsidize them just as the silver-mine interests have been doing almost continuously.

But there are other and more important aspects of this agitation by the gold-mine interests for a subsidy: To accommodate them would involve not just a subsidy but a change in the monetary standard of all the people of this country. It would also involve a change in their purchasing power, in their dealings with other people of other countries, in ways that would be detrimental to the people of the United States. Finally, it probably would impair, in the long run, their purchasing power at home.

Considering the matter of subsidy alone, quite apart from all questions of involvement of our monetary standard, there is no valid reason why gold mines should be subsidized. If their costs are rising to a point at which they can no longer produce profitably, they should shut down. If this answer is not justified by Economics, then the question arises as to why every high-cost producer should not be subsidized by the people of this country.

Costs and Prices

The argument that prices should rise as costs rise in order to insure a profit to producers is either economic illiteracy or Marxian economics: "From each according to his ability, to each according to his needs."

In a capitalist system, in which free and fair competition is relied upon to provide guidance for producers and buyers and objective standards as to what proper prices are, prices are not determined by costs but by demand and supply. The relation of costs to selling prices determines the amount of profits, if there are any.

What a world we would have if costs were to determine prices! To begin with, such a concept is absurd for the reason that if there is to be a margin of profit prices must be above costs. How much above costs is proper? Who is to decide what is an appropriate margin of profit?

It apparently needs to be said over and over in this country that if we are to have any objective way of determining what is right, socially, in prices or amount of profits or losses, there can be no other means than that provided by the operation of the forces of supply and demand in an open market under conditions of free and fair competition. Basically, government regulation of private enterprise, as in the regulation of monopolies, is supposed to produce the conditions that would obtain if free and fair competition were operating. Once a government or any individual departs from such objective standards, it, or he, is lost in the jungle of subjective evalutions. The science of Economics provides no other objective standards in respect to prices and profits.

To illustrate still further what an irrational economic world we would have if costs, rather than the forces of supply and demand, were to determine prices: Costs of all producers would have to be the same if there is to be a uniform price, or the prices received by each producer would have to differ from the prices of other producers if costs differ. In practice there could not be one price for a product or service because costs do differ. For example, there could not be a price for wheat applicable to all sellers and buyers. The costs of every wheat farmer would have to be ascertained and his price fixed accordingly (and without profit). No matter how inefficient a producer might be, he would be guaranteed a price to cover his costs. There could be no such things as foolishness, stupidity, and bad judgment among producers since their selling prices would always cover their costs. The problem of low wage rates could be settled easily; any producer could pay any employee any price the latter might ask and cover his costs by his selling prices. Old things, such as old houses and old cars, would sell for more than when new because to the original price would be added all subsequent costs. An auction could not take place until the cost of each product offered for sale was ascertained and then the sale would have to be to the first bidder who offered a price covering cost. And need we add that costs are matters of opinion in the field of cost accounting? It hardly seems necessary to pursue further the various absurdities that would prevail if costs were to determine prices.

Nevertheless the doctrine that prices should conform to costs is offered seriously by many people who either do not grasp these most elementary questions in elementary Economics or are utterly indifferent regarding such matters in their effort to gain some benefit—for example, a subsidy—by contending that as costs rise prices should rise too. This is, fundamentally, the nature of one of the basic arguments offered by the gold-mine interests now so busy seeking subsidization by people in general in harmony with the Marxian concept "to each according to his needs." It would be interesting to know just how many of these seekers-after-a-subsidy would proclaim themselves as individuals who disapprove of the system of private enterprise in which competition is a basic characteristic and how many would identify themselves honestly as they are—believers in awards according to needs, the extent of these needs to be specified by the alm-seeking producers!

These gold-mine interests operate in an industry in which, because of the nature of their product, their costs vary while the price of their product is fixed (ordinarily). This is because gold is used as a monetary standard; and a standard requires a fixed unit for purposes of measurement. In the case of gold, the standard is, of course, a fixed unit of weight in grains.

Economics of Gold Mining

When a nation adopts a fixed monetary unit made of gold, everyone entering the business of gold mining is supposed to realize that it is his task to keep his costs below the price for his product which of necessity must be fixed if a nation is to have a good monetary standard. One has a right to suppose that when a businessman enters the gold-mining business he understands the nature of this enterprise and what he is doing. If, by chance, the undertaking proves unprofitable he should not be surprised. In any event, there is no good reason in Economics why people in general should be made to pay for his miscalculations.

Gold-mine interests do not wish to accept this elemental and elementary truth. Instead, they not only attempt to employ the fallacious argument that prices should cover costs, and therefore seek a subsidy at the expense of the people in general, but, to attain this end, they seem quite willing to have Congress mutilate and endanger the monetary standard of this country — all for the sole benefit of the producers of gold.

On Further Devaluation of Our Dollar

The various arguments being employed in an effort to demonstrate that the people of the United States really would benefit if the price of an ounce of gold were raised are a conglomerate mass of economic nonsense. So long as a nation has a supply of gold sufficient to enable it to maintain a gold standard in some form, there is every reason why the standard monetary unit should not be altered. We have enough gold for this purpose, and, as a consequence, there is no more reason why we should change the size of our gold unit than there is for changing the size of the pound, foot, or gallon. Exchange operates smoothly only on fixed units of measurement, not when the units are changed. The argument that, because a gold dollar of fixed weight buys a varying amount of goods and services from time to time, its weight should be changed so that it will buy the same amount at all times is no better, in most respects, than would be a contention that, because this season's peach crop is unusually large, the bushel basket should be enlarged so that the number of bushels will be the same as formerly. The purpose of a standard of measurement is to indicate what such changes are, not to obscure them.

The Argument for a Free Gold Market

One of the arguments commonly used today by the agitators for further devaluation of our dollar is that there should be a free gold market "in order to determine the value of our dollars and of gold," and that gold is selling at prices above $35 per fine ounce in various parts of the world.

In so far as the United States is concerned, an ounce of fine gold and 35 gold dollars are the same thing. This is so of necessity because our standard gold dollar weighs 13.714+ grains, fine, and an ounce of gold weighs 480 grains. Our non-gold currency is maintained at a parity with gold through a system of indirect conversion operating through the gold certificates in the Federal Reserve banks and back to the gold held by the United States Treasury. Although such a system of indirect conversion of our non-gold currency into gold has both advantages and disadvantages as compared with direct conversion, it has maintained the parity of all our currency since Jan. 31, 1934. We could not have a fixed monetary unit if gold were to be bought and sold in a market in which the government did not maintain a fixed price for all buyers and sellers. Therefore, those who are clamoring for a free gold market "to determine the true value of an ounce of gold" are in effect clamoring for the abandonment of our fixed gold unit and for the type of gold market which we had during and after our Civil War (1862-1878) in which gold was bought and sold at wildly-fluctuating prices in terms of inconvertible (fiat) greenbacks. It is, in the main, that type of situation to which those demanding a free gold market would have us return. Such agitators obviously have no clear understanding of what it is they are recommending. They are, in some instances at least, confusing the virtues of free markets for commodities and services in general with a very different matter—the necessity of maintaining a fixed price, if it can be done, for the metal used in a nation's monetary standard.

The quotations of gold at, say, $70-$80 per ounce, in various foreign markets raises the question of whether these quotations are really in United States dollars. To take the price of an ounce of gold in some foreign market place in terms of some depreciated foreign currency and then to compute the dollar equivalent at a nominal exchange rate, although dollars are not involved and cannot be obtained, is to arrive at results that can be thoroughly misleading. Depreciation of foreign paper currencies in terms of gold is to be expected; but that does not necessarily mean that gold is selling at more than 35 United States dollars per fine ounce—that is, in terms of United States dollars that are actually obtainable. If more than 35 United States dollars can be obtained for an ounce of gold, then the existence of such a premium price is, of course, not open to debate. But the question as to how and why this can take place should be examined carefully. And, regardless of what the facts may be, none of them would provide support for the contention that therefore our Treasury price for an ounce of gold should be raised.

Gold Price and Foreign Monetary Depreciation

In so far as we are concerned, all our dollars are maintained on a parity with gold at the rate of $35 per fine ounce. That fact should not be confused with depreciation abroad at various rates of fiat paper currencies in terms of gold. The local conditions in various foreign markets that account for the wide variety of currency depreciations in terms of gold are many, but they do not alter the fact that for us all United States dollars, gold and non-gold, go into our banks and United States Treasury at the rate of $35 per fine ounce of gold.

It should be worth remembering that for nearly a century—from 1837 to 1934—this country did not alter the weight of our standard gold dollar weighing 23.22 grains, fine. Foreign currencies came and went, depreciated and blew up, and we went through our Civil War with a fiat paper money that depreciated to 35 cents in terms of the gold dollar (in 1864), and yet we did not suppose that, because various non-gold currencies depreciated in terms of gold, we should depreciate our gold dollar too. It also should be worth remembering that that was a century marked by a degree of progress in this nation probably never before equalled in the history of the world.

The peculiar notion that if foreign currencies depreciate in terms of gold, we should depreciate our currency too in order to join other countries in their misery is one that took hold in this country in the 1930's. Up to the adoption by us in 1933 of the idea that a government's willful depreciation of a people's money is economically beneficial, there was, apparently, no reason to suppose that we would suddenly show so much less economic sense than we had revealed during the preceding period of 97 years—from 1837 to 1934. Nevertheless, beginning in 1933, and running through the 1930's and in some degree even down to the present, the notion was embraced, as though it were sound and respectable, that if other currencies depreciated we should depreciate our currency too "in order to maintain our advantages in trade"—that is, to maintain or increase our exports.

Back in early 1933, important exporters in this country lined up with the Committee-for-the-Nation, which embraced greenbackism, bigger and better silver subsidies, and devaluation of the dollar, to get what they could for themselves through devaluation of our dollar. Today, the gold-mine interests are using some of the same arguments, presumably because they think they sound plausible or because they do not understand or care about the economics of the contentions they are advancing.

No individual in the United States with good sense would deem it desirable to make the purchasing power of his dollars less and the purchasing power of the currency of the buyer of his goods, or of his competitors, greater. He would understand that such a procedure would soon enable buyers to obtain his goods more easily and make it more difficult for him to purchase theirs. He would know that such a procedure could impoverish him.

Yet, peculiarly enough, supposedly intelligent people will recommend such a procedure for this country as a whole, and insist that it is a road to prosperity. The confusion involved lies in a failure to distinguish real wealth from money. No nation becomes wealthy in terms of real goods by giving more and more of its goods for less purchasing power or goods in exchange.

Devaluation of a currency is one of the important processes by which a nation dissipates its national patrimony. If it is economically beneficial for a country to depreciate its currency so that foreigners can buy more of its goods with each unit of their money and so that the goods of foreigners will cost it more, then the logic of the matter should be clear: A nation to be most prosperous should give its goods to foreigners and purchase none from them!

It is, consequently, an unfortunate thing when a nation, because of an inadequate supply of gold, must reduce the size of its standard monetary unit. This comes about, ordinarily, when a country lets its monetary and other economic affairs get so far out of hand that the credit structure becomes too large for that nation's gold reserves. Devaluation is a penalty that sometimes follows of necessity from such mismanagement.

No Need for Devaluation

But no nation need devalue its currency, and it should not do so, if its gold reserves are adequate to support its currency and credit structure. On July 30, our Federal Reserve banks held approximately $9,700,000,000 of surplus reserves in the form of gold certificates, and our total gold stock was $21,537,000,000. In May, 1920, when our price level was the highest in our records—167% of 1926 prices as compared with the present 147.6% (June 28) of 1926 prices—our total gold supply was only $2,856,000,000. There is no basis on which anyone could validly insist that the United States must or should devalue its dollar.

The fact that the current agitation comes from venal and ignorant groups does not warrant a belief that it is not, or cannot suddenly become, dangerous for the people of the United States. The drive for devaluation came so fast in 1933-1934, and ignorance regarding its nature and implications was so widespread in and out of Congress at that time, that we were plunged into it before any warning voices could be raised in any important or effective way.

Those in and out of Congress have probably learned something about this matter in the thirteen years since; but one cannot be very greatly assured as to how much wiser Congress and the people as a whole are regarding devaluation of a currency. The gold-mine interests, agitating for devaluation, have some support in Congress. Some, if not all, of the mining journals are hammering away in support of a higher price for gold. Various non-mining journals and newspapers—some apparently in blissful ignorance of the dangerous nature of the enterprise in which they are participating—are publishing articles of the same general nature. In addition, there are a considerable number of articles written by people, in behalf of the extension of still greater aid to other countries by the United States, who seem quite willing to go along with this particular method of dissipating our national patrimony.

On the encouraging side of the picture, Secretary of the Treasury Snyder has, up to date, shown good judgment and understanding regarding the importance of not altering the weight of our gold dollar, and he may prove to be a man who cannot be confused nor shaken from his present position. It would seem that one might

gather some assurance as to the Treasury's attitude in this matter from the following statement made in the *Annual Report of the Secretary of the Treasury on the State of the Finances for Fiscal Year Ended June 30, 1946*, p. 87: "The Treasury adhered firmly to policies followed in previous years of settling legitimate international balances with foreign governments and central banks in gold, at $35 per fine ounce (plus or minus one-fourth of 1% and other mint charges). This is the price of gold equivalent to the value of the gold dollar established by the Presidential proclamation of Jan. 31, 1934, and adhered to without change since that time."

Similarly, the United States staff of the International Monetary Fund contains men that probably are not, and cannot be, misled by any agitation for another devaluation of the dollar. The same is true of the National Advisory Council on International Monetary and Financial Problems. Furthermore, scattered across this country are a considerable number of monetary economists who would fight another devaluation of our dollar with all the power at their command. The Economists' National Committee on Monetary Policy contains a group of monetary economists who could be counted upon to do their best in this direction.

On July 1, 1943, Congress deprived the President of authority to alter the weight of our gold dollar, and this would seem to indicate that the situation in Congress in 1943 was then much improved over what it was a decade earlier. Today, it is probably a good guess that the situation in Congress is even healthier in so far as further devalution of our dollar is concerned.

Monetary Statutes Not in Good Shape

But our monetary statutes are not in good shape. The Secretary of the Treasury, under Sections 8 and 9 of the Gold Reserve Act of 1934, is authorized to juggle the price of gold as he sees fit, although this authority is apparently nullified by Section 5 of the Bretton Woods Participation Act of July 31, 1945, if we regard the provisions of that law as superior to those of the Gold Reserve Act of 1934. That Section 5 provides that "Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States . . . propose or agree to any change in the par value of the United States dollar under Article IV, Section 5, or Article XX, Section 4, of the Articles of Agreement of the Fund, or approve any general change in par values under Article IV, Section 7."

It would seem, therefore, that the present-day agitators for a higher dollar price for gold are confronted with a considerable number of legal obstacles that will slow them up in a marked manner as compared with the speed with which similar agitators were able to move in 1933-1934. Thus far there is no evidence that the Fund, Congress, and the Administration will all join hands and succumb to the siren songs of the devaluationists. Nevertheless, the situation justifies watching and repeated exposure considering the aggressive course being pursued by the agitators today for another devaluation of our dollar.

The gold-mining industry would show good judgment and save much time and effort for themselves and others if they gave heed to the wise observation recently made by Governor De Kock of the South African Reserve Bank. He said, according to *The Wall Street Journal* of August 2: "The salvation of the gold industry depends on lowering the cost structure, which would come about in due course."

The State of Trade and Industry

(Continued from page 5)

sagest observers—there is no apparent letup in steel demand at the mill level. However, sales of alloy and stainless steels are dependent on the producers. Some, the trade weekly states, say it is off, while others report alloy and stainless demand is pushing their operations close to capacity. Alloy plate demand is still strong too, and while the alloy and stainless demand may be tied up with carbon steel sales, nevertheless it is there.

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 93.2% of capacity for the week beginning Aug. 11, 1947, as compared with 94.9% one week ago, 91.5% one month ago and 90.3% one year ago. This represents a decrease of 1.7 points or 1.8% from the preceding week.

The week's operating rate is equivalent to 1,630,900 tons of steel ingots and castings compared to 1,660,700 tons one week ago, 1,601,200 tons one month ago, and 1,591,000 tons one year ago.

RAILROAD FREIGHT LOADINGS ABOVE WEEK AND YEAR AGO

Loading of revenue freight for the week ended Aug. 2, 1947, totaled 921,591 cars, the Association of American Railroads announced. This was an increase of 1,663 cars, or 0.2% above the preceding week and was the highest for any week so far this year. It also represented an increase of 23,200 cars or 2.6% above the corresponding week in 1946, and an increase of 57,681 cars or 6.7% 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. 9, 1947 was 4,874,172,000 kwh, according to the Edison Electric Institute. This compares with 4,805,740,000 kwh in the preceding week and was 10.5% in excess of the 4,411,717,000 kwh produced in the corresponding period of last year.

AUTOMOTIVE OUTPUT SHOWS DOWNWARD TREND

Car and truck production last week declined as a result of continuance of the Murray Corp. strike and the heat wave which sent many workers home and cut the productivity of others:

Production of cars and trucks in the United States and Canada last week was estimated by Ward's Automotive Reports at 79,699 units compared with the previous week's revised figure of 97,712. In the corresponding week last year 77,825 were built, and 41,785 in the like week of 1941.

This week's volume included 78,345 units made in the United States, comprising 61,858 cars and 16,487 trucks, with 1,354 produced in Canada, of which 800 were cars and 554 were trucks.

SUMMARY OF TRADE

Retail volume in the week increased fractionally above that of the previous week and was moderately higher than that of the corresponding week a year ago. Buying was stimulated by clearance and promotional sales and response to Fall items was good. Consumer resistance to over-priced goods continued with the tendency to shop around growing stronger. The supply of some types of merchandise remained limited.

Purchasing by retailers in the week was at a slightly higher level than that of the preceding week, and volume held moderately above that of the corresponding week last year. Buying was cautious but confident, and trading in come lines was spurred by the scantiness of supplies.

BUSINESS FAILURES DOWN SLIGHTLY

For the second consecutive week, commercial and industrial failures fell off a little in the week ending Aug. 7, reports Dun & Bradstreet, Inc. Sixty concerns failed, nine less than in the preceding week but over twice as many as in the comparable week of 1946 when 27 businesses failed.

All of the week's decline occurred in failures involving liabilities of more than $5,000. Numbering 49, concerns failing in this size group turned down from 58 last week, but continued to exceed by a wide margin the 25 occurring in the corresponding week a year ago. Small failures with losses under $5,000 remained at 11, the same as in the previous week. This represented a sharp rise from the 1946 level when only two of these small failures were reported for the week.

Fewer concerns failed than a week ago in all industry and trade groups except wholesaling. Ten wholesalers went out of business with loss to creditors, one more than in the preceding week and some five times the number reported in this trade last year. Manufacturing with 23 and retail trade with 21 accounted for three-fourths the week's total failures. In both these groups, concerns failing fell off from the number recorded a week ago but continued to exceed those in 1946's comparable week. Construction and commercial service failures continued at a low level, totaling less than five in each line; construction establishments failing were less numerous than last year.

Geographically, half the failures occurring during the week were concentrated in the Middle Atlantic and Pacific States.

Ten Canadian failures were reported, as compared with five last week and one in the corresponding week a year ago.

WHOLESALE FOOD PRICE INDEX HIGHER IN LATEST WEEK

Food prices continued to advance in the past week, resulting in a 6-cent rise in the Dun & Bradstreet wholesale food index to $6.57 as of Aug. 5, from $6.51 a week earlier. The latest figure is at the highest level in almost five months and is only 3.0% under the all-time March 4 peak of $6.77. At this time last year the index stood at $5.32. Aiding in this week's rise were higher prices for flour, wheat, corn, oats, barley, hams, bellies, butter, tea, cocoa, beans, peanuts, eggs and raisins. Declines occurred in rye, beef, lard, cottonseed oil, potatoes, steers, hogs and lambs. The index represents the sum total of the price per pound of 31 foods in general use.

DAILY WHOLESALE COMMODITY PRICE INDEX HOLDS AT HIGH LEVEL

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., held within a range only slightly under the peak of last March during the past week. The index finished at 269.03 on Aug. 5, as compared with 266.48 a week ago, and 225.41 on the corresponding date of last year.

Activity in grain futures on the Chicago Board of Trade increased last week. Prices finished strong and higher following wide fluctuations and unsettlement early in the period. All corn deliveries reached new seasonal highs, and the September contract rose to a new all-time high of $2.22⅜ per bushel at the close. Heavy buying of the cereal was based on lack of rain and continued high temperatures in the midwestern corn belt. In the forepart of the week, wheat declined despite large government purchases of wheat and flour but advanced sharply at the close in sympathy with corn. Harvesting of winter wheat is making good progress and a record yield of all wheat seems assured. Business in both hard and soft wheat flours was fair but demand slackened as mill prices advanced toward the end of the week.

Cocoa futures scored small net gains with spot and primary markets displaying decided firmness. Coffee prices held steady although trading in both the spot and futures markets was only moderately active. Heavy liquidation forced lard prices downward. Support was lacking as a result of a heavy make and a rapid increase in stocks in cold storage.

Volume of sales in domestic cotton markets dropped substantially last week. Prices continued to decline and closing prices were down more than 1½ cents per pound from a week ago, despite several mild rallies at mid-week. Although inquiries in spot markets were more numerous, mills continued to buy sparingly for both prompt and future delivery. Export demand for cotton showed some improvement. The decline in values reflected the extreme hesitancy on the part of most traders to make commitments pending the first government crop estimate on Aug. 8. Weather conditions throughout the belt were reported mostly favorable and an early movement of the new crop was indicated, particularly in the Southwest. The July 15 parity price of cotton was announced at 28.64 cents, the highest on record. In leading textile markets, both buyers and sellers remained out of the market in anticipation of the government cotton crop estimate which was scheduled to be published on Friday last. Only moderate activity was reported in both carded and combed staple cotton gray goods.

Business in the Boston raw wool market showed a decided falling off during the past week. Transactions were confined to fine and half-blood wools, but scarcity of desired grades held volume to a minimum. Buying activity in the West also slackened following recent heavy purchasing. Wool appraisals remained at a low level. Total appraisals of 1947 wools to July 25 were 37,325,704 pounds, as compared with 157,589,917 to the same date in 1946.

RETAIL AND WHOLESALE TRADE FOR WEEK MODERATELY ABOVE YEAR AGO

Consumer buying last week continued at the high level of the preceding week and was moderately higher than that of the corresponding week of a year ago, states Dun & Bradstreet, Inc., in its weekly review of trade. Clearance sales attracted interest to seasonal merchandise with response to promotional sales of Fall merchandise generaly enthusiastic. Discriminatory buying and resistance to over-priced items continued.

The supply of food continued to be plentiful with some resistance to high prices evident. Large quantities of fresh fruits and vegetables were purchased for home canning with demand for frozen foods large. In many areas hams, bacon and shredded fish sold well. Canned meats and cold cuts were also popular. The volume of fruit juices, soft drinks, beers and ales was large, though sales of high-priced liquors proved sluggish.

Consumer interest in early promotions of Fall apparel increased. The demand was large for men's medium-priced Fall suits and for quality white and colored shirts. Women's new styled satin, faille and crepe dresses sold well. Interest in fur-trimmed cloth coats was considerable, though the response to fur promotions was generally weak. The volume of back-to-school clothing was substantial, with wool and corduroy suits, and classic sweaters in large demand. Fabrics, laces and trimmings for remodeling last year's dresses continued to be popular.

Good quality furniture, bedding, sheets, towels and household linens were in steady call. The scarcity of building materials, screen wire and carpenter tools continues, and the supply of most products was limited. The demand for known makes of refrigerators, washing machines and ranges remained heavy. The purchase of garden implements was sizable, while interest in toilet articles and notions was small.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 5 to 9% above the corresponding week of 1946. Regional estimates exceeded those of year ago by the following percentages: New England 1 to 5, East 7 to 11, South 5 to 9, Middle West 4 to 8, Northwest 6 to 10, Southwest 2 to 6 and Pacific Coast 0 to 4.

Wholesale volume in the week rose slightly above the high level of the previous week and was moderately higher than that of the corresponding week of 1946. Retailer assurance increased, and while purchasing continued to be cautious, order volume grew. With retail inventories reduced in some lines buyers were eager to obtain certain types of merchandise for immediate delivery. Deliveries generally were satisfactory, and the supply of some items continued to be limited.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 2, 1947, increased 1% above the same period of last year. This compared with an increase of 5% (revised) the preceding week. For the four weeks ended Aug. 2, 1947, sales increased by 6% and for the year to date by 9%.

Prevailing hot and humid weather here in New York City last week had a depressing effect upon retail trade with the decline estimated to be between 7 and 10% as compared to the similar week one year ago.

In wholesale markets orders continued brisk as coat, suit and dress buyers attempted to accumulate stocks for fall disposal. It was also reported that increases in some lines of durable goods of 5 to 10% produced a secondary wave of price advances and continued allocations were indicated into the early part of 1948.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 2, 1947, decreased 3% below the same period last year. This compared with an increase of 5% (revised figure) in the preceding week. For the four weeks ended Aug. 2, 1947, sales rose 6% and for the year to date 9%.

As We See It

(Continued from first page)

selves and their countrymen in the phenomenon with which the world has been made familiar under the term "dollar shortage," or "scarcity of dollars." This state of affairs, according to most of the commentators abroad, is all but world-wide.

Shortage of Dollars?

Of course, in any very real sense there is no shortage of dollars, either here at home or abroad—unless, indeed, we are to employ the term as a general synonym for poverty. The overall supply of dollars is certainly great enough in all conscience. Never before prior to this last war have there been more than a fraction of the number of them now in existence. At the outbreak of war in 1939 foreigners held not nearly so large short-term (usually virtual demand) claims, actual or potential, upon dollars. Yes, we may go even further, and say that this is apparently also true of Britain, whose government is shouting to high heaven about its shortage of dollars!

Figures as current as can be assembled show that if we add all the gold held abroad or owned abroad and United States bank balances owned by foreigners to the market value of short-term securities (mostly obligations of the United States Government) we get a total of some $18 billion, which is but $2 billion below where the figure stood at the end of active hostilities in 1945. The total at the outbreak of war in 1939 was $14 billion.

But the British leaders' own detailed analysis of the situation indicates clearly enough that the terms "dollar shortage," "dollar crisis," and the like are but catch phrases, useful for political purposes but dangerously misleading to the unthinking. It must, however, be said to the credit of the British Prime Minister that he appears to be aware of this fact, and that, while he makes rather unfortunate use of the term, he is quite explicit and on the whole quite to the point in giving chapter and verse about the real nature of the British crisis, if that is what it is, and what must be done to correct the situation.

What He Wants Is Goods

What the Britisher wants—and often almost desperately needs—is not dollars, but goods which he is not producing in adequate amounts at home, and which he cannot buy out of his current income for the simple reason that he is not producing enough of anything. The British have for many decades been consuming considerably more than they currently produce with their own hands. Their income has come in very appreciable part from investments made in other countries in the years when they were producing goods and services at home in excess of current consumption. Only a fraction of these sources of income are now left in British hands—and, in addition, the British have incurred heavy indebtedness to peoples and governments abroad. Even if debts owed abroad are "scaled down" in a measure almost, if not quite, unprecedented in the case of a nation not overrun by the enemy, the British will still have to revert to an economy which produces at home very nearly if not fully as much as they consume.

Such is not a pleasant outlook for a people situated as are the British. There is, however, no avoidance of the fact. They have about exhausted the expedient of demanding special treatment from other peoples on the ground they have defended the frontiers of freedom once more at disastrous cost to themselves. Or if they have not yet exhausted this argument, they will have done so by the time they get "forgiveness" for much of the debt they now owe the rest of the world. This, of course, is in no real sense a "shortage of dollars," but a condition which requires for its correction not more and more loans, but an economic girding of loins and long, hard, intelligent work on the part of every mother's son in the length and breadth of the land. To be brutally frank about it, this is precisely the remedy the British have not been willing to apply—and that fact seems to be fairly well recognized at this eleventh hour by the Prime Minister.

Coal

Coal is the best illustration of this state of affairs. The miners are on a five day week, and are now "requested" to work one-half hour longer each day in order that Britain may have enough fuel to "get along on." In 1937 the British mines delivered some 240 million tons of coal. This was enough for British needs with a fair margin for export—although the mines, or more accurately the miners, were already on the down grade. In 1946, with the miners still working only five days a week, 189 million tons were delivered to a starved British industry. Nothing was left for export—an item which for decades, we had almost said centuries, has been helping in an important degree to buy food and other necessaries from abroad for the Britisher. Even the "target" for this current year provides absolutely nothing for export. In Britain, in a degree found in no other country in the world perhaps, a shortage of coal means a shortage of everything. Coal, however, is but an example.

But all this, after all, is probably not the most significant part of the story. Most significant of all is the nature of the remedy now sought. It is, of course, none of our business, generally speaking, how the British choose to run their country or themelves. But—

BRITAIN, DESPITE OUR MAGNIFICENT GENEROSITY, PREFERS SOCIALISM AND NOW SEEKS SALVATION IN TOTALITARIANISM! CAN WE REALLY EXPECT OUR DOLLARS TO "SAVE" DEMOCRACY ANYWHERE ELSE?

The Answer to Pension and Profit-Sharing Questions

(Continued from page 7)

standpoint of benefits, pensions approximately 50% greater may be financed at the same cost under a funded as compared with an unfunded plan, taking account of the relative value of tax offsets.

Insured or Securities-Invested?

Each financing method has its merits and draw-backs. Its selection should be one of the last steps because generally the employer's special problems determine which method to use. For instance a very high average age combined with many employees who are over the retirement age may dictate a trusteed fund invested in securities as being the only method the employer can afford and yet provide adequate benefits.

On the other hand an employer with adequate, stable earnings might prefer to allocate contributions for individual employees so that each employee's benefit is financed individually. In this event, separate accounts may be used under a fund just as if separate annuity policies were purchased, or a group annuity contract with an insurance company may be used.

Fixed Commitment?

This is a bug-a-boo that has worried many employers. Fortunately an employer need not undertake a fixed cost commitment under a pension plan. He can make maximum tax deductible payments in his peak years, average payments in normal years, and if necessary, reduce or suspend contributions in lean years.

Which Insured Plan?

There are various types of insured plans. Among these are deposit administration group annuities, deferred group annuities, group permanent retirement annuity contracts, or individual retirement annuity policies.

The two latter types, calling for regular level premium payments are undesirable if an employer has a fluctuating earnings record. Either of the group annuity types permits greater flexibility in matching the contributions to the business curve.

If death benefits are to be included, group coverage will provide protection for all participants, whereas individual policies deprive uninsurable employees from insurance protection.

Benefits?

The benefits may only include age retirement pensions or may be extended to include total and permanent disability pensions, severance, and death benefits. Each benefit should be separately evaluated as to desirability and cost in order to produce a program that will meet the employer's purposes and budget.

Which Employees Should Be Eligible?

Generally all employees who may remain to the retirement age should be entitled to pensions. Hourly or piece-work employees or those whose compensation is less than a stated figure, such as $3,000 per year, should not be excluded. Unless pensions are provided for all groups, the employer will find he has failed to solve his problem of what to do with the excluded employees when they become superannuated after long service or totally disabled.

Tax Aspects

Taxes are a factor in encouraging employers to establish and continue plans. Naturally an 80% tax rate was more compelling than a 38% rate. However, it is interesting to note that the number of new plans established since elimination of excess profits taxes compares favorably with the number established during the war.

The 38% tax rate may look high in retrospect if corporation taxes go down.

Furthermore the plans continue to be necessary and attractive to employees and officers because of high personal income tax rates which will probably still appear high after looked for reductions are made. For this and other reasons there is a definite trend towards either having no maximum ceiling on pensions or much higher ceiling than prevailed before the war.

Employer's Cost

Plans can be established to fit each employer's resources. There is much area for judgment in allocating a limited budget to the best advantage. If there is a pressing pension problem, available funds should be concentrated in that direction. If supplementary benefits are provided in too many directions an employer may not solve his major problem of providing suitable pensions for retired employees.

Labor Relations

Almost every one of the points we have been considering has a direct connection with labor relations. A good plan will improve labor relations and reduce labor costs. It can often be demonstrated that sound plans more than pay their own way. They improve employee morale, increase production and efficiency, reduce turnover and minimize discord. They attract and hold the more desirable type of employee. But these results can only be expected from good plans operating in a healthy labor relations climate.

Amendments

Employee benefit plans, like wills, require periodic review in the light of changing conditions. For instance with the increased plateau of wages and living costs, probably nine out of ten plans are not meeting the original pension objective.

* * *

It can be seen from the foregoing that employers face many problems in connection with employee benefit plans; that the possible procedures are many, the pitfalls numerous, and the popular fallacies not apparent to even an informed layman.

Urges Curbing Commodity Speculation

SAN FRANCISCO, CALIF.—Secretary of Agriculture Clinton P. Anderson, now in Los Angeles, enroute to Honolulu, today received a telegraphic plea from Stanley S. Langendorf, President, Langendorf United Bakeries, Inc., of San Francisco, to take immediate steps to curb speculation by the public in grains, corn and other commodities, if necessary by increasing traders' margins to 75 or even 100%. Hedging by mills or food processors, Langendorf said, is normal speculation but unrestricted speculation by the public, limited now only by 40% margin requirement, is "extremely harmful."

Langendorf in his wire to the Cabinet officer stressed that the current high prices of grain, corn and other food products are in great measure due to speculation superinduced by lack of marginal restrictions and conducive to hoarding by farmers, hopeful of still higher prices.

"An artificial scarcity prevails," Langendorf telegraphed Anderson. "A vicious circle now is in operation. Not until the government takes definitely effective steps to halt excessive speculation in the grain exchanges will it have buttressed its own declared policy of curbing inflationary movements. Why should stocks and bonds—the security market—be dealt with drastically to bring about such a speculation curb when food products, far closer to the national economy, are allowed an almost berserk field of speculation?"

Langendorf, for many years a close student of grain markets, made his suggestion to Secretary of Agriculture Anderson after a series of discussions with leaders of the food industry.

Business Man's Bookshelf

Economics of Minimum Wage Legislation—Report of Committee on Economic Policy—Chamber of Commerce of the United States, Washington 6, D. C.—paper—50c (lower prices in quantity).

* * *

Hotel Rehabilitation—Results of a nation wide survey made by C. C. Chapelle Co.—The Hotel Monthly, 123 North Wacker Drive, Chicago 6, Ill.—paper.

* * *

Business Management and Economic Analysis—Report of Committee on Economic Policy—Chamber of Commerce of the United States, Washington 6, D. C.—paper—20c (reduced price on quantity orders).

The Short Interest and Market Price Movements

(Continued from page 2)

Commission imposed a restriction that any short sale of a round lot must take place at a price of not less than ⅛ point above the preceding sale in the event such preceding sale was on a "down tick." Shortly thereafter, the Stock Exchange made "odd lots" subject to the same restrictions. Since then, there have been only minor changes in procedure.

Data Charted

The charts are long-term monthly charts of (1) the general market (as measured by the total value of all N. Y. S. E. listed stocks in billions of dollars); and (2) General Motors common stock, with their respective short positions (in number of shares) from 1932.

The total value is used in the first chart as it tends to smooth the trend and provides a better comparison for the total short interest than price indexes not using all stocks. Unfortunately, no tests of astuteness on the part of shorts can be made during the 1929-32 collapse since data for most of the period is unavailable. But from May, 1931, to July, 1932, the trend of the ratio of shorts to the general market declined as the market declined, the majority having bought in before the advance commenced.

On the other hand, General Motors Corporation had one of its highest short positions of record at near an all time low for its stock, which was subsequently covered during the sharp rally of 1932-33. The respective records in the 1932-42 decade are little better.

During the last bull market the short interest for the market as a whole increased almost steadily from December, 1941 to February, 1945. Thereafter, the trend was downward and when the market turned in June, 1946, the total short position was only moderately above levels prevailing in 1942.

The experience of shorts in General Motors appears to have been even more disastrous. From a peak of 95,000 shares reached in 1943, the position declined steadily and when the stock reached its top around 81 in 1946, the short interest was actually smaller than at the bottom in the early months of 1942.

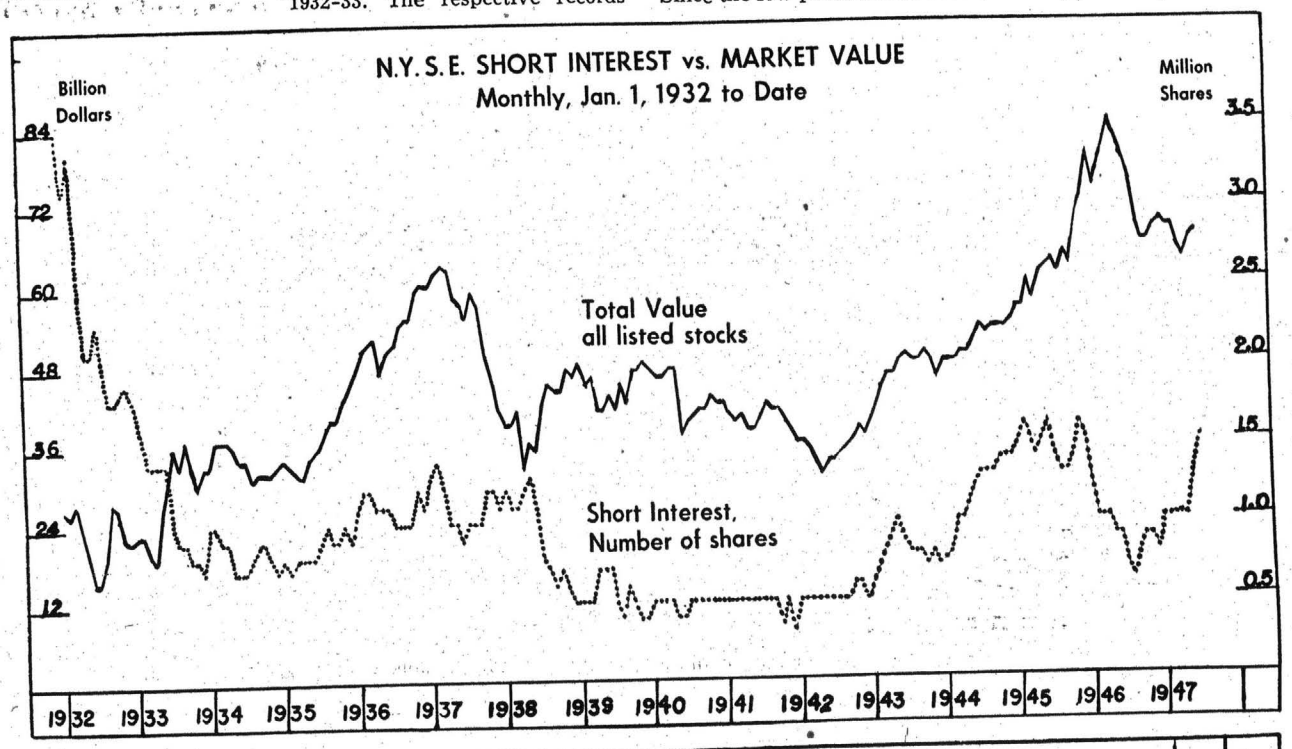
Since the low point of last October, shorts in both the market and General Motors increased sharply. In fact the June level for the whole market was near an all time high for recent years. It therefore is not surprising that the October lows were not violated in the latter part of May since "it was expected by many."

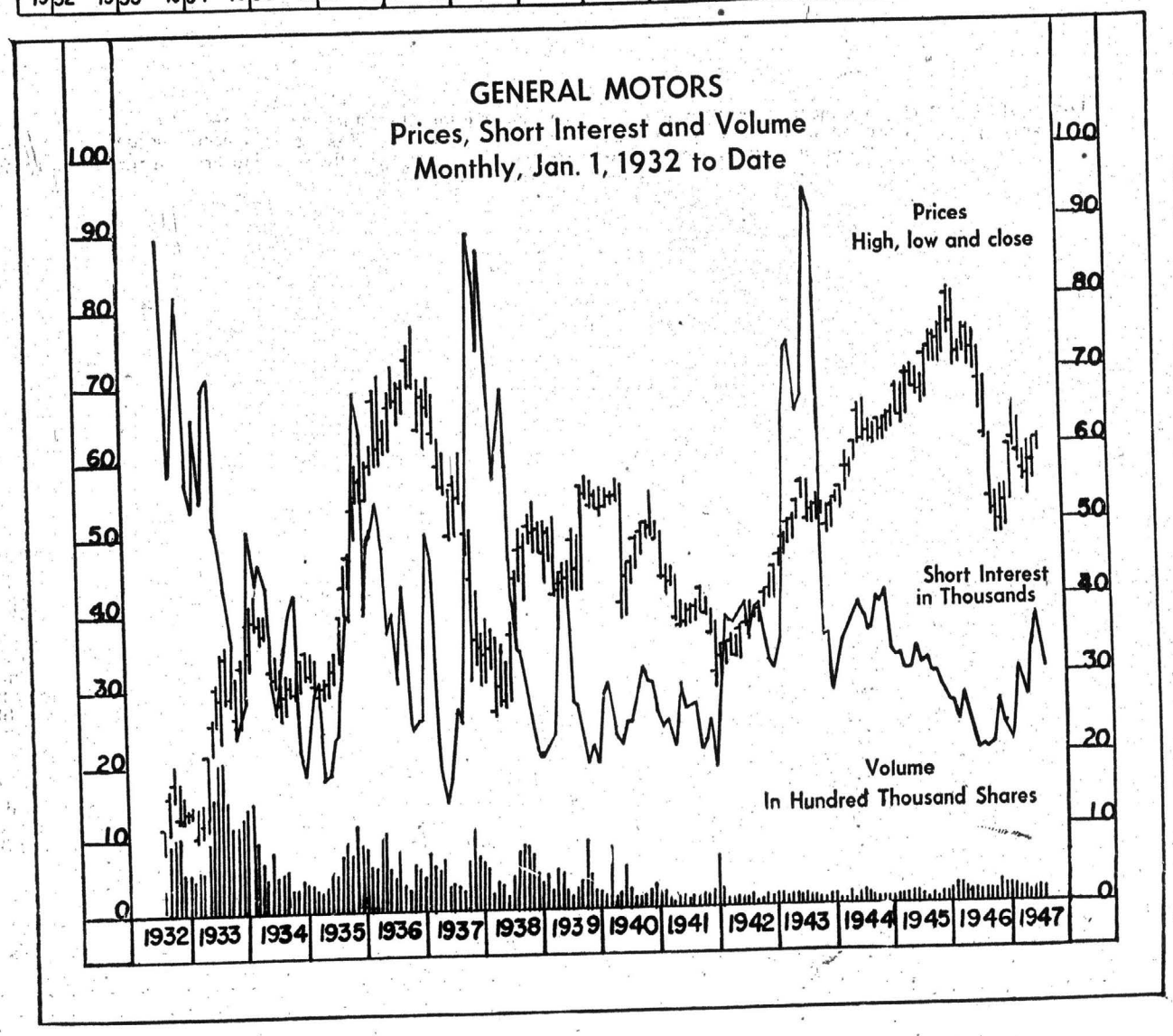
The same pattern has been evident in all stocks studied, whether it be an issue of a prime industrial corporation or a highly speculative equity of a weaker company. For example, Chrysler had a substantial short interest (27,000 shares) when around $90 per share in 1944. But when the top was made around 141 in July, 1946 (surprisingly close to its 1929 and 1937 peaks), its short interest was not reported on the regular monthly release since the only issues included are those with an interest of 5,000 or more shares or a change of 2,000 shares.

Standard Gas & Electric $4 preferred, and Missouri-Kansas-Texas common also reveal the plight that often befalls "he who sells what isn't his'n." Each issue has a light capitalization (slightly over ¾ of a million shares) yet had reported peaks of over 97,000 and 59,000 shares of short stock respectively in late 1945. These positions were built up during sensational advances, but in each instance covering took place before the end of the rise. When the break came in 1946 the interest in each issue was negligible.

Conclusion

Prior to the short selling restrictions initiated in 1938, it was at least theoretically possible for short sellers sometimes to help themselves by aiding in breaking stocks through resistance points. However, there is no clear evidence that the patter of short selling was basically different after the restrictions than before. There seems little basis for believing that the size of the short interest shows turning points in the market, but it is probably one of the most reliable of all indexes to reveal prevailing "bearishness," whether or not this sentiment later turns out to be justified. Experience teaches that most severe breaks come when least expected.





Arnold M. Denby With Kalb, Voorhis & Co.

Arnold M. Denby, formerly with Hirsch & Co., has become associated with Kalb, Voorhis & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, as market technician. The firm has also opened a customers' brokers department. Floyd Augustine, Jack Feinsinger and Edwin L. Slocum have become associated with them as representatives and account executives, the firm also announced.

Prince & Byrne Opens In New York City

Philip J. Byrne and Milton A. Prince announce formation of the firm of Prince & Byrne to conduct a general investment securities business, with offices at 37 Wall Street, New York City. Messrs. Byrne and Prince both were partners of the predecessor firm of Thomas G. Campbell & Co., which has been dissolved.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Francis P. Sears, Jr. is now with Paine, Webber, Jackson & Curtis, 24 Federal Street, members of the New York Stock Exchange and other leading national exchanges.

At Davis, Hunter, Scott

Special to THE FINANCIAL CHRONICLE

DETROIT, MICH. — LeRoy I. Schreck has been added to the staff of Davis, Hunter, Scott & Co., Penobscot Building, members of the Detroit Stock Exchange.

Two With Herrick, Waddell

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO.—Dr. John L. Fetzer and Paul Weisenborn are with Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue.

At Prescott, Wright Co.

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO. — George T. Muelbach has joined the staff of Prescott, Wright, Snider Co., 916 Baltimore Avenue.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market now on verge of important move. Direction will determine trend for weeks. Caution recommended.

The market, as I see it, is again in one of those periods where a move in any direction can set the pattern for either a rally or a decline. I know that this sounds like double talk—if they don't go up they'll go down; if they don't go down they'll go up. Unfortunately markets aren't made to order and neither do they perform according to desire or schedules.

* * *

The last important move occurred during the final week in July. From a high in the averages of about 187.50 they retreated to just under 180 in about four days. Since then prices have treadwater with the averages struggling back to about 184. During the same period the rail averages went down from about 52.50 to 48 and on the recovery regained about two points. It is interesting to note that while the rails were slowly going up by fractions the talk started that the group was . . . shortly to confirm the advance in the industrials. Whether this talk resulted in new buying I don't know. But I do know that what strength there was, was being used to sell long stock.

* * *

All this leads me back to a statement made here at the beginning of the column that the market is again at a crossroads. In the past whenever such a period occurred experienced traders stepped away from stocks. I see no reason why the same procedure shouldn't be followed now.

* * *

The British financial mess can easily be the excuse for either a rally or a decline. Let me explain. The fact that the British dollar balances were running low was no secret. The action by the British parliament, however, made page one news; the eventual solution will also make page one. If the market goes down from here, it will probably be blamed on the British. If it goes up, it will also say the same thing. I feel that the British crisis and its market significance has been long foreshadowed by the action of various stocks. If the solution is favorable to American industry that too will be anticipated by the market. Right now it doesn't look like anything, except lower prices.

* * *

Up to last week we held theoretical positions in Bethlehem and Big Steel with stops at 87 and 72 respectively. Steel got under the 72 figure and is now closed out. Buying point was 66. Bethlehem recomended at 83 has a stop at 87 which is still in effect. If it breaks that figure get out.

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.]

Preparedness for War Essential To Waging Peace

(Continued from page 12)

have our friends, but the oceans are no longer wide enough to protect us. The air spaces above us contain no natural barriers to the approach of the enemy. A B-29 can fly today from Tokyo to New York, and from Berlin to Washington. Tomorrow the range will be even longer. Rocket missiles of terrible destructiveness, guided by radio, can be directed against distant objectives.

Our Frontiers Are Worldwide

In such a world our frontiers are neither on our west coast nor on our east coast, neither on the Rhine nor at Pearl Harbor. Our frontiers are world-wide. In that kind of world we cannot dismiss any nation or any people as too distant or too insignificant to merit our attention and our careful consideration. We cannot dismiss any potential enemy, however distant from our shores. Lately we have concluded a terrible war against two enemies, Germany and Japan. Today a chasm of ideological and political differences, growing continually deeper, separates us from one of our allies in the recent war. Those differences threaten to divide the world into two opposing camps, if that has not already been done. I do not recall a single time in my memory in which the world has been beset with graver problems and with more tragic prospects. Detonators of a new world conflict can be seen wherever the eye turns: In Greece, in China, in Palestine, in India, in Trieste, and in Turkey. In such a situation we must waste no time. We must spare no effort in marshalling the resources of this nation for an all-out effort to entrench ourselves at every strongpoint we have. When I use the word "strongpoint," I do not use it only literally but figuratively also. I mean that we must enhance and protect our moral position in world affairs. I mean that we must be careful that all our actions and attitudes stem from devotion to principle and not from selfish desire for profit or national advantage. I mean that we must give every support to our national leadership in its conduct of foreign affairs. I mean that we must present to the world a picture of a united people, united in their determination to maintain peace and to protect justice.

We must show to the masses of the people of the world that we know that their welfare is inseparable from our own, and that our efforts today are not to secure more profits for Americans but peace and plenty for all mankind.

There have been expressions of fear by some foreign nations that we are today befriending our recent enemies in preference to our friends. I trust that this is not so. I certainly hope that we are not depending upon the Germans and the Japanese to be our principal allies in the months ahead. There are millions and hundreds of millions of our tried and true friends in France and Norway and China and in the Philippines, to name but a few, who would never be able to understand our granting preferential treatment to Germany and Japan, regardless of our special responsibilities in those occupied countries. The notion that we should place the welfare of Germans and Japanese above the welfare of those who were victimized by Germany and Japan is morally repugnant to the minds of men.

I have, as you know, but recently returned from almost two years in the Philippines. The 18 million people of that land are now engaged in a great effort to rebuild their country from the tragic ravishments of Japanese occupation. They would find it difficult to understand why the American Congress considers itself obligated to appropriate hundreds of millions of dollars annually to feed the Japanese while the Filipino soldiers, who aided so magnificently under the American flag to defeat the Japanese, are uncared for. The leadership of America in world affairs is readily acknowledged in the Philippines. There are in those islands 18 million friends and allies. They have, by right of common sacrifice, the first call on our sympathies and on our assistance. They are an American-type democracy. It is to our supreme interest to help them in every way we can to become a thriving and prosperous nation. By doing so we will earn more profit in the world than by any other single act I can think of.

Should Consider Aid to Allies

We can and should consider aid to our other allies. We should help them to help themselves to recover from the ravages, chaos, and unrest of war and to create conditions which will contribute to the elevation of the standard of living of all mankind. We should assist in this endeavor with all our practical capacity. We should not consider such assistance as charity. We should consider it, on the one hand, as peace insurance and, on the other, as part of our efforts for preparedness. If the time ever comes again, God forbid, that we must fight another war, America must be, as in the last conflict, the champion of mankind, the spokesman for freedom, the apostle of human rights.

Government and Business

(Continued from page 4)

largely with railroads, but it was later extended to apply to all corporations doing an interstate business, and resulted in the anti-trust laws which have been enacted and amended from time to time during the last 50 or 60 years.

Those who wrote this commerce clause of the Constitution were wiser than they knew. It is doubtful whether they visualized the creation of the great railroad systems of the country, because commerce was then largely conducted by sailboat, as the power of steam had not been discovered, but, due to the growing complexity of American life, this power of regulation has been extended far beyond railroads. It now includes busses, trucks, steamships, and every other mode of transportation across state lines. It includes telephone, telegraph, and wireless, because they are instruments of commerce. It includes the radio, which no state or city could regulate, and therefore must be regulated by the Federal Government if regulated at all, in order that there may be order rather than chaos in the transmission through the currents of the air of information, entertainment, and other uses to which this great invention has been put.

This regulation also applies to the issue of stocks and bonds of corporations engaging in interstate commerce, because they are instruments of commerce and they are sent across state lines and represent investment in the capital stock of these artificial organizations created by the state. This form of regulation became necessary in order that innocent people, who might wish to invest their money in these securities, might be protected, just as originally innocent communities and innocent businessmen and associations needed protection against the stronger and the more rapacious.

Thus we see that, as time has elapsed and our economic, social, and industrial life have become more complex and interdependent, the power of the Federal Government has, of necessity, been extended into those fields which cannot be adequately regulated by state or local governments.

The extension of this power is criticized frequently, and it may be that now and then it has been too great or too soon, but, on the whole, these extensions of Federal regulation over our business have come as the result of popular demand to be protected against the stronger or the selfish or the unscrupulous. I have no doubt that, as our social, economic, and industrial life shall become more and more complex, in the future there will be other occasions when the hand of the Federal Government will have to be applied to the correction of conditions which are either national, or which are so completely interstate, that they cannot be regulated or controlled by a state legislature or a city council.

Government and Business Should Cooperate

This situation makes it necessary that government and business shall cooperate. Congress has not indulged in these enactments through the mere whimsical or capricious desire to regulate something. This is true even in war, when the power of the Federal Government had to be extended far beyond anything ever previously contemplated, in order that we might mobilize our whole life to the winning of the war. People did not complain of these regulations so long as they felt they were necessary as war measures. Most of them have been eliminated; only those have been kept which are indispensable to the orderly process of post-war adjustments, and they will be released as soon as it is possible to do so without harm to the country.

I am not speaking particularly of temporary war-time regulations. Everybody understood them and everybody understands them now. Some of them may have been released too soon, but, whether that be true or not is past history and water over the dam. They are not likely to be reimposed in time of peace.

What I am speaking of generally, in regard to the relationship between government and business, is the gradual growth of that relationship over a long period of years, which became necessary on account of the form of our government.

This situation relates itself not only to our domestic economy but it relates itself also to our international affairs, and gives some color to our international policies.

We are all anxious to promote business, to promote employment to promote good wages, to promote fair profits to invested capital. We may have our local and our political differences about the means to accomplish this result, but, on the whole, all fair-minded Americans believe in full employment, adequate wages, reasonable profits, and fair working conditions. In other words, we believe in what we are pleased to call the free enterprise system.

Views on Free Enterprise

There may be differences also as to what this free enterprise system means, and in this field there are two well defined views. There is one group who believe that the free enterprise system means freedom to exploit the rest of the people, to use every means, fair or foul, to rise to the pinnacle of successful economic accomplishment. This group believes that whatever the government can do to protect them should be done, but that it should do nothing to protect those who are their victims. I am happy to believe that this group constitutes a decided minority of our people. I do not belong to it myself.

I believe in free enterprise, but I believe in the kind of free enterprise that enables every man and woman to be free, to pursue his lawful enterprises in such a manner as not to infringe upon the rights of others, no matter what those fields of activity may be, so long as they are legitimate. I believe that it is the duty of government to protect free enterprise in the sense that it is legitimate, in the sense that it encourages every man and woman to pursue what Jefferson called life, liberty, and happinss, without interference from others, as long as this pursuit does not itself infringe upon the rights of others. It is because of this duty and obligation of government that the anti-trust laws were enacted in the first instance and have been amended since. It is because of this conception of the duty of government that Congress created the Federal Trade Commission to hear and determine complaints of business, big and little and to keep unchoked the channels of commerce so that free enterprise might grow in an atmosphere of fair development.

The American people would not tolerate any retracing of our steps in this field, and, as long as we can use the agencies and the powers of government fairly to

protect all the people against what any small group would undertake to do to them, we cannot complain that free enterprise is being interfered with or stifled.

International Connotations

The question of government and business is not only domestic, but it has international connotations. A generation ago we fought in World War I. We spent $30 billion, and had not discharged the obligations we then incurred when World War II overtook us.

In this last war we spent $350 billion, which was our share of more than a thousand billion dollars expended by the Allied governments in order to defend democracy and liberty and self-government, in which alone free enterprise can exist. The fighting of this war ceased two years ago in Asia and more than two years ago in Europe. Notwithstanding all the efforts to bring about peace, no major peace treaty has yet been consummated, though some ground has been gained in the effort to adjust the problems which face mankind as a result of this great conflict.

One of the most serious problems that confronts our government and the American people today is the extent to which we may be justified in giving aid to other nations, in order that they may rise to their economic feet with a fair chance of stabilizing not only their economics but their politics as well. Hunger and want and distress and lack of employment are the foods upon which totalitarianism feeds. We know, because we have learned at bitter cost, that we cannot long prosper if the rest of the world is prostrate. We know also that our security cannot long be guaranteed if we are surrounded by totalitarian governments with totalitarian ideals which are the antithesis of free enterprise and all that it represents.

We have been generous in according aid to other nations. We have not done this purely as a matter of charity, though our warm-hearted emotions have undoubtedly contributed to the result. We would not want to be regarded as wholly selfish, but we do know that an intelligent self-interest must accompany our efforts in order to justify them before the American people.

The Marshall Plan

In his address at Harvard University, General Marshall, Secretary of State, suggested a program by which European nations would assemble and take stock of their own condition, ascertain what they might be able to do for themselves, and in the meantime we would take stock of our own resources to determine how much of the residuum we would be able to supply when the inventory is completed.

This process is now going on. It has been compelled to face the handicap of Russian opposition, which seems to have become a chronic characteristic of one of our strongest and most greatly appreciated Allies while the war was on. No one can predict with accuracy what the result of these conferences and these programs may be, but we do know that, if economic disorders and political chaos continue to exist or to increase in large portions of the world, we cannot escape the consequences any more that we escaped the consequences of the great depression of the early 1930's, or any more than we could escape the consequences of World War I or World War II.

Men and women must have food and raiment and shelter. They must have some sense of security. They must look with some degree of hope into the future. This cannot be accomplished without employment and without adequate pay, without houses in which to live, and without a market for the products of their labor, and they cannot obtain the dollars with which to purchase American goods, which we wish to sell to them, without selling some of their products to us. There is no other permanent or sound way by which to secure dollars on the part of other peoples.

We are now selling to other nations at the rate of about $17 billion per year in American goods, while we are purchasing only about $5 billion. This is a balance of trade in our favor which cannot be expected to last forever, and, when it begins to decline, which means that the ability of other nations to obtain American dollars will decline, there can be no doubt that the effect upon our own economic system in the United States will be immediately felt. This is where the international situation touches the relationship between government and business, and this is why it is utterly impossible to separate politics and economics in the true sense of both those terms, because one so surely depends upon the other that we have come to regard them as the twin factors in determining the world situation.

Every time we lose $3 billion worth of foreign markets for the goods of American labor, a million American workingmen are thrown out of employment. It is the business of government to help so adjust our international trade relations as to lessen the likelihood that such a falling off shall take place, but, on the contrary, it is the business of government not only in local communities which are affected, but it is the business of government internationally to make every honest and sincere effort to bring about the revival of production in every country and the exchange of products between all countries in such fair proportion as will give to the laboring men of the world an opportunity for employment and to the investors of the world an opportunity for fair return upon their investment. Business is not a charitable institution, as a rule. Men invest their money in business enterprises in order that they may reap profits. It is a business of government to see that these profits are not exorbitant, and to create conditions that may make for fairness in the enjoyment of profits and fairness in the cost of consumer products out of which profits are made.

Therefore, you see that business and government are not simply local; they are not simply statewide; they are not merey nationwide. They are world-wide and they carry with them, if properly exercised, the hopes of hundreds of millions of people, or, if abused, they carry with them the prospect of despair for all the world. Therefore, business and government ought to cooperate wherever possible to create and foster and maintain conditions under which free enterprise may have full play under law, and under a system of checks and balances by which neither government nor business can take undue or unfair advantage of the other.

You, who are emerging today into a business career, will find from your experience that these things which I have undertaken to say to you are increasingly true, and it will be your duty, as future businessmen or women or professional men or women or even political adherents of one system or another, to use your better training and your greater advantage that you have had during your course in this great institution to bring about a better understanding between business and government, and thereby advance the welfare and happiness of mankind here and throughout the world.

What's Wrong With Europe?

(Continued from first page)

vided for a minimum supply of food and clothes for everyone at prices which were maintained at low levels by government controls and subsidies. It also necessitated a stringent control of foreign exchange. All this made some sense during the War but it became more and more artificial and untenable thereafter; yet, it is still rigidly being maintained by a number of European countries, particularly England. What are the drawbacks of this system in peace-time?

(1) The disequilibrium between a grossly inflated purchasing power and an insufficient supply of goods becomes greater and greater; government controls must be intensified. Increased numbers of government officials are needed to maintain this artificial system which becomes increasingly cumbersome to the consumer. Instead of increasing the national output, this host of officials is busy with issuing, reassembling and controlling ration coupons.

(2) The disequilibrium between purchasing power and available supply of goods paralyses the initiative of the individual. This is particularly manifest in England where wages have risen much more than the prices of rationed goods maintained at an artificially low level by heavy government subsidies. There is little inducement for the worker (or, for that matter, the businessman) to work harder; his scant rations absorb only a part of his income but the goods he needs to supplement rations are not available; any further surplus of money is, therefore, of little use to him. This is apparently one of the reasons for the lagging production of the coalminers which is at the root of England's economic troubles.

(3) The scarcity of foreign exchange becomes increasingly worse; in spite of strict controls, more and more loopholes show up and the national currencies have large discounts in the black and gray markets; the stricter the controls and the greater the disparity between the supply of money and the supply of goods, the greater the depreciation of controlled currencies in the black and gray markets. *It is this internal disequilibrium which is at the source of the much discussed world shortage of dollars.* "Experience shows that an inflationary expansion of purchasing power at home acts as an attraction for imports and as a brake on exports, thus aggravating the disequilibrium in the balance of payments." (Bank for International Settlements.) In France, e.g. no foreign tourist sells dollars at the official rate which is unrealistic; everybody sells his dollars at the much higher rate of the Black Market. Thus, foreign exchange avoids the Bank of France and increases the hoards of private individuals.

(4) Increasing numbers of individuals lose their faith in the low official rates of exchange and try to accumulate gold or foreign currencies. This leads to fantastic situations. In France, e.g., the Bank of France saw its gold reserves dwindle from $2,614 million at the time of liberation to about $1,000 million at the end of 1946, in spite of the fact that the French Government borrowed abroad (mainly from our country) no less than $2,600 million. But at the same time, private individuals have hoarded enormous amounts of gold and dollars. No less an authority than the Bank for International Settlements estimates that private gold holding of French citizens have reached a figure of $3,400 million, nearly 3½ times as much as the gold reserves of the Bank of France and more than the amount the French Government borrowed abroad. It is, of course, illegal for private holders in France to buy gold, but the Government regulations are unable to combat the growing distrust of the individuals in "Statism." No country has enough policemen to enforce regulations which are considered unjustifed and untenable by a large group of the population. We ourselves saw that demonstrated during Prohibition and again last year when meat had disappeared from regular channels. Observers close to the French situation believe that the hoarding of gold by individuals would quickly cease if the government would succeed in restoring confidence; this happened once before in France after the last War when Poincare stopped inflation by eliminating the budget deficit and when he replaced "Statism" with reliance on the economic initiative and the self-interest of the individual.

Similarly paradoxical is the situation in Germany. It is widely recognized that the restoration of Germany's economy is one of the main conditions of Europe's recovery, and that this is the only way to end our (and England's) "reparations" to Germany. We see in Germany a regular vicious circle. Industrial recovery is severely retarded by shortage of raw materials and food. The farmers are fairly well supplied with food but they do not want to part with it for currency which has hardly any purchasing power. Thus, the industrial worker remains undernourished and undernourished workers cannot produce those industrial goods which might elicit from the farmers their surplus of food. No amount of regulations and controls can remedy this situation; economic facts are in the long run stronger than government regulations. Again, there are not enough policemen to enforce regulations which contradict economic laws.

Economic Freedom Stimulates Recovery

It appears characteristic that *those European countries which have made an energetic effort towards restoring economic freedom have made the greatest strides towards recovery.* Foremost among them is Belgium. Today, most goods are in good supply in Belgium and the Belgian currency shows only an insignificant discount in the free markets of Switzerland. The Bank for International Settlements (in its report published last month) reviewed the Belgian situation as follows:

"In Belgium, where relatively favorable conditions have enabled steps to be taken to put the budget in order and to keep the total volume of credits granted within tolerable limits (partly through raising interest rates), developments have shown that, given such a policy, many problems in the balance of payments tend to solve themselves; Belgium has, in fact, escaped serious tension in its exchange position and has been able progressively to grant more freedom of action. If a country is successful in establishing its credit position, which should be the natural result of a financial reconstruction, the reconstitution of monetary reserves is likely to be aided by a variety of movements, including a renewal of foreign commercial credits and a resumption of direct foreign investments, as well as a return from hoards of gold and foreign exchange retained by the country's own nationals. If, with the restoration of confidence, those movements set in, the country in question will obtain foreign means of payment through a multitude of relatively small rivulets, which is much sounder than being dependent on one or two major credit streams in the form of large international loans."

Even Italy, always one of the poorest nations of Europe and severely devastated by the War, has achieved a great measure of success by relaxing economic controls. To quote again the Bank for International Settlements: "There are a few countries—among them Italy — where, already in the winter of 1946-47, almost any commodity could be bought freely in the shops and the impress on given was one of a normal supply position. In those countries it was clearly advantageous, in every trade, to earn more money, and this no doubt spurred people on to greater efforts, such a state of affairs thus having its good side. . . . A balanced relation between the volume of purchasing power in its different forms and the current supply of goods and services will, because of the rise in prices, be more easily reestablished in these countries than in some others."

What Can We Do?

Our review of the European situation has shown that the hesitant recovery in a number of important countries is partly due to their own mistakes. "Statism" stifles the forces of economic recovery. It would be easy to say: why should we help those countries who are their own worst enemies? We cannot withdraw from Europe, for economic and political reasons. Nor can we force foreign countries jealous of their sovereignty to adopt our economic policy and principles. What we can do is to supplement our material help by a policy of persuasion and economic propaganda. *We must preach the evangelism of our economic system with the same fervor as Socialists and Communists do with regard to their own beliefs.* And we are fully justified in doing so. Our high standard of living, our abundance of all those goods which are so scarce in Europe, is not only due to our natural wealth; it is due to no lesser extent to a system stimulating everybody to the greatest economic effort. We must tell the European nations that we too have had our experience with "Statism." Only last year, meat had all but disappeared from our tables due to government intervention in the price mechanism which created an artificial disequilibrium between supply and demand similar to that existing now in many European countries.

The industrial revolution in England in the 17th and 18th century, the pacemaker for an era of unprecedented economic progress throughout the world, was not only caused by technical inventions; it was just as much stimulated by freeing the individual from economic ties which had held him enchained since the Middle Ages. It is now up to us to preach this sermon to European countries which have forgotten it. We cannot go on forever pouring our billions in credits and relief to Europe. Credits are useful only when they are being employed to restore and modernize the productive capacity of a country; but they are being wasted when "Statism" chokes the economic initiative and prevents workers and employers from applying all their energy to the task of economic recovery. To be sure, Europe cannot eliminate overnight the consequences of wartime inflation and devastation and do away with all economic controls at one stroke, but some countries have hardly made a beginning in this direction.

Apprehensions Over Taft-Hartley Act

(Continued from page 14)

both against the slowness of the governmental process. It cannot be maintained, furthermore, that either the notice and strike ballot provisions of the War Labor Disputes Act or the compulsory arbitration procedures of the War Labor Board were primary factors in reducing the incidence of strikes during the war to such a remarkable degree as was accomplished. The success of the Board was attributable to the fact that it was founded upon an agreement of labor and industry, the "no strike" pledge. The truth of this conclusion is shown by the fact that, almost immediately upon the cessation of the fighting, when the "no strike" pledge lost its effectiveness, the number of strike notices filed under the War Labor Disputes Act rose so sharply that more notices were received in the course of every week than had been received in any ordinary month while the pledge was being observed.

Compulsory arbitration is the antithesis of free collective bargaining. Labor and management are in complete agreement in their opposition to measures compelling arbitration. Both are aware that the existence of compulsory arbitration laws not only eliminates free collective bargaining in situations where the parties are genuinely at odds, but will frequently encourage one or both of the disputants to make only a pretense of bargaining in anticipation of a more favorable award from an arbitrator than would be realizable through their own efforts. The net result would be a weakening of free bargaining and an increasing reliance on the compulsory arbitration procedures, and it is obvious that with the growth of such an attitude, the use of conciliation and mediation procedures would decline concurrently. Conciliation and mediation are instruments of free collective bargaining, aids to the parties in arriving at voluntary and mutually acceptable settlements. Compulsory arbitration would discourage their use in the same degree that it would lessen the inclination to bargain freely in arriving at settlements in labor disputes.

Labor and management are virtually unanimous in opposition to compulsory arbitration. The C.I.O., A.F. of L. and the Railroad Brotherhoods, and the National Association of Manufacturers, the United States Chamber of Commerce, and the Committee for Economic Development, all have publicly expressed their opposition. Motivating them all is the conviction that compulsory arbitration would mean a significant extension of Government control into areas in which such control is disastrous. Management is justified in fearing that such extension may spread to include traditional management functions of supervision, prices and profits. Equally justifiable is labor's fear of a cutting down of the freedom of working people.

It is apparent therefore that if a free enterprise economy is to be preserved, the terms of employee-employer agreements should not be dictated by Government. This relationship is the most vital activity of an overwhelming majority of our adult population. Freedom to contract in the sense that parties are free to refrain from entering into contracts, even where public policy requires the setting of some of the terms, is essential to the preservation of a free society.

Conciliation Service Removed

The Taft-Hartley Act removes the United States Conciliation Service from the jurisdiction of the Department of Labor. On August 22 the Service becomes an independent agency under the title of Federal Mediation and Conciliation Service. Its director will be appointed by the President, with the advice and consent of the United States Senate. Heretofore the Director has been appointed by the Secretary of Labor.

Essentially, however, the Act provides for only minor changes in the functions of the Conciliation Service as now constituted. Under the Smith-Connally Act unions contemplating a strike were required to file a strike notice with the Conciliation Service thirty days before the effective date of the work-stoppage. Under the Taft-Hartley Act the Union, or the Employer, if changes in the terms of the contract are contemplated, must notify the opposite party 60 days before the contract expires. If an agreement has not been reached through collective bargaining in thirty days before expiration of the contract, then the Federal Mediation and Conciliation Service must be notified. Under procedures that have been followed by the Conciliation Service in the past, this 30-day notification that the parties have failed to reach an agreement will be regarded as a notice of intent to strike.

In disputes where interstate commerce is affected in only a minor degree, the new legislation provides that the Federal Mediation and Conciliation Service will not participate if there is a State or local mediation or conciliation service available. In disputes where commerce is not affected the Federal Mediation and Conciliation Service will not participate in negotiations toward a settlement.

Maybe you would like a few facts about the Conciliation Service. Conciliators of the Department of Labor—all of whom the Taft-Hartley Act provides shall be transferred to the new Federal Mediation and Conciliation Service — come from all economic groups of the country. As of January, 1947, an analysis of them showed that 22% had had management backgrounds, 34% had union backgrounds and 44% had professional or other experience before coming with the Service. The common element that all possessed is that they knew industrial relations — the third requisite of a good conciliator. Their training and experience had fortified them with a knowledge of labor-management problems.

In the fiscal year which ended June 30, 1946, and which covered the stringent period of conversion which followed V-J Day, the United States Conciliation Service was called upon for assistance in 16,434 cases, involving 8,289,000 workers. In those cases in which the Conciliation Service was asked to assist *before* the disputants reached the stage of deadlock, nine out of every ten were settled without a work-stoppage.

The same percentage of success attended the activity of Commissioners of Conciliation in the fiscal year which ended last June 30. In this year, as you know, there were few strikes involving large industries other than in bituminous coal. However, there were 14,422 cases in which a Conciliator was requested by one of the parties at dispute. A total of 6,158,683 employees were involved.

Strikes make the newspaper headlines. Bad news is good news for the newspaper in that it creates newspaper copy. The thousands of peaceful negotiations which transpired and which are reflected in the figures I have just cited, are not regarded as news and have not been headlined.

The impact of the strikes that have occurred has been such as to create the impression that a high percent of organized labor has gone on strike. There are many unions and employers who have lived peacefully together for years without a strike.

One of the most thorough studies of the subject of labor-management relations is found in the report of the Twentieth Century Fund, of which William H. Davis, former Chairman of the War Labor Board, was chairman. This report reads: "The fact of the matter is that our system of industrial production, of which we certainly are not ashamed, is now based on a broad foundation of successful collective bargaining. The failures of collective bargaining, relatively few, are news: the successes are volume production. There is probably much more to be learned from an adequate study of the causes of industrial peace than from any consideration of the causes of industrial war."

Those provisions of the Labor-Management Relations Act of 1947 which have received wide public attention are outside the Department of Labor. They are mainly within the jurisdiction of the National Labor Relations Board, to which the Act brings marked changes in procedures.

The Act gives two new functions to the Department of Labor, however. To perform one of them, the Department has set up an Office for the Registration of Labor Organizations. Until a national or a local union has complied with this regulation the NLRB is prohibited from taking action on questions involving representation, elections authorizing the union to seek union shop, and unfair labor practices charges at the request of the union. Data to be filed with the Office for the Registration of Labor Organizations includes: (1) the names of the organization and the address of its principal place of business; (2) names, titles and compensation and allowances of the three principal officers and other officers whose aggregate compensation and allowances for the preceding year exceeded $5,000; (3) the manner in which officers and agents were selected; (4) initiation fees charged new members; (5) amount of regular dues; and (6) detailed descriptions or reference to constitutional provisions which govern various union operating procedures. In addition, unions filing NLRB cases must show that they have filed with the Secretary a financial report, list of receipts and their sources, total assets and liabilities at the end of the preceding fiscal year, and disbursements and the purposes for which they were made. The union must also show that the financial report has been furnishd to all the members of the organization.

The second new function which the Labor-Management Relations Act assigns to the Department of Labor is . . . "for the guidance and information of interested representatives of employers, employees and the general public, the Bureau of Labor Statistics of the Department of Labor shall maintain a file of copies of all available collective bargaining agreements and other available agreements and actions thereunder settling or adjusting labor disputes. . . ."

I hope that in this discussion of the elements involved in the American free enterprise system, which involves the vital issue of genuine, democratic collective bargaining, I have explained our apprehension over new ventures into labor-management relations which might obstruct, delay, or even destroy the extremely solid foundation upon which the American industrial economy now is operating. It is because under those procedures we have astounded the world with our productive capacity in war and in peace that we are justifiably concerned with any new departures which might endanger all that we have accomplished and all that we hope to attain.

Holds 80th Congress Fulfilled Pledges on Economy and Labor

(Contitnued from page 3)

civilian employment where they are needed.

One of the first major accomplishments of the Republican Congress was to modernize our archaic legislative machinery through what was known as the Legislative Reorganization Act. Committees were consolidated, duplication lopped off and procedures established for more efficient lawmaking. This set us back a month in getting our legislative program under way.

We established a bi-partisan commission to recommend a similar plan for the Executive branch of the Government. This commission consists of 12 members, four appointed by the President, four by the President Pro Tempore of the Senate and four appointed by the Speaker of the House of Representatives. The commission is to report within ten days after the 81st Congress convenes in 1949—that is, after the next Presidential election.

The 80th Congress has made the biggest reduction in Presidential budget estimates since the budget system was established in 1923. We will continue our economy program during the next session of Congress and when the people in 1948 elect a Republican President, who will cooperate with a Republican Congress, we will finish the job.

Labor-Management Relations

Regarding the Taft-Hartley Bill, Mr. Halleck states:

We Republicans, in our pre-election statement of Principles, Policies and Objectives, said:

"We reaffirm our belief in the right of labor to organize and bargain collectively with employers as one of the cornerstones of competitive enterprise. The processes of such bargaining must be protected and strengthened if we are to have real jobs and prosperity for all.

"For that purpose we believe that governmental decision must not be substituted for free agreement, but governmental machinery to promote peaceful settlement of disputes should be improved.

"Demands of either side must be kept within the bounds of reason and fairness and both sides must recognize the rights of the general public.

"The desired end of bargaining between management and men is a contract. Once that contract is made, it should and must be equally binding upon both parties as to agreements made.

"Free collective bargaining and contracts resulting therefrom must not be nullified or destroyed by resort on either side to willful violence or unlawful destruction of property."

Those principles and policies are embodied in the Labor-Management Act passed by the 80th Congress. The people said they were sound when they elected the Republican Party to control the present Congress. We have enacted them into law in response to the will of the people.

For years, Congress had studied defects in our laws dealing with labor-management relations. In 1940, after searching investigation, the House of Representatives by a vote of more than 2 to 1 passed a bill amending in many important ways the National Labor Relations (Wagner) Act. New Dealers on the Senate Committee on Education and Labor kept that bill from coming to a vote.

Last year, Congress passed the Case bill, but the President vetoed that.

Again, this year, the Congress reviewed the problems arising out of our labor laws and the way government agencies administer them. It passed the so-called Taft-Hartley Act.

Yielding to pressure from politicians, left-wingers and labor barons who resisted every proposed change, however minor, and who made no constructive suggestions, the President vetoed the Act.

Congress passed the Act over the President's veto. Nearly four-fifths of all the members of Congress joined in voting to override the veto, whereas only a two-thirds majority in both branches of Congress was necessary to enact the measure, despite Mr. Truman's objections. In the final vote on the bill a majority of the participating Democrat members of Congress joined the well-nigh unanimous Republican membership in support of the measure.

The House of Representatives overrode the Presidential veto, 331 to 83, only one vote short of four to one. The Senate vote was 68 to 25, or six more than a two-thirds majority of the 93 who voted.

Voting in the House of Representatives to override the veto were 225 Republicans and 106 Democrats. Voting to sustain the veto were only 11 Republicans and 71 Democrats.

In the Senate the division by parties was: Republicans for overriding the veto, 48; Democrats, 20. In favor of sustainnig the veto were three Republicans and 22 Democrats.

Those who voted for it included members of unions, labor leaders, long-standing friends of labor. They, and all the others who voted for it did so because the Taft-Hartley Act preserves all the rights that the Wagner Act gave them, adds to these rights and assures to employees in exercising their rights greater protection than they had ever had before.

Unable by quoting the Act to prove it to be unfair, those who opposed the Act used extreme, extravagant and irresponsible epithets in attacking it, and tortured and distorted the language of the Act in an effort to make it seem to say things that it does not say.

The President adopted these epithets and distortions in vetoing the Act. Now, the truth is catching up with these misrepresentations, and workers are learning that the law is for their benefit. Far from purging Congressmen who voted for the Act, it seems probable that, when they learn the full truth about the Act, workers will purge the labor leaders who, by opposing it, sought to deprive them of benefits it provides.

In the Congressional Record of July 7, 1947 (page 3552A), I analyzed the provisions of the new labor law in detail. I shall refer here only to its more important clauses.

It preserves in the same language that appears in the Wagner Act, the rights of workers to organize and to bargain collectively, and just as the old Act did, it forbids employers to interfere with the employees, or to threaten or coerce them when they exercise these rights.

It forbids unions to beat up workers, or to threaten or coerce workers to force them into a union, or force them to choose one union when they wish to choose another.

It guarantees free speech to both employers and unions, allowing them to talk to workers as long as they do not threaten workers or try to bribe them to join or not to join a union.

It forbids employers and unions, by agreement between themselves, to force workers to join the union

and to pay dues to it unless the majority of the workers, by secret ballot, have voted in favor of the agreement, and even then it forbids depriving a man of his job by denying union membership to him as long as he is willing to pay initiation fees and dues.

It forbids employers to check off union dues unless the worker has voluntarily authorized the employer to do so.

When employers and unions establish funds for the welfare of workers and their families, it requires them to do so under arrangements that will make certain that the money will be used for these purposes and not for other purposes of the union leaders.

It requires unions and employers, when labor contracts come to an end, to negotiate for 60 days before engaging in a strike or lockout.

It forbids unions, by jurisdictional strikes and boycotts, to try to get control over employees who have not chosen the union as their bargaining agent, or who have chosen another union as their bargaining agent.

It requires unions, in order to be recognized as labor organizations under the Wagner Act, to tell their members how much money they take in, where they get it and what they spend it for, and to disclose what they pay their officers, how much they charge for dues, the grounds on which they suspend or expel members, and other matters that the members are entitled to know.

It exempts foremen and other supervisors from the provisions of the Wagner Act, and requires the Board to regard them as employers, not as employes.

It forbids the Labor Board, which administers the Wagner Act, to compel skilled workers to bargain through an industrial union when they wish to bargain through a craft union.

It requires unions, in order to be recognized as labor organizations under the Wagner Act, to file affidavits of their officers saying the officers are not Communists or fellow-travelers.

It forbids corporations to use stockholders' money for political purposes and forbids unions to use members' money for political purposes.

It makes unions subject to suits for damages, the same as corporations and other organizations, when they break their contracts or engage in unlawful activities.

It enables the President again to delay for a time strikes that imperil the public health or safety, as he did in the great coal strike early this year.

It makes the Conciliation Service an independent agency, directs it to try to prevent strikes (it cannot forbid strikes), and authorizes it to take a secret ballot of employees before a strike if the union is willing.

It requires unions, as well as employers, to bargain in good faith when employees choose the union as their bargaining agent.

It requires the Labor Board to use fair procedures and to render fair decisions, whether the cases involve charges against employers or charges against unions.

It sets up a Joint Committee of Congress to study labor-management relations. If defects in the law appear we will change the law. We will not stubbornly resist change as the New Dealers did for so long.

Now these are not unfair provisions. They are not drastic, oppressive or punitive. By their campaign of vilifying and abusing the new law, politicians and labor leaders who wish to control the working man, and to use him for their own selfish purposes, have persuaded some workers that the new law is bad.

But the fact remains that public opinion polls, both before and after Congress passed the Act, show that not only the public generally but also workers and even union members themselves overwhelmingly approve of the principal clauses of the Act.

The law is a good law. The law will not prevent all strikes, but if maladministration does not sabotage it, it will bring a greater measure of peace to the industrial scene than we have known for many years.

U. S. May Take Individual Action in Greece

(Continued from page 2)

plaint to the Security Council. We believe that with the American assistance now being made available, and with the assistance which other nations and international organizations may be able to provide in the future. Greece can solve her domestic difficulties, provided she is relieved from the constantly growing threat from the North. We further believe that this threat can be checked if it is firmly faced by the United Nations.

When the report of the Investigating Commission was first submitted to the Security Council, the United States thought that the measures proposed in its resolution of June 27 would prove adequate to reestablish order along the northern Greek frontier and that these measures were at the same time designed to offer maximum possibility of acceptance by the Council. They did in fact command the support of nine of the 11 members of the Council, clearly showing that our views were shared by nearly all of the governments represented. However, the implementation of those proposals was frustrated by the veto of the Soviet Union.

During the debate on the United States resolution, the situation along the Greek border grew worse rather than better. We believe that the evidence laid before the Council by the commission and the subsidiary group, taken in conjunction with the renewed request of the Greek Government and the continued defiance of the Security Council and its subsidiary group of Albania, Bulgaria and Yugoslavia, now more tha never obligates the Council to seek positive measures which would, if adopted, have a reasonable prospect of success.

Be believe that this course is required by the terms of the Charter, by common logic, and by the necessity for preserving the prestige of the Council. This government is firmly convinced that the standing of the Council before the world can never be maintained by avoiding the issues or by attempting to take measures which are obviously inadequate.

It is the conviction of the United States that each member of the Council has a duty in a case of this kind to act in accordance with the facts and in conformity with the high principles of the Charter. Each member must live up to the trust reposed in it by the United Nations. Each member must take a stand for what it conceives to be the right, in the interest of international justice and peace.

Even though the efforts of the majority of the Council should be blocked by the exercise of the veto, the United States does not consider that these efforts would thereby prove fruitless. On the contrary, a firm stand by the majority on this issue would demonstrate to the world the determination of nine of the 11 members of the Council to prevent aggression, whereas a failure by the Council to meet the issue squarely would be a signal to aggressors and potential aggressors that they could act with impunity, secure in the belief that their actions would be tacitly condoned.

Seeks Action by UN Assembly

We hope that the majority of the Council will join with us in seeking action under Chapter 7, not only for the fundamental reasons given above but also for the reason that a clear decision by the majority of the Council, even though frustrated by a veto, would provide a firm foundation for effective future action within the framework of the Charter.

It is our thought that should the Council, having done all in its power to cope with the situation, for the present at least, be unable to afford Greece the necessary protection, the problem must inevitably be carried to the General Assembly. If a substantial majority of the Council declares by its words and its votes that the three northern neighbors of Greece are guilty of acts of aggression against Greece and that, therefore, there exists in the Balkans a threat to the peace requiring action by the United Nations, this action by the majority will provide a powerful impetus for formal action by the Assembly.

The Government of the United States will not sit idly by while the territorial integrity and political independence of a member of the United Nations are challenged. We do not consider that our obligations or the obligations of the United Nations in this regard are ended merely because the Soviet Union sees fit to use her veto to block the passage of constructive proposals desired by nine out of 11 members of the Security Council which would have afforded Greece the protection the Charter guarantees to her, and would have helped to restore peaceful conditions in the Balkans.

It becomes all too clear that the veto is being used in defense of the aggressions of Yugoslavia, Albania and Bulgaria. Greece's right to exist is involved in this case. We wish to make it very clear that we shall not hesitate to exhaust every available means within the framework of the Charter of the United Nations to maintain international peace and provide Greece with whatever protection she may need in the future.

Will Take Individual Action

The continued failure of the Security Council to take effective action in this case because of the Soviet veto cannot, in the opinion of the United States Government, preclude individual or collective action by states willing to act, so long as they act in accordance with the general purposes and principles of the United Nations. This is particularly true when such individual or collective action is in support of a policy or course of action which has the approval of a clear preponderance of the permanent and non-permanent members of the Security Council.

In case of the blocking of Security Council action by a Soviet veto, we are confident that the General Assembly will exercise its powers to the limit for the protection of Greece. The United States for its part would be prepared to comply with any General Assembly recommendations for the solution of this problem. It would also be prepared to cooperate with like-minded members of the United Nations in taking any steps which might become necessary within the terms of the Assembly recommendations or within the provisions of the Charter to afford Greece the protection to which she is entitled under the Charter.

Offers Resolution

I propose for your consideration the following resolution:

"The Security Council, having considered the report of the Commission of Investigation established by resolution of the Council of Dec. 19, 1946, and having considered the information supplied by the subsidiary group of the Commission of Investigation and the oral and written statements made to the Council by Albania, Bulgaria, Greece and Yugoslavia;

"Finds that Albania, Bulgaria and Yugoslavia have given assistance and support to the guerrillas fighting against the Greek Government and have continued to do so subsequent to the period covered by the report of the Commission of Investigation;

"Determines that such assistance and support to the guerrillas by Albania, Bulgaria and Yugoslavia constitutes a threat to the peace within the meaning of Chapter VII of the Charter;

"Calls upon Albania, Bulgaria and Yugoslavia to cease and desist from rendering any further assistance or support in any form to the guerrillas fighting against the Greek Government;

"Directs the subsidiary group to report to the Security Council on the compliance of Albania, Bulgaria and Yugoslavia with this order;

"Calls upon Albania, Bulgaria and Yugoslavia to cooperate with Greece in the settlement of their disputes by peaceful means and to keep the Security Council informed of the progress of the settlement.

"The Security Council remains seized of the question and will take such further action in connection with the enforcement of its order and the settlement of the dispute as may from time to time be necessary."

Rails Need Higher Earnings to Avoid Bankruptcy

Railway Business Association issues booklet analyzing railroad earnings. Says average return on investment in last 25 years of about 2⅔% is only half of a reasonable rate and that general railroad insolvency will lead to Socialism.

Railroad earnings high enough to insure solvency of the industry offer the sole means of avoiding nationalization not only of railways but of all forms of transport, and perhaps other industries, the Railway Business Association warns. In a report by P. Harvey Middleton, its Executive Vice-President, entitled "Solvent Railways as a Bulwark Against Socialism." Support is given to the present effort of the railroads to achieve a 6% return on investment. During the past 25 years class I railroads have earned an average return of only about 3⅔%.

The Railway Business Association has been in existence nearly 40 years. It comprises firms manufacturing railway supplies and equipment. However, it operates in complete independence of the railroads and makes studies of transportation problems and policy in the public interest.

Harry A. Wheeler, President of the Association, said in a foreword to the report:

"Our American way of life through retention of the principle of private ownership will depend hereafter upon what Congress may do to assure the perpetuation of that principle in transportation.

"Shall we here in the United States escape what Britain is undergoing today in making transportation, public services, and other basic industries, government monopolies under a socialistic economy?

"If we do, it will be through a militant public sentiment demanding that Public Authority (Congress, Commissions, Courts) upon whom is conferred power to impose costs and fix rates, prices and procedures, shall, with diligent promptness, move to equalize the effects of these impositions.

"Public sentiment in the United States runs definitely, though passively, in favor of private ownership, but a militant minority always present is often stronger than a passive majority, because it concentrates its activites on a central objective in which, at least its leadership often has a selfish interest.

"A fair return which must be earned without guarantee, subsidy or gift, should be defined in terms of a percentage, following the precedent set in Section 15a of the Transportation Act of 1920, not only as a goal which the railroads might strive to attain, but also a more definite mandate to the regulatory authority than is found in the substitute language of Section 15a under the Emergency Transportation Act of 1933."

In his study, Mr. Middleton states:

"If American railways are forced into bankruptcy as a result of governmental policy which denies them adequate earning power, we shall be face to face with the danger of nationalization, not only of the railways but of all forms of transportation, because, as in England, once the government takes over the railways, it will very soon find it necessary to take over the common carriers on the highways, waterways and airways.

"It is not too much to say that the future of private enterprise in this country depends to a very great extent upon fair treatment of the railways," Mr. Middleton contends. "If they are to continue to serve the public efficiently, they must have a sustained earning power which will encourage investors to put their money into the business, confident of a satisfactory return."

With Shields & Co.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—John H. Gleissner has become associated with Shields & Co., 135 South La Salle Street, members of the New York Stock Exchange. Mr Gleissner in the past was with McKinney - Ohmart Company in Wichita.

Mark A. Means Now With Paul & Company, Inc.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Mark A. Means has become associated with Paul & Co., Inc., 433 Congress Street. Mr. Means was formerly with Nathan C. Fay & Co., and F. L. Putnam & Co.

Bond & Goodwin Adds

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—Stuart U. Rich has become affiliated with Bond & Goodwin Incorporated, 30 Federal Street.

At Chace, Whiteside Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Daniel B. Jones has joined the staff of Chace, Whiteside, Warren & Sears, Inc., 24 Federal Street.

Joins Waldron Staff

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF.—C. F. Gregersen has beeen added to the staff of Waldron and Company, De Young Building.

Coburn & Middlebrook

Special to THE FINANCIAL CHRONICLE

HARTFORD, CONN.—Howard C. Carter is with Coburn & Middlebrook, 37 Lewis Street.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y.
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. (8/26)
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.

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.

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.

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.

● **Brockway (Pa.) Glass Co., Inc. (8/19)**
Aug. 11 (letter of notification) 5,000 shares of 5% cumulative preferred (par $50). **Price**—$50. **Underwriters**—None. **Proceeds**—For additional working capital.

Brooklyn (N. Y.) Union Gas Co.
May 3, 1946 filed 70,000 shares of cumu. preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23, 1946, rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

California Oregon Power Co.
March 26 filed 60,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include: First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Harriman, Ripley & Co. (jointly). **Bids**—Bids for the purchase of the securities scheduled for May 20 and postponed to June 18 further delayed. It is reported company has abandoned sale of preferred for a construction credit and term loan of $9,000,000 which the company has negotiated with a group of banks.

● **Capital Transit Co., Washington**
Aug. 11 filed 120,000 shares ($100 par) common. **Underwriting** — No underwriting. **Offering** — The shares are being offered by Washington Railway & Electric Co. to its common stockholders at $20 a share in the ratio of two shares for each share held. The North American Co., holder of 50,197 of Washington Railway's outstanding 65,000 shares of common, will receive warrants to purchase 90,394 shares of the offering. It also will purchase any shares not acquired by other stockholders. **Proceeds**—Washington Railway will use proceeds to redeem $2,800,000 of bank loan notes. **Business**—Public utility.

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.

● **Church-Craft Pictures, Inc., St. Louis, Mo.**
Aug. 8 (letter of notification) 1,000 shares ($100 par) 5% cumulative preferred and 2,500 shares ($10 par) common. To be sold at par. No underwriting. For production of Bible films and slides.

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.

● **Commonwealth Investment Co., San Francisco**
Aug. 11 filed an unspecified amount of common capital stock. **Underwriter**—North American Securities Co., San Francisco, is the general distributor. **Price**—Based on market price. **Proceeds**—For investment. **Business**—Investment business.

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.

● **Consolidated Retail Stores, Inc., St. Louis**
Aug. 6 (letter of notification) 24,000 shares ($1 par) common. **Price**—$12.50 a share. No underwriting. Offering being made to executives and key employees of the company. For general corporate purposes.

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.

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 (8/14)
March 13 (letter of notification) 11,500 shares ($25 par) 5¼% cumulative convertible first preferred. Offered at $26 a share. **Underwriters**—Pacific Co. of California, Cruttenden & Co., Pacific Capital Corp., all of Los Angeles; Brush Slocumb & Co., San Francisco; and Adele W. Parker, Clearwater. To purchase 493 shares of capital stock of G. H. Cherry, Inc. out of a total of 625 such shares presently outstanding.

Drackett Co., Cincinnati
April 28 filed 14,300 ($1 par) common shares. **Underwriter**—Van Alstyne, Noel & Co. **Proceeds**—Stock is being sold by Harry R. Drackett, President (6,929 shares) and Charles M. Drackett, 7,371 shares). **Price** — By amendment.

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.

● **Eaton Metal Products Co., Denver, Colo.**
Aug. 5 (letter of notification) 2,500 shares ($100 par) 4½% cum. pref. **Price** — $100 a share. **Underwriter** — Kirkpatrick-Pettis Co., Omaha, Neb. To reduce bank loans and for additional working capital.

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.

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.

NEW ISSUE CALENDAR

(Showing probable date of offering)

August 14, 1947
Douglas Oil Co. of Calif.----------Preferred

August 15, 1947
Chicago Burlington & Quincy----------Cond. Sales Agreem'ts
Norman Nelson Corp.----------Capital Stock

August 18, 1947
Noranda Oil Corp.----------Common

August 19, 1947
Brockway (Pa.) Glass Co. Inc.----------Preferred
Plywood Inc.----------Common
Southern Pacific Co. Noon (EDT)----------Equip. Trust Ctfs.
U. S. Television Mfg. Corp.----------Preferred

August 20, 1947
General Portland Cement Co.----------Common

August 21, 1947
Plywood, Inc.----------Debentures
Welsbach Corp.----------Bonds

August 25, 1947
Hajoca Corp.----------Common

August 26, 1947
Arnold, Hoffman & Co., Inc.----------Common
Libby, McNeill & Libby----------Debentures

August 27, 1947
Potomac Electric Power Co.----------Preferred

September 2, 1947
Florida Ramie Products Inc.----------Class A Common

September 11, 1947
Stevens Safety Grip Inc.----------Common

September 15, 1947
Revere Racing Association, Inc.----------Common

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.

● **Fleming-Hall Tobacco Co., Inc., New York**
Aug. 7 (letter of notification) 3,000 shares of ($1 par) common on behalf of Charles Bennet, Secretary of the company. To be sold at market. Underwriter to be supplied by supplemental letter.

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 Rami Products, Inc., N. Y. (9/25)
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 (8/20)
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.

● **Great Western Biscuit Co., Los Angeles**
Aug. 11 filed 249,972 shares ($1 par) capital stock. **Underwriter** — Fewel & Co., Los Angeles. **Offering** — Shares will be offered to stockholders at $2 a share in the ratio of one new share for each two now held. Unsubscribed shares will be offered publicly at $2 a share. The underwriters will receive a commission of 25 cents a share. **Proceeds**—For business expansion and to reduce short term indebtedness. **Business**—Baking business.

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.

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.

● **Hershfield (Harry A.), Inc., Albuquerque, N. M.**
Aug. 4 (letter of notification) $300,000 common. **Price**—10 cents a share. May sell through dealers in New York state. For drilling three test wells and for general corporate purposes.

● **Holan (J. H.) Corp., Cleveland**
Aug. 1 (letter of notification) 50,000 shares ($1 par) common. **Price**—$2.25 a share. **Underwriter**—Cunningham & Co., Cleveland. For completion of company's plant and for acquisition of machinery and equipment. Any balance will be added to working capital.

Hooker Electrochemical Co.
June 26 filed 110,000 shares (no par) cumulative preferred, series A. **Underwriting**—Smith, Barney & Co., New York. **Price**—By amendment. **Proceeds**—To redeem outstanding shares of $4.25 cumulative no par preferred at $104 a share and for construction expenditures. Offering indefinitely postponed.

Illinois Power Co., Decatur, Ill.
June 17, 1946 filed 200,000 shares ($50 par) cumu. preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

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. An amended application may be filed in near future.

● **Iowa Public Service Co.**
Aug. 6 filed $3,500,000 of 1st mtge. bonds, due 1977, and 109,866 shs. ($15 par) common. **Underwriters** — To be determined by competitive bidding for the sale of the bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Blythe & Co., Inc. (jointly). The common will be offered to the company's stockholders at the rate of one new share for each five held. **Proceeds**—For construction and expansion of system.

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.
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 (8/26)
Aug. 11 (by amendment) $15,000,000 20-year sinking fund debentures. **Underwriter**—Glore, Forgan & Co. **Proceeds** will be used to retire $6,450,000 of outstanding debentures and to increase working capital. [On April 30, last, company filed an issue of 100,000 shares of preferred stock. This plan was abandoned because of unsatisfactory market conditions.]

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.

● **Morgan Engineering Co., Inc., Maple Shade, N. J.**
Aug. 7 (letter of notification) 200 shares of preferred (par $100) and 100 shares of common (no par). **Price**—$100 per unit consisting of two preferred shares and one common share. No underwriting. Development of certain original machines and enlargement of present business.

Morris Plan Corp. of America, N. Y.
Mar. 31 filed $3,000,000 debentures. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—To retire outstanding bank loans.

National 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.

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(Continued from page 35)

● **New Sutherland Divide Mining Co., San Francisco**
Aug. 7 (letter of notification) 241,324 shares (10¢ par) common. **Price**—10 cents a share. No underwriting. To retire bank loan and for completion of mill and plant.

● **Nilic Agency Co., Fort Collins, Colo.**
Aug. 4 (letter of notification) 14,000 shares ($1 par) common and 14,000 shares ($10 par) preferred. **Price**—$100 per unit, consisting of 7 shares each of common and preferred or $93 for seven shares of preferred. **Underwriting**—Vollie Gholson Brown, Fort Collins, Colo. To purchase stock of National Industrial Insurance Co. and to develop and expand a sales agency.

Noranda Oil Corp., Perth Amboy, N. J. (8/18)
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.

● **Norman Nelson Corp., New York (8/15)**
Aug. 8 (letter of notification) 25,000 shares of capital stock (par $10). **Price**—$1 per share. Total includes 11,150 shares for which offer of recission will be made. No underwriting. For purchase of machinery, equipment, working capital, etc.

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.

● **Pacific Finance Corp. of California, Los Angeles**
Aug. 11 filed 150,000 shares ($10 par) common. **Underwriter**—The First Boston Corp., New York. **Price**—By amendment. **Proceeds**—For working capital. **Business**—Financing and insurance business.

Plywood Inc., Detroit (8/19-21)
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 for Aug. 21.

Potomac Electric Power Co. (8-27)
July 10 filed 140,000 shares ($50 par) preferred, entitled to cumulative dividends. **Underwriter**—Dillon, Read & Co. Inc. **Offering**—Stock is offered in exchange for outstanding 6% preferred series of 1925 and 5½% preferred series of 1927, in the ratio of two shares of new preferred for each old preferred share, plus cash adjustments. Exchange privilege expires Aug. 26. Shares of new preferred not issued in the exchange will be sold to underwriters. **Proceeds**—Refinancing the old preferred at a lower dividend rate.

● **Production Aids Inc., North Hollywood, Calif.**
Aug. 7 (letter of notification) 25,000 shares ($5 par) preferred; 25,000 shares ($1 par) common, and 25,000 shares ($1 par) common for conversion of preferred. **Price**—$6 per unit, consisting of one share of preferred and one share of common. No underwriting. For additional working capital.

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.

● **Puerto Rico Gold Placer Corp., San Juan, Puerto Rico.**
Aug. 6 (letter of notification) 2,000 shares of common. **Price**—$20 a share. No underwriting. To purchase equipment to begin operations.

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.

● **Reserve Insurance Co., Chicago**
Aug. 6 (letter of notification) 30,000 shares ($5 par) common. **Price**—$10 a share. **Underwriting**—Ray T. Haas, Chicago. To augment existing capital and surplus of company.

Revere Racing Association, Inc. (9/15)
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.

● **Rural Transformer & Equipment Co., Milwaukee, Wis.**
Aug. 8 (letter of notification) 1,000 shares (no par) $5 cumulative preferred and 10,000 shares (no par) common. **Price**—$97 a preferred share and $1 a common share limited to 3,000 shares. The remaining 7,000 shares of common will be issued to five executives for services rendered. No underwriting. For organization of business.

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.

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.

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.

● **Stevens Safety Grip, Inc., Lackawanna, N. Y. (9/11)**
Aug. 11 (letter of notification) 1,000 shares of common (voting) stock (no par). **Price**—$1.50 per share. **Underwriters**—None. Of the 1,000 shares, 670 are to be issued to Adolf K. Stevens for an assignment to company of all his rights in and a certain patent to an automobile tire chain. Operate business to manufacture and sell automobile tire chains.

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.

● **Trusteed Funds, Inc., Boston**
Aug. 7 filed Commonwealth Fund Indenture of Trust Plans A and B of which The National Rockland Bank of Boston is trustee: 4,400 Plans A; 4,700 Plans B, and 3,500,000 Theoretical units. **Underwriting** — The trustee has a sponsor-underwriter contract with Trusteed Funds, Inc., Boston. **Price**—Based on market price. **Proceeds**—For investment. **Business**—Investment business.

United States Television Mfg. Corp. (8/19)
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.

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.

Vauze Dufault Mines, Ltd., Toronto, Canada
Mar. 31 filed 500,000 shares ($1 par) common. **Underwriter**—Name to be filed by amendment. **Price**—50 cents a share. **Proceeds**—For general operating expenses.

Weber Showcase & Fixture Co., Inc.
Mar. 31 filed 108,763 shares ($5 par) common. **Underwriters**—Blair & Co., Inc. and Wm. R. Staats Co. **Offering**—Shares will be offered for subscription to Weber's common stockholders. Certain shareholders have waived subscription rights. **Proceeds**—To retire preferred stock and to reduce bank loans. Reported July 16 that the present plans will be entirely changed.

Welsbach Corp., Philadelphia (8/21)
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.

● **Whiting Industries, Inc., Washington, D. C.**
Aug. 7 (letter of notification) 30,000 shares of preferred and 5,000 shares of common. **Price**—$10 per unit. To be sold through selling agents. For expansion purposes.

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.

● **York Mining Co., Albuquerque, N. M.**
Aug. 8 (letter of notification) 300,000 shares ($1 par) Class A common. **Price**—$1 a share. No underwriting at this time. For mine exploration, equipment and operating capital.

Prospective Offerings

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.

● **Chicago, St. Paul, Minneapolis & Omaha Ry.**
Company has applied to the ICC for authority to issue $1,560,000 equipment trust certificates (second equipment trust of 1947). Certificates are to be dated Oct. 1, 1947 and mature $156,000 each Oct. 1, 1948-57. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Cluett, Peabody & Co., Inc.**
Sept. 19 stockholders will vote on authorizing 150,000 shares of second preferred stock (par $100) of which it is planned to offer 112,974 shares to common stockholders in ratio of one preferred share for each six common shares held. Goldman, Sachs & Co. and Lehman Brothers are expected to head the underwriting group. Proceeds will be used for additional working capital.

● **Duke Power Co.**
Aug. 7 North Carolina Utilities Commission authorized company to issue $40,000,000 first and refunding mortgage bonds and 252,512 common shares. Duke Foundation will purchase $30,000,000 of the bonds and Metropolitan Life Insurance Co. $10,000,000. Stock not sold by certification will be purchased by the Duke Foundation.

● **Florida Power & Light Co.**
Aug. 11 reported American Power & Light Co. (parent) plans sale of holdings of common stock. Probable bidders include: Dillon, Read & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; Lehman Brothers.

● **Monogahela Power Co.**
Aug. 11 company asked the SEC for authority to issue and sell competitively $7,000,000 30-year first mortgage bonds and 40,000 shares ($100 par) cumulative preferred stock. Probable bidders include W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers; Harriman Ripley & Co. and Lazard Freres & Co. (jointly) (bonds only); Glore, Forgan & Co. (bonds only); Halsey Stuart & Co. Inc. (bonds only).

● **Pacific Telephone & Telegraph Co.**
Aug. 8 company applied to the California P. U. Commission for authority to sell $100,000,000 40-year debentures on a competitive basis. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. The proceeds will be used to repay advances from the American Telephone & Telegraph Co. and help meet plant construction expenditures. Registration with SEC expected about Sept. 20 with bids due Oct. 21.

● **Pasco Mining Corp. Ltd., Montreal, Quebec, Canada**
Aug. 8 filed 333,333 shares of common, nominal value of $1. **Underwriter**—Mercer Hicks & Co., New York. **Price**—30 cents a share, Canadian funds. The underwriter receives a discount of 7½ cents a share, Canadian funds. **Proceeds**—For exploration of mining property.

● **San Diego Gas & Electric Co.**
Aug. 11 reported possible sale of 300,000 common shares to finance proposed construction program. Blyth & Co., Inc. and Dean Witter & Co. may be underwriters.

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.

● **Texas Company**
Aug. 8 directors authorized preparation of a registration statement to be submitted to SEC covering the offering to stockholders of an unspecified number of capital stock in September. The number of shares, the date and the price will be decided later.

Our Reporter's Report

Aside from a few municipal deals the investor had little in the way of new fare offered to him this week. In fact the period was considered likely to go down as the dullest in several years as not a single corporate offering of consequence came to market.

But rather than being viewed as symptomatic of any serious change in the general market picture, the dearth of new offerings was regarded generally as a reflection of seasonal influences and was accepted as the customary mid-Summer dull spot.

Certainly at the rate at which new registrations are being filed with the Securities and Exchange Commission, September promises to be productive of a liberal outpouring of new corporate issues. That is, of course, provided the seasoned market does not come a cropper in the interval.

The largest new issue now in prospect, that is for the purpose of raising new capital, is the $100,000,000 of new debentures, with 40-years maturity, projected by the Pacific Telephone & Telegraph Co.

This undertaking is now before the California Public Utilities Commission and has not yet been placed in registration with the SEC. It is designed to raise funds to repay advances by American Telephone & Telegraph and for financing new construction. SEC registration is expected in time to permit opening of bids about Sept. 20 next.

Chicago Traction Bonds

The huge banking group which agreed, conditionally, to undertake marketing of the Chicago Traction Authority's $105,000,000 transit bonds, is making progress with its task, according to reports in the trade.

The Authority failed to receive a single bid when the issue went up for tenders last week, but this group, nationwide in scope, subsequently made its offer which was accepted.

Latest reports indicate that about $40,000,000 of the bonds have been subscribed. Under the terms set down by the syndicate, it must find buyers for $84,000,000 of the total by Sept. 12 which, of course, is a long way off. When that objective is accomplished the group will take down the balance of the issue.

Success Assured

Current indications are that the United Gas Corp., refinancing plan is assured of success if it obtains clearance from the SEC as now expected.

This undertaking has been in the works, off and on, for a couple of years, but now appears destined for completion. It involves the placement of a total of $116,500,000 of new securities in the form of first mortgage bonds carrying a 2¾% coupon.

In investment circles the story has it that institutional investors have signified their intentions of subscribing in volume which indicates that the entire issue has been spoken for.

Turning From Preferreds

Considering the cool reception which has greeted several recent attempts to market preferred stock issues via the competitive bidding route it is not surprising to find some companies turning to debentures as a means of raising needed new capital.

Libby, McNeill & Libby, packers, several months ago projected a program for raising $10,000,000 through the sale of new preferred stock. But because of market conditions the plan never was carried out.

The company now has filed for an issue of $15,000,000 of new debentures as a means of retiring $6,450,000 of outstanding debentures and obtaining new capital funds.

Duquesne Light Plans

Another large refinancing came into prospect this week with action by the Securities and Exchange Commission setting Aug. 22 next, as date for hearing on plans of the Duquesne Light Company.

That firm seeks authority to sell through competitive bidding, $75,000,000 of new first mortgage bonds. It proposes that the proceeds from the new issue be applied to the redemption of an outstanding issue of first mortgage 3½% bonds, due to mature June 1, 1965.

Two More Utilities

Consumers Power Co. has tentatively set September 12 as the date when it will advertise for bids for its proposed new issue of $25,000,000 of first mortgage bonds. This would mean bids would be opened around September 22.

Meanwhile the Securities and Exchange Commission has allowed American & Foreign Power Co., Inc. exemption from competitive bidding in the projected sale of $35,000,000 of 3½% sinking fund debentures due 1968.

The sale is part of the company's reorganization plan and would provide funds for the retirement of outstanding debentures.

Business Looks Ahead

(Continued from page 4)

historical decisions of our epoch and, what is more to the point, a direct responsibility in shaping those decisions.

In the grim drama of this postwar period, when a tragically broken world must somehow be made whole again. American economic genius plays the star role. It is not a role of our choosing. On the contrary, most of us look back in a kind of nostalgia to simpler times when we could ignore the larger world problems. Many of us would like to wrap ourselves in the oceans that used to shelter us in the past.

False Accusation of Imperialism

The noisy propaganda which paints America as grasping and "imperialist" is not only false but absurd. There is probably no example in all history of a country which has been so reluctant to exploit the opportunities of its dominant position and economic advantages; or so anxious to share them with other nations.

Consider the haste with which we dismantled our military establishment after the enemy capitulated. Consider the offhand way in which we surrendered to Soviet Russia control of critical areas like Eastern Europe and Northern China. What better proof that we do not seek and do not relish the star role in the world drama! It has been imposed on us by Destiny. Slowly and often grudgingly we assume its burdens—not in a spirit of expansion but in an awareness of inescapable duty.

Unless this country provides—amply and in good time—the food, the goods, the machines, the medicines, the technical skills and the organizing talents for worldwide reconstruction, the whole edifice of our civilization may crash about our ears. Unless we generate the material power and the moral stamina to buttress what remains of a free world, the forces of destruction and human slavery will surely overwhelm this planet.

The business man knows that American economic vitality turned the scales of victory in the war, and he knows that American productivity must turn the scales for world peace and prosperity. Viewed in this light, the responsibility of business management looms tremendous. It is not too much to say that business, as the prime mover in American economy, holds the fate of mankind in its strong hands.

Never before in modern history has the world been so dependent on a single nation as it is today dependent on the United States—and that means all of us.

U. S. Is Reservoir of Economic And Moral Vitality

In a time of universal chaos and distress, America represents the one great reservoir of economic and moral vitality. In a period when familiar patterns of life and thought are dissolving in confusion, we stand as the one fixed center of stability. With totalitarian doctrines spreading their poisonous influence in ever widening circles, only America has the antidotes to that contagion.

We note these truths not in pride but in humility. The hopes of the world are focussed on a productive and prosperous America. But by the same token, American prosperity cannot endure except in a world at peace that shares in that productivity. Two terrible wars in one generation have taught us that the nations and continents of this globe, whether they like it or not, are inter-dependent. For a little while one segment may flourish while the rest are sunk in hunger and despair, but not for long. In the end they must prosper together or together slide into the abyss of economic chaos where wars and revolutions breed.

America has been generous beyond any other nation on record in extending gifts and loans to peoples groggy from the bloodletting of a global war. It has not been deterred by the political malice which misrepresented our generosity and sometimes even sought to turn it against us. Whatever certain anti-democratic regimes may profess, the simple men, women and children over whom they tyrannize do not misunderstand the humane spirit in which our bounty has been flowing across the two oceans.

But we know that nations, like individuals, can be weakened and corrupted by hand-outs. Charity is an exceedingly flimsy foundation on which to base reconstruction. Besides, even the fabulous wealth of these United States is not inexhaustible. We shall be serving neither ourselves nor the encircling world if we deplete our resources beyond the point of safety; if we presume to carry weights beyond our strength; if we make commitments that may impair our own economic health.

End International Economic Paralysis

The real task—and this is where the practical common sense of our business community must assert itself—is to end economic paralysis in as many nations as are willing to collaborate in a program of mutual help. From this point forward we must see to it that our gifts and loans are, in the best sense of the world, an investment in world prosperity. We must make sure that they are used to restore shattered industries; to make raw materials available to all who have need of them; to draw vast food-raising areas back into full production.

The nations of western Europe, under our prodding, have finally got down to the essential job of mapping plans for recovery predicted not merely on American help but on maximum self-help. This is a move in the right direction. American business can only applaud the effort and extend its assurances of unlimited cooperation.

It had been hoped, of course, that the entire European continent and even Russia, extending across Asia to the Pacific, would be covered by this program. That this has proved impossible is no fault of ours. The historical record is crystal clear on that score. The clique of willful men that dictates from the Kremlin to nearly a quarter of the human race evidently prefers to go it alone. Without doubt it will activate its Fifth Columns everywhere to throw monkey-wrenches into the machinery of recovery.

I believe that this Soviet decision will be rated by history as the greatest single crime of totalitarianism, in a class with the Berlin-Moscow Pact which touched off a global war. It is a crime whose principal victims are the teeming populations under the Kremlin's dominion.

Tragic as this may be, it also has its compensations. In the measure that it ends lingering illusions about real collaboration with the totalitarian sector, it will help bring clarity into the whole picture. When the shock of the Soviet refusal to join in peaceful reconstruction wears off, a sense of relief and a heightened spirit of dedication will follow.

Made Soviet Controlled Region's Self-Quarantine Effective

I believe we shall be well advised to discount the area behind the Iron Curtain, while making it clear beyond danger of misunderstanding that we shall not permit the Curtain to be pushed deeper into the living flesh of Europe or Asia. We have no alternative but to treat the Soviet-controlled regions as self-quarantined and, by the same logic, to make the quarantine total and effective.

The remaining three-quarters of humankind, once their economic health is even partially restored, have little to fear. With relative prosperity will come self-confidence and revival of faith in the standards and the moral code by which Western civilization has lived and thrived. Together they possess the manpower, the natural resources, the technical forces, to guarantee production and pros-

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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. 17	93.2	94.9	91.5	90.3
Equivalent to—					
Steel ingots and castings produced (net tons)	Aug. 17	1,630,900	1,660,700	1,601,200	1,591,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Aug. 2	5,087,600	5,083,650	5,065,200	4,881,400
Crude runs to stills—daily average (bbls.)	Aug. 2	5,271,000	5,162,000	5,109,000	4,836,000
Gasoline output (bbls.)	Aug. 2	16,517,000	16,142,000	15,759,000	15,156,000
Kerosine output (bbls.)	Aug. 2	2,043,000	1,884,000	1,963,000	1,872,000
Gas oil and distillate fuel oil output (bbls.)	Aug. 2	6,004,000	5,703,000	5,659,000	5,514,000
Residual fuel oil output (bbls.)	Aug. 2	8,582,000	8,738,000	8,485,000	8,120,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 2	85,645,000	85,812,000	89,674,000	87,217,000
Kerosine (bbls.) at	Aug. 2	17,665,000	16,807,000	14,857,000	16,490,000
Gas oil and distillate fuel oil (bbls.) at	Aug. 2	48,329,000	47,097,000	43,000,000	45,797,000
Residual fuel oil (bbls.) at	Aug. 2	53,107,000	52,497,000	49,151,000	50,561,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 2	921,591	919,928	629,204	898,391
Revenue freight rec'd from connections (number of cars)	Aug. 2	694,195	694,618	585,452	717,329
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	Aug. 7	$109,768,000	$100,834,000	$76,690,000	$119,633,000
Private construction	Aug. 7	47,943,000	66,216,000	30,070,000	68,815,000
Public construction	Aug. 7	61,825,000	34,618,000	48,620,000	50,818,000
State and municipal	Aug. 7	45,245,000	25,840,000	34,887,000	43,727,000
Federal	Aug. 7	16,580,000	8,778,000	13,733,000	7,091,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 2	11,550,000	11,800,000	*1,946,000	12,310,000
Pennsylvania anthracite (tons)	Aug. 2	1,126,000	1,117,000	98,000	1,212,000
Beehive coke (tons)	Aug. 2	131,300	*123,600	10,600	117,400
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 2	219	*213	208	217
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 9	4,874,172	4,805,740	4,530,533	4,411,717
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Aug. 7	60	69	49	27
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 5	3.17956c	3.16613c	2.87118c	2.70711c
Pig iron (per gross ton)	Aug. 5	$36.38	$36.38	$33.43	$28.13
Scrap steel (per gross ton)	Aug. 5	$41.75	$40.83	$35.58	$19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 6	21.225c	21.225c	‡	14.150c
Export refinery at	Aug. 6	21.250c	21.100c	21.425c	15.925c
Straits tin (New York) at	Aug. 6	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	Aug. 6	15.000c	15.000c	15.000c	8.250c
Lead (St. Louis) at	Aug. 6	14.800c	14.800c	14.800c	8.100c
Zinc (East St. Louis) at	Aug. 6	10.500c	10.500c	10.500c	8.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Aug. 12	122.05	122.02	121.70	123.52
Average corporate	Aug. 12	117.20	117.20	117.00	118.40
Aaa	Aug. 12	122.09	121.88	122.09	122.92
Aa	Aug. 12	120.22	120.22	120.22	120.63
A	Aug. 12	117.00	116.80	116.61	118.20
Baa	Aug. 12	110.15	110.15	109.79	112.56
Railroad Group	Aug. 12	112.56	112.37	112.00	115.24
Public Utilities Group	Aug. 12	118.60	118.60	118.60	119.00
Industrials Group	Aug. 12	120.63	120.63	120.63	121.46
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Aug. 12	1.54	1.54	1.57	1.51
Average corporate	Aug. 12	2.79	2.79	2.80	2.73
Aaa	Aug. 12	2.55	2.56	2.55	2.51
Aa	Aug. 12	2.64	2.64	2.64	2.62
A	Aug. 12	2.80	2.81	2.82	2.74
Baa	Aug. 12	3.16	3.16	3.18	3.03
Railroad Group	Aug. 12	3.03	3.04	3.06	2.89
Public Utilities Group	Aug. 12	2.72	2.72	2.72	2.70
Industrials Group	Aug. 12	2.62	2.62	2.62	2.58
MOODY'S COMMODITY INDEX	Aug. 12	425.1	417.5	412.3	349.9
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	Aug. 9	222.0	223.9	221.1	181.5
Fats and oils	Aug. 9	187.8	195.1	212.2	226.7
Farm products	Aug. 9	259.0	258.2	255.4	219.0
Cotton	Aug. 9	344.4	344.4	362.5	339.2
Grains	Aug. 9	257.2	250.5	253.1	208.7
Livestock	Aug. 9	249.9	250.7	242.1	205.2
Fuels	Aug. 9	180.1	180.1	178.6	151.5
Miscellaneous commodities	Aug. 9	165.8	167.7	159.9	147.8
Textiles	Aug. 9	220.5	220.7	221.6	204.2
Metals	Aug. 9	158.8	*158.4	149.8	124.1
Building materials	Aug. 9	221.3	216.1	184.9	177.4
Chemical and drugs	Aug. 9	149.8	*149.8	*151.6	127.5
Fertilizer materials	Aug. 9	129.8	129.6	127.9	121.4
Fertilizers	Aug. 9	135.0	135.0	134.6	119.7
Farm machinery	Aug. 9	127.1	127.1	126.6	115.1
All groups combined	Aug. 9	206.4	206.7	201.1	173.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 2	206.732	163,539	187,739	215,730
Production (tons)	Aug. 2	173,527	176,856	137,207	167,192
Percentage of activity	Aug. 2	99	99	78	98
Unfilled orders (tons) at	Aug. 2	494,554	458,672	517,713	620,354
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Aug. 8	141.3	141.2	143.0	137.2
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	Aug. 2	151.3	150.6	148.0	125.0
Farm products	Aug. 2	180.8	182.0	179.5	156.5
Foods	Aug. 2	168.0	167.1	164.6	142.3
Hides and leather products	Aug. 2	174.5	173.6	171.7	143.0
Textile products	Aug. 2	139.0	138.6	138.4	110.8
Fuel and lighting materials	Aug. 2	109.7	108.9	105.1	92.5
Metal and metal products	Aug. 2	146.1	143.6	141.6	113.1
Building materials	Aug. 2	176.6	174.8	175.2	132.0
Chemicals and allied products	Aug. 2	116.9	177.9	121.5	98.1
Housefurnishing goods	Aug. 2	131.4	131.3	131.0	113.0
Miscellaneous commodities	Aug. 2	116.8	116.4	115.4	101.6
Special groups—					
Raw materials	Aug. 2	165.6	166.0	162.6	140.6
Semi-manufactured articles	Aug. 2	147.2	145.3	142.5	109.0
Manufactured products	Aug. 2	146.0	145.0	142.8	120.6
All commodities other than farm products	Aug. 2	144.8	143.7	141.2	118.1
All commodities other than farm products and foods	Aug. 2	134.7	133.7	132.1	109.2

*Revised figure. ‡No market previous quotation 21.225c.

AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of July	6,572,185	*6,968,665	6,618,683
Shipments of steel products, including alloy and stainless (net tons)—Month of June	5,263,711	5,442,343	3,687,509
AMERICAN PETROLEUM INSTITUTE—Month of May:			
Total domestic production (bbls. of 42 gallons each)	166,416,000	160,031,000	157,863,000
Domestic crude oil output (bbls.)	156,024,000	149,228,000	148,334,000
Natural gasoline output (bbls.)	10,342,000	10,753,000	9,379,000
Benzol output (bbls.)	50,000	50,000	150,000
Crude oil imports (bbls.)	8,703,000	7,276,000	7,508,000
Refined products imports (bbls.)	5,625,000	5,913,000	4,667,000
Indicated consumption—domestic and export (bbls.)	172,944,000	*171,184,000	165,599,000
Increase or decrease—all stocks (bbls.)	†7,800,000	*†2,036,000	†4,439,000
AMERICAN ZINC INSTITUTE, INC.—Month of July:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	69,128	70,990	59,014
Shipments (tons of 2,000 lbs.)	59,737	63,527	69,220
Stock at end of period (tons)	183,718	174,327	229,747
Unfilled orders at end of period (tons)	44,955	46,029	39,083
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS RECORD—Month of July:			
Total U. S. Construction	$524,238,000	$517,175,000	$512,330,000
Private Construction	253,321,000	251,909,000	236,734,000
Public Construction	270,917,000	265,266,000	275,596,000
State and Municipal	194,180,000	159,445,000	140,047,000
Federal	76,737,000	105,821,000	135,549,000
COAL OUTPUT (BUREAU OF MINES)—			
Bituminous coal and lignite (net tons)—Month of July	39,690,000	47,800,000	*51,350,000
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—Month of May:			
Estimated number of production workers in manufacturing industries—			
All manufacturing	12,343,000	12,524,000	11,433,000
Durable goods	6,428,000	6,527,000	5,740,000
Nondurable goods	5,915,000	5,997,000	5,693,000
Employment indexes—			
All manufacturing	150.7	152.9	139.6
Durable goods	178.0	180.8	159.0
Nondurable goods	129.1	130.9	124.3
Payroll indexes—			
All manufacturing	312.1	310.7	253.5
Durable goods	353.6	349.9	275.1
Nondurable goods	271.6	272.3	232.3
Estimate number of employees in manufacturing industries—			
All manufacturing	15,230,000	15,429,000	14,159,000
Durable goods	7,780,000	7,892,000	7,035,000
Nondurable goods	7,450,000	7,537,000	7,124,000
LUMBER (OFFICE OF THE HOUSING EXPEDITER)—Month of May:			
U. S. production (thousand board feet)	3,209,265	3,106,491	3,131,588
Mill and concentration yard lumber stock at end of May (thousand board feet)	4,842,139	4,591,457	Not Avail.
Eastern softwoods (thousand board feet	1,913,042	1,849,572	Not Avail.
Hardwoods (thousand board feet)	1,407,852	1,360,573	Not Avail.
Western softwoods (thousand board feet)	1,521,265	1,381,312	Not Avail.
MAGNESUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of June:			
Shipments (in pounds)	290,000	420,000	554,000
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE)—Month of June:			
Shipments (short tons)	78,524	75,478	61,650
For sale (short tons)	45,291	42,294	35,468
For producers' own use (short tons)	33,233	33,184	26,182
Orders booked, less cancellations, for sale short tons)	31,972	28,996	39,388
Unfilled orders, end of month, for sale (short tons)	248,798	262,117	275,845
MECHANICAL STOKERS (DEPT. OF COMMERCE)—Month of June:—			
Factory sales (number of stockers)	6,121	5,451	14,202
METAL OUTPUT (BUREAU OF MINES)—Month of June:			
Mine production of recoverable metals in the U. S.—			
Gold (in fine ounces)	171,620	*154,973	‡125,296
Silver (in fine ounces)	2,747,221	*2,796,645	‡1,814,853
MONEY IN CIRCULATION—TREASURY DEPT.—As of June 30	$28,297,227,423	$28,260,701,224	$28,244,997,112
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of July:			
Industrials (125)	4.8	5.0	3.5
Railroads (25)	6.7	7.3	5.2
Utilities (25)	5.1	5.1	3.9
Banks (15)	4.4	4.6	3.7
Insurance (10)	3.5	3.5	3.2
Average yield (200)	4.9	5.1	3.7
PAPER AND PAPERBOARD (DEPT. OF COMMERCE—Month of June:			
Paper output by 653 mills (tons of 2000 pounds)	1,729,087	*1,835,620	1,594,580
Paperboard output by 241 mills (tons of 2000 pounds)	716,171	*765,549	666,838
Wet machine board output by 26 mills (tons of 2000 pounds)	10,133	*10,832	9,701
Building board output by 41 mills (tons of 2000 pounds)	119,620	127,733	98,095
Mill receipts of pulpwood by 216 mills (cords of 128 cu. ft.)	1,695,650	1,464,938	Not Avail.
Softwood—194 mills (in cords)	1,483,962	1,289,556	Not Avail.
Hardwood—97 mills (in cords)	211,688	175,382	Not Avail.
RETAIL FOOD PRICE INDEX IN LARGE CITIES—U. S. DEPT. OF LABOR—1935-1939=100—As of May 15:			
All foods	190.5	187.6	145.6
Cereals and bakery products	154.6	154.2	122.1
Meats	216.9	203.9	134.0
Beef and veal	216.4	197.1	121.2
Pork	213.6	204.2	114.3
Lamb	226.7	209.6	139.0
Chickens	182.3	179.6	162.8
Fish, fresh and canned	254.7	255.1	219.7
Dairy products	171.5	171.5	147.8
Eggs	183.0	178.9	147.1
Fruits and vegetables	205.0	207.0	183.5
Fresh	208.0	209.5	196.7
Canned	169.7	172.3	127.5
Dried	262.6	268.1	172.5
Beverages	181.3	188.9	125.4
Fats and oils	188.3	200.5	126.4
Sugar and sweets	179.7	179.3	136.2

*Revised figure. ‡Monthly average in year 1946.

Business Looks Ahead

(Continued from page 37)

perity far above the pre-war levels.

With so large a part of the world's people and natural riches cut off through the arbitrary choice of the Moscow oligarchs, however, we dare not allow industrial and food-raising potentials elsewhere to lie fallow. The economic possibilities of former enemy countries, especially Germany and Japan, must not be plowed under. Economic common sense rather than a narrow spirit of vegeance must guide our policies. Either we shall turn the German and Japanese potentials to wholesome uses in replenishing the physical and moral forces of the globe, or we shall create pauper nations as a perpetual drain on our own strength. There are no other alternatives.

This effort at recovery and progress is perhaps the greatest and most dramatic undertaking in all the long story of man's adventure on earth. In many respects it is an even more exciting challenge to man's indomitable spirit than the war. We must bring to it the same earnestness, the same sense of unity, that we brought to the winning of the war. There will be obstructions and disappointments and setbacks. But in the end the effort must and will succeed, because the alternative would be universal catastrophe and atomic obliteration.

I wish I had it within my powers to convey to you my own awareness of the urgency of this moment. What we as business men do or fail to do, the courage and the wisdom and the generosity we bring to the job of world reconstruction, may well fix the course of events for generations to come.

Cannot Afford to Temporize

The tempo of history has been stepped up. Developments which in the past took decades to unfold, now mature in years or even months. That is why we cannot afford to postpone, to temporize, to rely on muddling through. We must determine what we want, how we propose to get it—and then work at it without reserve or fumbling.

Fortunately we Americans do know pretty much what we want. It is a free, stable, prosperous country as the bulwark of a free and increasingly prosperous world. The ravings of Muscovite propaganda to the contrary notwithstanding, we desire nothing we are not prepared to share with decent, cooperative neighbors.

Everyone recognizes that continuing American prosperity is the indispensable condition for stability and peace. We need only imagine a serious breakdown in our economy at home to realize that the last hope for world reconstruction—and therefore also the last hope for world peace—would fade out.

No one knows this better than Moscow and its ubiquitous agents in our midst. That is why they watch so eagerly for every sign of recession and report it with so much glee as a proof of imminent depression. It is no secret that the Kremlin's strategy of delay, obstruction and prolonged chaos is based on a conviction that another major capitalist collapse is around the corner. They're stalling for time so that they may be ready to pick up the pieces when the smash-up comes.

We do not share their conviction, of course. The forecasts of doom which we heard as the war ended have not come true. There has been a lot of inevitable confusion in the change-over from war to peace. But there has been none of the prophesied mass unemployment. We have achieved that mystic figure of 60 million jobs, and this without resorting to the straitjacket of larger government controls.

America today enjoys the largest national income, the greatest outpouring of production, any country has known in time of peace. Our food and our goods have been flowing overseas in unprecedented peacetime volume. A notable beginning has been made in equalizing the equilibrium between business management and organized labor.

Some Measure of Optimism

The Chamber, which I have the privilege of heading, looks upon the prospect before us with a large measure of optimism. There are continuous difficulties of adjustment; and always there will be panic-mongers to blow these up into portents of recession and even depression. But the good sense of our people will prevail. The scare talk will not stampede them into a failure of nerve.

Optimism, however, is not enough. It must be backed by an earnest determination to work hard and to provide the essential conditions for increasing productivity. We must promote the mood of give-and-take, of group collaboration, which is at the heart of America's economic genius.

Let's not take the temptingly easy road of foisting the responsibility for conditions—and the blame when things go awry—on labor or on government. The responsibility rests in largest measure on business management. It no longer has an alibi for inaction because it today enjoys a prestige and a degree of authority greater than at any time in recent years.

We must manage our huge debt intelligently to hold in check the forces of inflation. We must trim the cost of government, and reduce the size of government, without endangering our military vigor. The business community has taken the lead in proposing reformation of the structure of labor legislation. For that very reason it must bend backward to avoid misuse or distortion of the new laws.

Once the emotions evoked by the recent legislative struggle have subsided, labor will come to recognize that its fears have been exaggerated. Voluntary collective bargaining remains the basic technique for regulating employee-management relations. It will be more fruitful now that a closer approach to equality under the law has been guaranteed; now that the sanctity of contracts, accepted in all other departments of American life, will have more chance of observance in the field of employee relations. The whole national economy should be benefited by curbing violence and monopoly powers in this field and the employee, whether organized or unorganized, will share in these benefits.

Your National Chamber of Commerce looks for a greater volume and diversity of construction, which we all know is one of the sturdiest pillars of an economy like ours. The good sense of business must therefore make itself manifest in not impeding the residential types of construction. The American family, in the final analysis, is the unit of our society, in the same sense as the biological cell is the unit of the human body. The welfare of the family must take precedence over all else, and a decent home is the first essential in that connection.

Failure to Relieve Tax Burden

The failure to ease the tax burden which has retarded American private enterprise is a negative item in the inventory of recent national developments. But in that domain, too, counsels of common sense undoubtedly will prevail. Already there has been a significant change in public attitudes on this issue. The American people are beginning to grasp the simple truth that in penalizing enterprise, in holding down the birthrate of new job-giving businesses, we are killing the goose that lays the golden eggs of prosperity. The United States Chamber regards the correction of the tax structure as one of its most important immediate objectives, and in this, I am sure, it reflects the sentiment of local chambers, of trade associations, of enlightened employee groups.

For 15 years now adventure capital, which is the life-blood of American economy, has flowed sluggishly if at all. The channels of investment and enterprise have been blocked by punitive, unwise tax barriers. The time is ripe not simply to reduce these barriers to productivity but to overhaul the whole complex of tax laws from top to bottom. The guiding purpose in this revision and rationalization must be the maximum encouragement of enterprise, risk invention, competition.

The eyes and the hopes of all mankind are today centered on America, Our democratic capitalism, having passed the test of war, is demonstrating its vitality in the test of peace. Even the peoples fenced off by totalitarian dictators, despite the propaganda of their rulers, do not succumb to total despair as long as the beacon-lights of American political freedom and economic abundance burn brightly.

Your responsibility and mine, in this hour of universal crisis, is to make sure that those lights do not grow dim. The plans for recovery now being started in Enrope will have no meaning but futility if the vitality of America to which they will be geared should fail them. We must keep our America strong, unified productive — for ourselves, for the world, for unborn generations. This is a big assignment for business as a whole, but it is well within our capacity if each one of us accepts it as a personal assignment.

2 With Kennedy-Peterson

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — Irving E. Newton and Charles E. Selover, Jr. have become associated with Kennedy-Peterson, Inc., 75 Pearl Street.

With Wm. S. Beeken Co.

Special to THE FINANCIAL CHRONICLE

WEST PALM BEACH, FLA.—Gilbert R. Sparks, Jr. is with Wm. S. Beeken Co., Guaranty Building.

Sees Higher Prices Leading to Recession

Arthur J. Morris, founder of Morris Plan banks, urges public to reduce buying and warns dealers against liberal extension of consumer credits.

At Virginia Beach, Va., on Aug. 12, Arthur J. Morris, originator of the Morris Plan system of banking, and well known in the field of consumer credits, predicted that unless prices are held down and consumers reduce buying, the nation is headed for a major recession. Mr. Morris said that "this country's economic supremacy is predicated on mass production which, in turn, is dependent on mass consumption which, in turn, is dependent on mass credit. These three conditions are interlocked and essentially coordinated. One must be in order that the other may be. And with these conditions dependent on each other, this country cannot maintain successfully its present economy with continued high prices for everything. This continuation of high prices for food and other necessities, and for merchandise, motor cars and other items with the public of America are used to enjoying, has positively threatened mass consumption. Any impairment of mass consumption is bound to reduce mass production, and when mass production is impaired unemployment follows. The mass buying power of the public is then paralyzed.

Arthur J. Morris

"In my opinion there is only one of two ways to correct this growing evil of high prices: The orderly way is for united effort on the part of the American public to stop buying anything that is not absolutely essential. If the American people will unite and stop buying and thereby reduce demand, prices will fall. As high prices fall, more people will buy and mass production will be stimulated, and with the stimulation of mass production, continued prosperity is insured.

"The only other way to stop high prices is by a disorderly major recession. In my opinion, if we do not employ the orderly method, the disorderly method of a major recession lies ahead of us some time after Christmas and early in 1948.

"I might add that after Regulation 'W' is over November 1, it will be a terrible mistake on the part of lenders who extend consumer facilities if they do not watch their lending conditions so as to avoid unreasonable credits and the abuse of consumer credit. The proper extension of consumer credit is essential to continued prosperity, and while I definitely favor the elimination of Regulation 'W,' which was purely a war measure, I urge conservative departure from the former regulations requiring 33⅓% down payment. The minimum down payment should not be below to 20% to 25% and the maximum terms should be 24 months."

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

The Marshall plan for divvying American dollars is splintering under political and economic axes—at home and abroad. Evidence accumulates that President Truman cannot reasonably hope for agreement in Congress, or within his own party for that matter, cannot even count on harmonious support from his own staff unless he cracks the whip.

Remember: State Secretary Marshall remains a military man accustomed to snapping orders and having them obeyed without demur or obvious reluctance. He can't—and won't—step out of character over night. That means friction with other Cabinet officers with equal authority who don't have to toe the line for Marshall unless the President tells them to. He may do that; hasn't yet.

* * *

Washington got a hint of more to come when Mr. Marshall and Treasury Secretary Snyder contradicted each other to the press. The Secretary of State made headlines by blandly assuring a press conference the Administration could alter the British loan agreement without consulting Congress. He apparently didn't know or care that at the same time only a stone's throw away Treasury Secretary Snyder was assuring reporters the contemplated retailoring of the agreement must be OK'd by the lawmakers. Who's right?

* * *

What is the Marshall plan in terms of American dollars? That's anybody's guess right now, but the State Department is supposed to know—and tell Congress—in a month or two. Actually, the diplomats now know that because of the rapidity with which conditions abroad are changing they'll never be able to project for the Senate and House any concrete formula. You can safely bet American foreign aid will continue to be piecemeal. And Congress doesn't like that.

* * *

If you run across what you regard as State Department propaganda to "sell" the Marshall plan to the public, notify the House Expenditures Committee. A subcommittee has excavated an old law prohibiting expenditure of Federal funds to influence legislation is flourishing it at Secretary Marshall; says the Department can't finance propaganda, in the same breath admits diplomats are free to express their opinions. The subcommittee is staging a purely political sideshow—and not a very convincing performance at that.

* * *

There's Washington agreement on this conclusion—our reciprocal trade program is deteriorating. Reasons are two: (1) foreign nations claim they can't, are refusing to grant concessions, (2) Congress next year will renounce this one-sided reciprocity and counter with modifications of our trade law.

* * *

It's now proposed to have the SEC back in Washington by Thanksgiving. Two buildings occupied by WAA have been earmarked for SEC. Approximately 640 out of 900 employees in Philadelphia are expected to return.

* * *

Savings of the public held by insured savings and loan associations are mounting at an increasing rate. During the first half of this year such funds increased by $563,000,000. This contrasted with increases of $555,000,000 in the first six months of 1946 and $453,000,000 in the corresponding 1945 period.

* * *

President Truman's veto of the bill authorizing premium payments on marginal mining of copper, lead, zinc, and manganese, amazed some Federal agencies—jolted others. Commerce Department had already staffed an office to administer the plan, was drafting regulations when the veto message hit the press. The bill had been nudged through Congress just before adjournment without apparent threat of veto.

* * *

Stockpiling hopes—already at low ebb—vanished with the veto of the premium payment plan. Actually, defense stockpiles of copper and lead long ago dwindled to nothing. Federal buyers have been unable to clutch any of the metals because of short supply, have been wishing continuation of the premium payments plus an anticipated slight recession in demand might yield at least small reserve heaps. Now, they're unhappy.

* * *

Don't be surprised if wine prices dip. Confronted with the likelihood that grapes and raisins will be in great surplus this year, Agriculture Secretary Anderson rules there'll be no price support for those crops. That means fewer grapes will go into raisins, more into wines.

* * *

Meat packers are to be out-of-pocket $11,000,000 or more annually through substitution of a fee system for free Federal inspection. Congress last session laid down the law that hereafter packers should pay for meat inspection—just as banks pay for Federal examinations. Concerning this innovation, the Agricultural Department says officials . . . "regard the economic ramifications bearing on the point as exceedingly complex and not accurately predictable." Draw your own conclusion of what that means.

* * *

Contrary to predictions, the volume of GI insured mortgages hasn't shriveled since Congress ended RFC buying of such paper. The July total approximated the June level. In late June, RFC had been purchasing such mortgages from lenders at a $1,500,000 daily rate and the prophets were predicting termination of this secondary market would dry up lending. It hasn't.

* * *

Corporate profits of security and commodity brokers, dealers, and exchanges, before Federal and State corporate income and excess profits tax liability, fell from $147,000,000 in 1929 to a $7,000,000 loss in 1946, according to a Commerce Department study. The total reached a low of a $140,000,000 loss in 1930, thereafter rose to the 1946 figure. Profits after taxes shrank from $105,000,000 in 1929 to a $22,000,000 loss in 1946.

* * *

Corporate profits of the banking industry expanded from $699,000,000 in 1929 to $1,153,000,000 in 1946 before taxes. They reached a $58,000,000 low in 1933. Such profits after taxes totaled $633,000,000 in 1929 and $879,000,000 in 1946.

* * *

Government policy makers are still fretting over the continued rise of farm land prices, would like to head it off promptly, have persuaded the American Bankers Association to cooperate by drafting a message to all members urging conservatism in farm loans. On July 1 the farm land value index was within 5% of the 1920 boom peak.

* * *

Here's another facet of the farm inflation worth watching. When farm income and farm land values finally collapse, the farmer will find himself saddled with a vastly inflated land tax burden. In 1946 the per acre farm real estate tax increased more than in any year since 1920, percentagewise, just about duplicated the gain in land values. At 222% of their 1909-13 average, per acre taxes were the highest since 1931.

Here's a remark by a Treasury Department clerk which pretty aptly measures the pressure for higher gold prices. . . . "If I had a dime for every letter I've handled urging a change in the gold price I'd be a millionaire."

* * *

For 75 cents you can now buy a 109-page bibliography and index listing 2,500 reports of research on wartime technical problems sponsored by the Office of Scientific Research and Development between 1941 and 1945. The index will greatly facilitate access to the documents by businessmen, technicians and scientists. Requests should be forwarded to the Office of Technical Services, Commerce Department, Washington.

* * *

Federal Power Commission has ruled that redevelopment of an existing power project does not entitle the developer to a new license. That's important, subjects the entire project to the 50-year recapture clause of the original license. It means in effect that if a project is redeveloped 48 years after the original license, the entire plant is subject to Federal acquisition two years later. You can be sure Congress will peer into this whole recapture deal next session.

* * *

If you're interested in financing canned foods, better consult a report just released by the Office of Domestic Commerce that the overall supply of 12 major canned fruits and vegetables for the 1947-48 season will probably be slightly less than that of a year ago. The report outlines the current situation as it affects major groups and major individual products, as well as the export outlook.

How to Get Production!

"We all hoped the loan would last us . . . well into 1949, possibly into 1950, by which time there was a reasonable chance that we should have redeployed our economy and be in sight of equilibrium. As things have turned out, it is now certain that that loan will be exhausted before the end of the year. . . .

Clement Attlee

"Meanwhile, it is incumbent upon us to spare no efforts to remedy your own position and to make sure that we are in a position to make the fullest contribution we can to our own recovery and to that of the world. . . .

"First, we shall apply ourselves to the further development of our resources at home. . . .

"Secondly, we must increase our total output so as to stand on our own legs as soon as possible and we will press on with plans to expand our production in the colonial Empire. . . .

"Definite targets are being set for basic industries.

* * *

"We shall have to ask, or, if necessary, issue directions to firms to insure that their capacity is used to produce not those goods which will produce the highest profit but those which are most needed in the interest of the national economy.

"We shall have to take some measure of control over the employment of labor.

"During the war we had to use full powers of direction of labor. It has been the desire of the government and the country to move as quickly as possible toward restoration of freedom of individuals to undertake the kind of work that they prefer.

"As things have turned out, we have perhaps moved too far and too fast in this direction. We propose to reimpose the control over the engagement of labor which was almost universal during the war but has since been removed except in coal mining, building and agriculture."—Prime Minister Attlee.

Have the British people reached the point where they are fully productive only when under the lash of a totalitarian government? We doubt it.

Redemption of Bonds Of Dutch Banks Operating in U. S.

Amsterdam advices (Aneta), Aug. 8, appearing in the New York "Times," stated that the Northwestern and Pacific Mortgage Bank and the Second Northwestern and Pacific Mortgage Bank of Amsterdam on that day announced the redemption at par of all outstanding mortgage bonds of both banks by Sept. 19. The advices went on to say:

"The redemption concerns mortgage bonds with 4, 4½, 5 and 6% interest rates in terms of guilders and 6% in terms of United States dollars.

"The Northwestern and Pacific Bank simultaneously announced the issue of mortgage bonds of a total value of $1,340,000 at 3½% and the Second Northwestern and Pacific Mortgage Bank, the issue of $640,000 of mortgage bonds at 3½% at par with preference to the holders of the bonds which are being redeemed.

"The organization is one of a group of mortgage institutions with corporate seats in the Netherlands but operating abroad, mostly in the United States and Canada, ultimate liquidation of which was ordered by the Netherlands Bank on March 27."